

**XIV. FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2000**

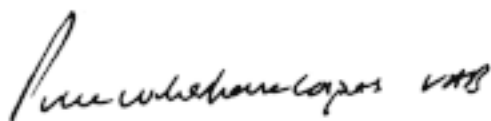
PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers UAB
T.Ševčenkos 21
P.O. Box 620
LT-2009 Vilnius
Telephone +370 (2) 392300
Facsimile +370 (2) 392301
E-mail: vilnius@lt.pwcglobal.com

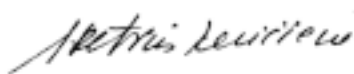
AUDITOR'S REPORT

TO THE SEIMAS OF THE REPUBLIC OF LITHUANIA

1. We have audited the accompanying balance sheet of the Bank of Lithuania ("the Bank") as at 31 December 2000 and the related statements of income and movements in capital and reserves 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.
2. We conducted our audit in accordance with International Standards on Auditing as issued by the International Federation of Accountants. 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.
3. In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2000 and of the results of its operations for the year then ended in accordance with the Law on the Bank of Lithuania and the accounting principles adopted by the Bank of Lithuania.



PricewaterhouseCoopers UAB



Irena Petruškevičienė
Lithuanian certified auditor
Audit permit No. 119

Vilnius, Republic of Lithuania
30 March 2001

Profit and Loss Statement of the Bank of Lithuania

LTL million

	Notes	2000	1999
Interest income	1	309.78	276.85
On foreign activities		309.13	272.76
On domestic activities		0.65	4.09
Interest expenses	2	(72.73)	(59.09)
On foreign activities		(28.99)	(25.83)
On domestic activities		(43.74)	(33.26)
Net interest income		237.05	217.76
On foreign activities		280.14	246.93
On domestic activities		(43.09)	(29.17)
Dividends on shares	10	0.90	0.99
Other income	3	9.88	10.87
Operational, administrative and asset maintenance expenses		(91.18)	(90.22)
Wages and salaries		(29.87)	(31.65)
Social security expenses		(9.33)	(8.41)
Operational expenses on foreign activities		(0.53)	(0.48)
Expenses on money production and circulation		(15.58)	(13.96)
Administrative and asset maintenance expenses	4	(29.69)	(21.39)
Tax expenses		(6.18)	(14.33)
Gain (loss) on revaluation of assets and liabilities	5	(29.26)	(48.36)
Specific provision expenses	6	(2.08)	(17.96)
Extraordinary gain	7	0.89	0.85
Profit		126.20	73.93

Approved on 29 March 2001 by Resolution No. 45 of the Board of the Bank of Lithuania.

Chairman of the Board



Reinoldijus Šarkinas

Balance Sheet of the Bank of Lithuania

LTL million

	Notes	31 December 2000	31 December 1999
ASSETS			
Foreign assets		5,374.97	4,968.13
Gold	8	188.40	188.40
Investments and deposits in foreign currencies	9	5,186.57	4,779.73
Shares	10	13.24	13.24
Domestic assets		269.84	269.17
Cash		0.16	0.23
Accounts in resident banks		0.04	0.22
Loans	11	26.40	35.01
Fixed assets	12	165.57	171.51
Other assets	13	77.67	62.20
Total assets		5,658.05	5,250.54
LIABILITIES			
Banknotes and coins in circulation	14	2,907.87	2,974.62
Foreign liabilities		313.41	363.21
Accounts and loans of the International Monetary Fund (IMF)	15	312.68	362.23
Accounts of non-residents		0.73	0.98
Domestic liabilities		1,845.52	1,441.10
Liabilities to financial institutions	16	1,037.17	1,111.87
Liabilities to Government institutions	17	789.99	304.59
Other domestic liabilities	18	18.36	24.64
Subsidies	19	29.42	31.28
CAPITAL AND RESERVES		561.83	440.33
Capital (authorised and reserve)		222.67	185.71
Reserves		212.96	180.69
Profit for the year		126.20	73.93
Total liabilities, capital and reserves		5,658.05	5,250.54

Approved on 29 March 2001 by Resolution No. 45 of the Board of the Bank of Lithuania.

Chairman of the Board



Reinoldijus Šarkinas

Movements of Capital and Reserves of the Bank of Lithuania

LTL million

	Authorised capital	Reserve capital	General reserve	Revaluation reserves	Profit	Total
Balance as at 31 December 1998	46.02	71.48	173.82	74.57	128.47	494.36
Change in the value of investments	–	–	–	(41.51)	–	(41.51)
Effect of changes in exchange rates	–	–	–	(26.19)	–	(26.19)
Total changes	–	–	–	(67.70)	–	(67.70)
Profit for the year 1999	–	–	–	–	73.93	73.93
Profit for the year 1998 transferred to the state budget	–	–	–	–	(60.26)	(60.26)
Profit for the year 1998 transferred to the capital	3.98	64.23	–	–	(68.21)	–
Balance as at 31 December 1999	50.00	135.71	173.82	6.87	73.93	440.33
Change in the value of investments	–	–	–	32.27	–	32.27
Effect of changes in exchange rates	–	–	–	–	–	–
Total changes	–	–	–	32.27	–	32.27
Profit for the year 2000	–	–	–	–	126.20	126.20
Profit for the year 1999 transferred to the state budget	–	–	–	–	(36.97)	(36.97)
Profit for the year 1999 transferred to the capital	–	36.96	–	–	(36.96)	–
Balance as at 31 December 2000	50.00	172.67	173.82	39.14	126.20	561.83

Approved on 29 March 2001 by Resolution No. 45 of the Board of the Bank of Lithuania.

Chairman of the Board



Reinoldijus Šarkinas

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS OF THE BANK OF LITHUANIA

ACTIVITIES AND BASIC OPERATIONS

Having started its activities eleven years ago, in 2000 the Bank of Lithuania kept on realising its principal objective set in the Law on the Bank of Lithuania – to seek the stability of the currency of the Republic of Lithuania and continued its activities in strengthening sustainability and integrity of the national monetary, credit and settlements systems, as well as their stable, reliable and efficient functioning.

The purpose of Bank of Lithuania monetary policy is stability of Lithuanian monetary and financial system. The Bank of Lithuania freely performed Litas and anchor currency purchase and sale transactions concluded between the Bank of Lithuania and commercial banks and ensured the coverage of the Litas put into circulation by the Bank of Lithuania by foreign currency and gold reserves.

The Bank of Lithuania, as the manager of the settlement system, ensures a stable and smooth operation of this system.

Foreign currency reserves of the Bank of Lithuania are invested following the requirements on their structure and investment strategy and ensuring their security, liquidity and profitability. Foreign currency reserves are invested into securities issued by foreign central governments and international financial institutions, deposits in other central banks, foreign commercial banks and international financial institutions.

Within the functions prescribed by the Law, the Bank of Lithuania puts into and withdraws from circulation the currency of the Republic of Lithuania, including gold and silver commemorative coins, acts as a fiscal agent of the Government, i.e. carries out operations related to the organisation of the issue and repurchase of Government securities, administers accounts of Government institutions, provides services for the projects implemented by the Government of Lithuania with foreign states and international financial institutions.

In order to establish conditions for an effective and reliable operation of credit institutions and the banking system, the Bank of Lithuania supervises activities of credit institutions, carries out macro-economic research, prepares macroeconomic forecasts and forecasts of monetary indicators, compiles the national balance of payments, collects, processes and publishes statistical information, follows the processes in the financial system and assesses its development trends, and, when appropriate, takes measures to intervene therein. It also develops information systems and ensures their smooth functioning.

In order to establish appropriate conditions for the implementation of its basic functions and for the development of a respective infrastructure, the Bank of Lithuania updates and maintains its resource base.

The number of employees at the Bank of Lithuania as at the end of 2000 was 891.

Accounting Policy

The Bank of Lithuania's financial accounting has been managed and the Financial Statements have been prepared in accordance with the Law on the Bank of Lithuania, other laws of the Republic of Lithuania and International Accounting Standards, which, in the opinion of the Board, are considered to be appropriate to the activities of the Bank of Lithuania as the central bank, and practice adopted by the central banks of the member states of the European Union.

The Financial Statements have been prepared in accordance with the historical cost basis of accounting, except for the revaluation of certain assets and liabilities as referred below.

Income and expenses of the Bank of Lithuania are recognised on an accrual basis.

Foreign and domestic assets in the Balance Sheet of the Bank of Lithuania are presented separately, the same split is also applied to foreign and domestic liabilities.

The Financial Statements of the Bank of Lithuania for the year ended 31 December 2000 are presented on a comparable basis with the Financial Statements of the Bank of Lithuania for the year ended 31 December 1999.

Expenses on Money Production

The costs of printing banknotes and minting coins, as well as other associated expenses are accounted as incurred and are not matched with the release of money into circulation.

Taxes

The Bank of Lithuania does not pay corporate profit tax.

The Bank of Lithuania's tax expenses are: the Value Added Tax (for assets purchased and services received) which non-refundable by the State, as well as road tax, land rent tax, real estate tax and other taxes.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Litas daily. Foreign currency transactions are translated into Litas at the time of the transaction at the official exchange rate established according to the Law of the Republic of Lithuania on the Credibility of the Litas, and the rates of Litas and foreign currencies determined by the Bank of Lithuania on the day of the translation.

The translation gain or loss is credited or charged to revaluation reserves. A negative result arising from revaluation of foreign currency assets and liabilities at the end of the financial year is recognised as expenses.

In accordance with the Law of the Republic of Lithuania on the Credibility of the Litas the national currency of the Republic of Lithuania is pegged to an anchor currency. As from 1994 the anchor currency has been the US Dollar and the official Litas exchange rate against the USD is 4 Litas per 1 US Dollar.

The exchange rates of the Litas and the main foreign currencies used for the evaluation of the Bank of Lithuania assets and liabilities as of 31 December 2000 and of 31 December 1999 were the following:

Litas (LTL) per unit

Currency	Code	31 December 2000	31 December 1999
Euro	EUR	3.7212	4.0260
100 Japanese yens	JPY	3.4930	3.9191
Special Drawing Rights	XDR	5.2188	5.4935
Great Britain pounds sterling	GBP	5.9804	6.4752

Gold

The Bank of Lithuania revalues gold held as foreign reserves once per year, on the last business day of the year, at the lowest price during the financial year per one troy ounce in US Dollars at London Bullion Market, if such price is lower than the gold book value set during the last revaluation. The diminution of the gold value is recognised in expenses.

Securities

Non-coupon bearing securities are recorded at their acquisition cost. They are revalued on the last business day of the year. Revaluation gain or loss is included in the expenses or income account.

Coupon bearing securities are recorded at their market value. They are revalued on the last business day of each month. Revaluation gain or loss is included in the revaluation reserve account. A negative revaluation result of coupon bearing securities is recognised as expenses at the end of the financial year.

Securities are revalued at their selling price fixed at the secondary market in New York or London Stock Exchange.

Repurchase and Reverse Repurchase Agreements

Repurchase agreements are recorded as received deposits at the selling price of securities. Securities sold under such type of agreement remain on the balance sheet of Bank of Lithuania and are treated further as a part of the Bank of Lithuania investment portfolio. The difference between sale and purchase prices is recognised in the profit and loss account over the period of the agreement.

Reverse repurchase agreements are recorded as issued loans. Securities acquired under this type of agreement are not recorded in the balance sheet of the Bank of Lithuania and are not revalued. The difference between purchase and sale prices is recognised as income over the period of the agreement.

Investment

Long term investment is recorded at the acquisition cost, less adjustments to recognise any other than temporary diminution in value.

Loans

Loans are recorded at their nominal value and their balances are presented at net value, i.e., less specific provisions. Specific provisions are estimated in accordance with loan risk categories based on the borrower's financial standing and its ability to repay the loan.

Loans are classified and specific provisions are made each quarter. Specific provisions are recorded as expenses. In case there is a change in the need for specific provisions, specific provision expenses are adjusted. Specific provision adjustment (expenses or income), representing changes in the loan portfolio quality during the year, are recorded in the profit and loss statement.

Tangible and Intangible Fixed Assets

The assets the acquisition cost of which is equal to LTL 500 or more and which serve over one year are treated as tangible fixed assets. Assets are recorded at their acquisition cost and are presented at cost less accumulated depreciation in the balance sheet. Depreciation is calculated on a straight-line method over the estimated useful life of assets.

The cost value of the fixed assets acquired before 1994 was indexed in accordance with the resolutions of the Government.

As from 1 October 2000 the Bank of Lithuania has applied new rates for the calculation of depreciation (amortisation) of tangible and intangible assets.

Fixed assets' depreciation rates used by the Bank of Lithuania:

Fixed asset	Annual depreciation rate, %
Buildings	1–10
Computer equipment	10–50
Software	25–100
Vehicles	20
Furniture, office equipment and other inventory	3–50

RISK AND RISK MANAGEMENT

According to the origin and purpose, foreign reserves are structured into portfolios that are managed under individual investment strategies. Foreign reserves consist of the following portfolios: liquidity, investment, liabilities portfolios, the portfolio of liabilities to the IMF (loan portion managed by the Bank of Lithuania), and the gold portfolio.

The assessment of portfolio management results and risk control is based on the system of benchmarks developed on the basis of own methodology. Nevertheless, benchmarks represent sets of financial instruments actually available in the market (created in accordance with certain rules, aiming for required financial characteristics of benchmark portfolios) and they are realistic investment alternative for managers of investment portfolio.

The system of ratios and limitations covering all areas of respective activities is also used for risk management.

The management of foreign reserves incurs credit, market and operational risks that are continually observed and controlled.

The function of foreign reserves risk management is performed by the Analysis and Risk Control Division, the middle office, which is strictly separated from the division involved in investment decision-making.

Credit Risk

In order to ensure the safety of investments the Bank of Lithuania invests the largest share into securities of foreign central governments, governmental agencies and international organisations with high financial reliability ratings.

The total investment in the securities issued by foreign central governments cannot be less than 30 per cent of the entire foreign reserves. In addition, investments in securities issued by international financial institutions and central governments taken together may not be less than 40 per cent of foreign reserves. In the FY 2000 the share of investment into securities of central governments made up 44 per cent of foreign reserves, and investment into securities of both international financial institutions and central governments was 63 per cent.

The average share of liabilities of foreign commercial banks to the Bank of Lithuania by time deposits and overnight deposits accounted for 12 per cent of foreign reserves in FY 2000.

Individual quantitative investment limits are set to each commercial bank with regard to the bank's credit ratings, the size of its assets and capital.

On 31 December 2000 the distribution of foreign reserves investments by credit ratings was as follows: Aaa – 63 per cent, Aa1 – 9, Aa2 – 8, Aa3 – 12, A1 – 8 per cent.

Market Risk

Currency risk is limited to the requirement to hold at least 80 per cent of foreign reserves, which are not related with balance sheet foreign liabilities, in US dollars and gold. The remaining share of foreign reserves is also subject to structural ratios.

The key indicator to measure interest rate risk (investment value sensitivity to interest rate changes) is the modified duration (MD) of portfolio. Maximum maturity constraints are established to individual financial instruments. Tolerable deviation of investment portfolios MD is evaluated on the basis of the "value-at-risk" method. At the end of FY 2000 the overall MD of total foreign reserves was slightly lower than one year and the fluctuation was negligible in the course of the year.

Liquidity risk management covers both cash flow targeting and use of liquid financial instruments. Approved liquidity ratios establish a minimum amount of investments maturity during the following periods – one day, one week, one, three, six and twelve months. Investments into liquid financial instruments account for the bulk of foreign reserves.

Operational Risk

The Bank of Lithuania attaches an appropriate importance to the management of operational risk. Investment transactions are carried out and settled by separate structural divisions. The process of making foreign currency transactions and their execution is described in the Operational Procedures Manual.

Improvement of information systems is an integral part of the operational risk reduction.

OTHER ISSUES

On 13 March, 2001 the Seimas of the Republic of Lithuania adopted the Law on the Amendments to the Law on the Bank of Lithuania. The Law specifies that the authorised capital of the Bank of Lithuania is LTL 100 million and that its reserve capital amounts to 10 per cent of the Bank of Lithuania liabilities in Litas. The Law also provides for the procedure for the distribution of the Bank of Lithuania profit for 2000 (i.e., 10% of its profit is to be allocated to the authorised capital, 50% is to be allocated to the reserve capital, and the remaining profit is to be paid to the state budget). The Law also stipulates that the general reserve of the Bank of Lithuania must be transferred to the reserve capital.

A part of the Bank of Lithuania profit for 2000 equalling LTL 12.62 million is allocated to the authorised capital and LTL 15.03 million is allocated to the reserve capital (the latter amount accounts for 10% of the Bank of Lithuania liabilities in Litas) while the remaining profit (LTL 98.55 million) is paid into the state budget.

NOTES TO THE PROFIT AND LOSS STATEMENT AND THE BALANCE SHEET

Note 1. Interest income

Income from foreign activities:

LTL million

	2000	1999
Interest on		
Gold deposits	2.47	2.90
Balances of accounts in non-resident banks	1.02	0.60
Balances of accounts in the IMF	0.38	0.86
Deposits in non-resident banks	43.72	34.88
Investment in marketable securities	210.83	189.54
Reverse repurchase transactions	50.71	43.98
Total	309.13	272.76

In 2000 the Bank of Lithuania earned 13.33 per cent more income from foreign activities than in 1999.

The amount of interest on gold deposits earned in 2000 was 14.83 per cent less than in 1999 due to lower prices as reflected in gold deposit transactions and interest rates on gold deposits thereon (in 2000 the average interest rate on gold deposits was 1.16 per cent and in 1999 it stood at 1.37 per cent; the average price of gold transactions in 2000 was equal to USD 263.8 per one troy ounce and in 1999 – USD 281.86 per one troy ounce).

The largest part of interest income (84.60%) was generated from securities operations, i.e. interest on securities investment and interest on reverse repurchase agreements. In 2000, the amount of income from securities investment and reverse repurchase agreements was larger compared with the same position in 1999 due to higher interest rates on these investments: in 2000 the average interest rate on securities investments was equal to 5.91 per cent, into reverse repurchase transactions – 5.7 per cent (in 1999 these figures were respectively 5.42% and 4.48%). The average volume of securities investment slightly grew in 2000, whereas the average volume in reverse repurchase transactions declined.

Income from domestic activities:

LTL million

	2000	1999
Interest on		
Account balances in resident banks	0.01	–
Liquidity loans	–	1.46
Special loans	0.44	0.85
Reverse repurchase transactions	–	1.56
Loans to the Bank's employees	0.20	0.22
Total	0.65	4.09

Note 2. Interest Expenses

Expenses on foreign activities:

LTL million

	2000	1999
Interest on		
IMF loans	18.05	14.51
Repurchase transactions	10.94	11.32
Total	28.99	25.83

In 2000, the amount of interest paid on IMF loans exceeded the sum paid in 1999 by 24.40 per cent due to the average interest rates that were higher by almost two percentage points compared to 1999. Moreover, LTL 0.57 million of the annual commitment fee for a possibility to use the IMF funds are recorded as interest expenses. In accordance with the Memorandum of Economic Policies of the Government of the Republic of Lithuania and the Bank of Lithuania from 1 January 2000 to 31 March 2001 and the stand-by arrangement the IMF granted the Republic of Lithuania the right to draw SDR 61.8 million during the period from 8 March 2000 to 7 June 2001.

Expenses on domestic activities:

LTL million

	2000	1999
Interest on		
Time deposits of the Ministry of Finance	27.04	15.62
Balances of accounts of the Ministry of Finance	14.76	13.82
Time deposits of banks	1.65	3.09
Other	0.29	0.73
Total	43.74	33.26

In 2000, the amount of interest paid to the Ministry of Finance for time deposits exceeded the amount paid in 1999 by 73.11 per cent due to larger average volumes of these deposits (the average volume of time deposits of the Ministry of Finance in 2000 increased by LTL 145.56 million compared with 1999) and increased average interest rate on deposits in USD (from 4.80% in 1999 to 6.28% in 2000).

Note 3. Other Income

LTL million

	2000	1999
Income from		
Trade in anchor currency	1.47	1.95
Trade in numismatic products	1.07	0.45
Rent of property	1.03	1.04
Auctions of securities	0.35	0.54
Settlement services	3.62	3.77
Management of the World Bank loan	0.91	0.72
Other	1.43	2.40
Total	9.88	10.87

Income generated from trade in numismatic products represents income earned from the sale of gold and silver commemorative coins issued by the Bank of Lithuania, banknote and coin sets and other valuables with numismatic value.

Note 4. Administrative and Asset Maintenance Expenses

Administrative expenses (LTL 4.33 million) include expenses on the acquisition of subscribed information (LTL 1.26 million), mail and communication (LTL 0.93 million), training of the staff (LTL 0.73 million), business trips (LTL 0.68 million), the acquisition of publications for the library, press subscription (LTL 0.18 million), and miscellaneous expenses (LTL 0.55 million), i.e., expenses on stationery, representation and royalties.

Asset maintenance expenses (LTL 25.36 million) include depreciation of assets (LTL 20.58 million) and expenses for the maintenance of assets (LTL 4.78 million). Expenses on the depreciation (amortisation) of tangible and intangible assets grew by LTL 9.15 million in 2000 compared with 1999 because after the review of the useful life of assets depreciation rates were adjusted accordingly. These rates became valid as from 1 October 2000. The largest portion of asset maintenance expenses consisted of heating, lighting and other types of maintenance of the Bank's premises (LTL 1.85 million), as well as expenses on the repair and maintenance of cash and computer equipment, and vehicles (LTL 1.90 million).

Note 5. Gain (Loss) on Revaluation of Assets and Liabilities

LTL million

	2000	1999
Gold revaluation expenses	–	15.35
Securities revaluation expenses	–	25.26
Foreign currencies revaluation expenses	29.26	7.75
Total	29.26	48.36

A negative LTL 29.26 million foreign currency revaluation reserve caused by the decline of the Euro exchange rate was recorded to expenses on 31 December 2000. At the end of 2000, changes in foreign securities market prices resulted in LTL 32.27 million securities revaluation reserve (see the Movements of Capital and Reserves of the Bank of Lithuania, Change in the value of investment).

Note 6. Specific Provision Expenses

These are specific provision expenses to cover possible losses on loans and accrued interest (LTL 1.82 million and LTL 0.26 million, respectively).

The amount of specific provisions was determined by the following factors: increase in the need for specific provisions (by LTL 2.99 million) due to the change in the category of loans granted, decrease in the said need (by the LTL 0.84 million) as a result of repayment of loans by banks, and decline in the exchange rate of the Euro (LTL 0.07 million).

Note 7. Extraordinary Gain

The amount of LTL 0.86 million of the loan written-off from the balance sheet and a portion of interest for 1999 (LTL 0.03 million) paid by the Bank of Lithuania and returned by the IMF were recorded as extraordinary gain.

Note 8. Gold

As of 31 December 2000, the Bank of Lithuania gold holdings did not change in comparison with 1999 and amounted to 186,308.97 ounces.

The Bank of Lithuania gold holdings were not revalued on 31 December 2000. The price recorded in the financial statements was USD 252.80 per one troy ounce.

Note 9. Investments and Deposits in Foreign Currencies

LTL million

	31 December 2000	31 December 1999
Correspondent accounts in foreign banks	59.58	102.68
Account in the IMF	5.28	17.53
Deposits in foreign banks	588.57	644.62
Reverse repurchase transactions	1,074.49	898.97
Securities	3,458.65	3,115.93
Total	5,186.57	4,779.73

Investments into liquid financial instruments account for the bulk of foreign reserves. On 31 December 2000, investment into securities increased by LTL 342.72 million, compared with 31 December 1999.

The breakdown of securities by issuer and issuer's country are shown in the table below

LTL million

	31 December 2000	31 December 1999
Securities of central governments and governmental agencies	2,320.74	2,111.83
USA	1,116.12	1,399.32
EU States	1,113.02	525.50
Other states	91.60	187.01
Securities of international financial institutions	1,137.91	1,004.10
World Bank	487.48	26.88
European Investment Bank	247.25	81.91
Council of the European Bank for Social Development	205.21	359.94
Other institutions	197.97	535.37
Total	3,458.65	3,115.93

Note 10. Shares

The Bank of Lithuania is a member of the Bank for International Settlements with representation and voting rights equal to 1,000 shares the value of which amounts to LTL 7.77 million. In 2000, the Bank of Lithuania received dividends on its shares in the amount of LTL 0.84 million (LTL 0.83 million in 1999).

The Bank of Lithuania holds one SWIFT share and one Euroclear share.

The Bank of Lithuania owns 36,318 shares of the Central Securities Depository of Lithuania (60% of the total amount of shares) the nominal value of each being LTL 100. In 2000, the Bank

of Lithuania received dividends on its shares equal to LTL 0.06 million (LTL 0.17 million in 1999).

As from 1995 the Bank of Lithuania was granted the rights of the founder of the State Company Mint of Lithuania. In 1998, the Bank made a LTL 1.83 million worth property contribution to increase the authorised capital of this company.

Note 11. Loans

LTL million

	31 December 2000	31 December 1999
Loans	29.25	56.03
Liquidity loans	–	20.00
Special loans	23.71	29.94
To the Bank's employees	5.54	6.09
Specific provisions	(2.85)	(21.02)
Net value of loans	26.40	35.01

A written-off debt of a bankrupt bank for the loan to maintain its liquidity (LTL 20 million), a decrease of the balance of special loans (LTL 6.23 million) and the repayment of part of loans issued to the Bank of Lithuania employees (LTL 0.55 million) resulted in the reduction of the nominal value of loans. No new loans to the Bank employees have been issued since April 1996. In 2000, specific provisions decreased by LTL 18.17 million and on 31 December 2000 made up 9.74 per cent of the nominal loan amount. The amount of specific provisions on the loan to a bankrupt bank (LTL 20 million) written-off together with the loan had an impact on the decrease of specific provisions.

Compared with 31 December 1999, the balance of outstanding special loans as at 31 December 2000 was lower by LTL 6.23 million because during the reporting period the banks repaid LTL 4.05 million of loans and the exchange rate of the Euro declined.

Note 12. Fixed Assets

LTL million

	31 December 2000	31 December 1999
Carrying value of fixed assets	227.14	215.84
Buildings	134.23	131.16
Computer equipment and software	49.21	41.52
Vehicles	6.60	6.57
Other inventory	37.10	36.59
Depreciation	(63.70)	(44.53)
Net book value	163.44	171.31
Construction in progress	2.13	0.20
Total	165.57	171.51

In 2000, the Bank of Lithuania premises were renovated (LTL 3.07 million), cash equipment (LTL 6.72 million), hardware, computer network and software equipment (LTL 2.38 million), security systems (LTL 0.13 million) and other fixed assets (LTL 0.24 million) were purchased. Fixed assets worth LTL 0.18 million were acquired free of charge.

Note 13. Other Assets

LTL million

	31 December 2000	31 December 1999
Accrued interest income	73.11	54.78
Advances for services	0.82	4.82
Assets taken over for loans	6.75	6.75
Provisions on assets taken over for loans	(6.75)	(6.75)
Other assets	3.74	2.60
Total	77.67	62.20

From the amount of LTL 73.11 million of accrued interest income in 2000 LTL 0.01 million consisted of income accrued on loans with accumulated specific provisions.

The assets taken over for loans consist of Government debt securities (non-interest bearing) of five issues with the maturity of 3–7 years. These securities originated as a result of conversion of long-term non-negotiable Government securities that had been transferred to the ownership of the Bank of Lithuania in order to satisfy the claims of the Bank of Lithuania to a liquidated bank in June 1999, which took place on 24 November 2000.

These new negotiable securities were not included in the trading lists of the National Stock Exchange of Lithuania and there was no active secondary market for these securities until the end of 2000.

Note 14. Banknotes and Coins in Circulation

This item represents banknotes and coins placed into circulation by the Bank of Lithuania. In 2000, the amount of banknotes and coins in circulation decreased by LTL 66.75 million.

Note 15. Accounts and Loans of the International Monetary Fund

LTL million

	31 December 2000	31 December 1999
Balances of accounts	2.09	2.13
Part of the IMF Extended Fund Facility	310.59	360.10
Total	312.68	362.23

The Republic of Lithuania has been a member of the IMF since 1992.

As of 31 December 2000, the part of the Extended Fund Facility issued by the IMF, held by the Bank of Lithuania, decreased by LTL 49.51 million due to the repayment of LTL 31.91 million of the loan and the changes in currency exchange rates compared with 31 December 1999.

The Government of the Republic of Lithuania holds other IMF loans and the Bank of Lithuania administers the accounts of the IMF in accordance with the instructions of the Ministry of Finance.

Note 16. Liabilities to Financial Institutions

LTL million

	31 December 2000	31 December 1999
Account balances of correspondent banks	620.63	444.65
Time deposits of banks	–	229.00
Required reserves of banks in foreign currencies	416.02	435.72
Liabilities to securities brokers	0.51	2.46
Liabilities to the Deposit Insurance Fund	0.01	0.04
Total	1,037.17	1,111.87

The required reserves of banks in Litas are held on their correspondent accounts, while the required reserves in foreign currency are held on a separate account with the Bank of Lithuania. These are non-interest-bearing balances. At the end of 1999, the reserve requirement rate in Litas and foreign currencies was 10 per cent of liabilities to residents and non-residents in national and foreign currencies. As from October 2000 this rate was reduced to 8 per cent.

Note 17. Liabilities to Government Institutions

LTL million

	31 December 2000	31 December 1999
Liabilities to the Ministry of Finance for:	749.37	279.86
Account balances	209.37	271.81
Time deposits	540.00	–
EU loan received on behalf of the Republic of Lithuania	–	8.05
Liabilities to other government institutions	40.62	24.73
Total	789.99	304.59

Note 18. Other Domestic Liabilities

LTL million

	31 December 2000	31 December 1999
Balances of accounts	3.00	3.78
Accrued expenses and deferred income	5.71	6.97
Other amounts payable	9.65	13.89
Total	18.36	24.64

Note 19. Subsidies

LTL million

	31 December 2000	31 December 1999
For small and medium-size enterprises	29.16	30.78
For special examinations of banks	–	0.04
Tangible fixed assets	0.26	0.46
Total	29.42	31.28

According to a trilateral agreement made in 1993 between the European Commission, the Government of the Republic of Lithuania and the Bank of Lithuania, the Bank of Lithuania administers the subsidy allocated to the Republic of Lithuania to finance small and medium-sized businesses. Under the terms of this agreement, the purpose of the subsidy may be revised in 2003. From 1995 the contractual portion of interest received is available for further financing under this grant. At the end of 2000, the balance of this subsidy in Litas diminished due to the decrease of the Euro exchange rate.

Note 20. The Bank of Lithuania Assets and Liabilities by Currency

LTL million

	LTL	Gold	USD	EUR	XDR	GBP	JPY	Other	Total
31 December 2000									
ASSETS									
Gold	-	188.40	-	-	-	-	-	-	188.40
Investments and deposits in foreign currencies:	-	-	4,289.90	796.49	5.28	36.86	57.96	0.08	5,186.57
Accounts in foreign banks and international institutions	-	-	52.21	3.33	5.28	0.13	3.83	0.08	64.86
Deposits in foreign banks	-	-	414.35	98.71	-	36.73	38.78	-	588.57
Investments by reverse repurchase transactions	-	-	1,074.49	-	-	-	-	-	1,074.49
Securities	-	-	2,748.85	694.45	-	-	15.35	-	3,458.65
Shares	13.24	-	-	-	-	-	-	-	13.24
Cash	-	-	0.08	-	-	-	-	0.08	0.16
Accounts in resident banks	-	-	0.04	-	-	-	-	-	0.04
Loans	2.69	-	-	23.71	-	-	-	-	26.40
Fixed assets	165.57	-	-	-	-	-	-	-	165.57
Other assets	5.34	-	48.83	22.71	0.06	0.69	0.04	-	77.67
Total of assets	186.84	188.40	4,338.85	842.91	5.34	37.55	58.00	0.16	5,658.05
LIABILITIES									
Banknotes and coins in circulation	2,907.87	-	-	-	-	-	-	-	2,907.87
IMF accounts and loans	2.09	-	-	-	310.59	-	-	-	312.68
Accounts of non-residents	0.73	-	-	-	-	-	-	-	0.73
Liabilities to financial institutions	621.15	-	111.58	304.44	-	-	-	-	1,037.17
Liabilities to Government institutions	76.49	-	663.92	44.27	1.44	-	3.80	0.07	789.99
Other domestic liabilities	6.86	-	8.56	0.03	2.91	-	-	-	18.36
Subsidies	0.26	-	-	29.16	-	-	-	-	29.42
Capital and reserves	561.83	-	-	-	-	-	-	-	561.83
Total liabilities, capital and reserves	4,177.28	-	784.06	377.90	314.94	-	3.80	0.07	5,658.05
NET POSITION	(3,990.44)	188.40	3,554.79	465.01	(309.60)	37.55	54.20	0.09	0.00
31 December 1999									
Total assets	197.23	188.40	3,962.50	770.65	17.59	43.11	70.79	0.27	5,250.54
Total liabilities, capital and reserves	4,171.31	-	419.48	292.31	363.68	-	3.61	0.15	5,250.54
NET POSITION	(3,974.08)	188.40	3,543.02	478.34	(346.09)	43.11	67.18	0.12	0.00

A part of the IMF loan in Special Drawing Rights (LTL 305.31 million) is invested into time deposits by different foreign currencies – SDR components.

Note 21. The Bank of Lithuania Assets and Liabilities by Maturity

LTL million

	Demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Without maturity	Total
31 December 2000								
ASSETS								
Gold	–	31.03	124.53	32.84	–	–	–	188.40
Investments and deposits in foreign currencies	64.86	1,961.29	785.68	1,122.40	940.59	311.75	–	5,186.57
Shares	–	–	–	–	–	–	13.24	13.24
Cash	0.16	–	–	–	–	–	–	0.16
Accounts in resident banks	0.04	–	–	–	–	–	–	0.04
Loans	–	–	–	0.02	21.04	5.34	–	26.40
Fixed assets	–	–	–	–	–	–	165.57	165.57
Other assets	–	29.98	26.10	17.03	–	–	4.56	77.67
Total of assets	65.06	2,022.30	936.31	1,172.29	961.63	317.09	183.37	5,658.05
LIABILITIES								
Banknotes and coins in circulation	–	–	–	–	–	–	2,907.87	2,907.87
IMF accounts and loans	2.09	4.50	4.50	38.26	220.56	42.77	–	312.68
Accounts of non-residents	0.73	–	–	–	–	–	–	0.73
Liabilities to financial institutions	621.15	–	–	–	–	–	416.02	1,037.17
Liabilities to Government institutions	249.99	160.00	–	380.00	–	–	–	789.99
Other domestic liabilities	3.00	9.88	3.24	2.08	–	–	0.16	18.36
Subsidies	–	–	–	–	29.16	–	0.26	29.42
Capital and reserves	–	–	–	–	–	–	561.83	561.83
Total liabilities, capital and reserves	876.96	174.38	7.74	420.34	249.72	42.77	3,886.14	5,658.05
LIQUIDITY SURPLUS (SHORTAGE)	(811.90)	1,847.92	928.57	751.95	711.91	274.32	(3,702.77)	0.00
31 December 1999								
Total of assets	120.66	2,016.51	927.30	809.94	885.36	298.60	192.17	5,250.54
Total liabilities, capital and reserves	750.62	250.83	4.97	35.24	265.36	92.39	3,851.13	5,250.54
LIQUIDITY SURPLUS (SHORTAGE)	(629.96)	1,765.68	922.33	774.70	620.00	206.21	(3,658.96)	0.00

Maturity is expressed in terms of the remaining period to the repayment date.

ANNEX 1. MAIN ECONOMIC AND BANKING ACTIVITY INDICATORS

Indicators	2000	1999
Gross domestic product (at current prices)		
Total, LTL million	44,929.8	42,654.6
Per capita, LTL	12,157	11,529
Gross domestic product increase, decrease (-),%	3.3	-3.9
National budget revenue, LTL million	8,723.6	8,983.6
National budget expenditure, LTL million	9,468.0	9,108.7
Ratio of national budget balance to GDP, %	-1.7	-0.3
Inflation, %	1.4	0.3
Number of unemployed (labour survey data), thousand	275.7	263.3
Unemployment rate (labour survey data), %	15.4	14.1
Public debt (end-of-year), LTL million		
Total debt	12,724.7	12,069.4
Domestic debt	2,827.4	2,354.2
Foreign debt	9,897.3	9,715.3
Ratio of foreign debt to GDP, %	22.0	22.8
Assets of the Bank of Lithuania (end-of-year), LTL million	5,658.8	5,277.9
International reserves (end-of-year)		
Total, USD million	1,358.6	1,242.1
Reserves(excluding gold) in months of MGS cover	2.7	2.7
Net foreign assets of the banking system (end-of-year) ¹ , LTL million	5,368.3	3,656.0
Net domestic assets of the banking system (end-of-year) ² , LTL million	5,087.1	5,315.9
Money supply (end-of-year), LTL million		
Monetary base	3,940.8	3,852.0
Money M1	5,672.6	5,274.9
Currency in circulation	2,658.3	2,738.7
Quasi-money	4,782.9	3,697.0
Money M2	10,455.4	8,971.9
Money multipliers (relationship between the monetary base and money supply)		
M2 multiplier	2.7	2.3
M1 multiplier	1.4	1.4
Resident demand deposits with commercial banks (end-of-year) ¹ , LTL million		

¹ Gross claims on non-residents less gross liabilities to non-residents.

² Net credit to central government plus credit to other economic sectors plus net of other items.

MAIN ECONOMIC AND BANKING ACTIVITY INDICATORS

continued

Indicators	2000	1999
Total	4,183.9	3,587.7
Non-financial public enterprises	144.3	147.9
Private business enterprises	1,782.9	1,462.8
Individuals'	1,559.8	1,354.2
Other	696.9	622.7
Resident time deposits with commercial banks (end-of-year) ¹ , LTL million		
Total	4,238.1	3,202.2
Non-financial public enterprises	40.4	16.9
Private business enterprises	462.3	289.7
Individuals'	3,388.0	2,559.6
Other	347.4	336.0
Resident foreign currency deposits with commercial banks (end-of-year) ¹ , LTL million		
Total	3,826.9	3,005.0
Non-financial public enterprises	37.8	47.2
Private business enterprises	683.7	591.3
Individuals'	2,763.3	2,021.6
Other	342.1	344.9
Short-term loans from commercial banks to residents (end-of-year) ² , LTL million		
Total	1,990.9	2,237.3
Non-financial public enterprises	117.0	406.8
Private business enterprises	1,560.0	1,607.6
Individuals	65.2	88.2
Other	248.8	134.7
Long-term loans from commercial banks to residents (end-of-year) ² , LTL million		
Total	3,639.7	3,443.6
Non-financial public enterprises	174.1	18.6
Private business enterprises	2,155.3	2,250.6
Individuals	507.9	571.9
Other	802.4	602.5
Average annual interest rates on resident time deposits, ³ %		
In national currency	3.80	4.89
In foreign currencies	4.41	4.36
Average annual interest rates on loans to residents, ³ %		
In national currency	11.89	12.99
In foreign currencies	10.62	11.45

¹ Including deposits of banks and financial institutions.

² Including loans to banks and financial institutions.

³ Average of annual interest rate.

ANNEX 2. BALANCE OF PAYMENTS

LTL million

	2000	1999
I. CURRENT ACCOUNT	-2,699.59	-4,776.30
1. Trade balance	-4,415.07	-5,618.26
1.1. Exports (at f.o.b. prices)	16,201.50	12,586.73
1.2. Imports (at f.o.b. prices)	-20,616.57	-18,204.99
2. Balance of services	1,520.33	1,221.62
2.1. Credit	4,235.00	4,366.17
2.2. Debit	-2,714.67	-3,144.55
3. Income balance	-775.13	-1,031.03
3.1. Credit	742.02	459.22
3.2. Debit	-1,517.15	-1,490.25
4. Balance of current transfers	970.28	651.37
4.1. Credit	987.38	669.58
4.2. Debit	-17.10	-18.21
II. CAPITAL AND FINANCIAL ACCOUNT (A+B)	2,190.74	4,966.84
A. CAPITAL ACCOUNT	8.59	-13.16
B. FINANCIAL ACCOUNT	2,182.15	4,980.00
1. Lithuania's investment abroad	-420.68	-772.15
1.1. Direct investment	-14.79	-34.49
1.2. Portfolio investment	-565.52	-7.78
1.3. Other investment	159.63	-729.88
o/w: trade credits	298.16	341.00
2. Foreign investment into Lithuania	3,125.68	4,969.56
2.1. Direct investment	1,515.49	1,945.83
2.2. Portfolio investment	1,623.71	2,050.96
2.3. Other investment	-13.52	972.77
o/w: trade credits	-10.09	-149.23
net loans	-335.65	899.76
other liabilities	332.22	222.24
3. Reserve assets	-522.85	782.59
III. ERRORS AND OMISSIONS	508.85	-190.54

*Data in the Financial Account are consolidated into a single entry.
Decrease in assets and increase in liabilities are recorded with the plus (+) sign.
Increase in assets or decrease in liabilities are recorded with the minus (-) sign.*