

AUDITOR'S REPORT

To the shareholders of AB Šiaulių bankas

1. We have audited the accompanying balance sheets of AB Šiaulių bankas ("the Bank") and its subsidiaries (together "the Group") as at 31 December 2001 and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 and the Group as at 31 December 2001 and the results of their operations and cash flows for the year then ended in accordance with International Accounting Standards.



PricewaterhouseCoopers UAB

21 March 2002

The group and bank income statement

(all amounts are in LTL thousand, if not otherwise stated)

| | Notes | Year ended | | | |
|--|-------|------------------|---------------|------------------|---------------|
| | | 31 December 2001 | | 31 December 2000 | |
| | | Group | Bank | Group | Bank |
| Interest income | | 21,192 | 21,020 | 15,206 | 14,996 |
| Interest expense | | (10,535) | (10,611) | (7,713) | (7,716) |
| Net interest income | 1 | 10,657 | 10,409 | 7,493 | 7,280 |
| Expenses for provisions for loans and accrued interest | 2 | (1,116) | (1,116) | (989) | (989) |
| Net interest income after provisions | | 9,541 | 9,293 | 6,504 | 6,291 |
| Fee and commission income | | 5,955 | 4,785 | 4,824 | 4,687 |
| Fee and commission expense | | (772) | (767) | (314) | (314) |
| Net interest, fee and commissions income | | 14,724 | 13,311 | 11,014 | 10,664 |
| Net gain on operations with securities and financial instruments | 3 | 1,704 | 1,670 | (122) | (59) |
| Net foreign exchange gain | | 1,189 | 1,197 | 2,067 | 2,067 |
| Operating income | | 17,617 | 16,178 | 12,959 | 12,672 |
| Operating expenses | 4 | (13,589) | (12,627) | (10,311) | (10,065) |
| Provisions for other doubtful assets | 5 | (111) | (39) | (16) | (9) |
| Other income | | 293 | 241 | 611 | 621 |
| Other expenses | 6 | (1,547) | (1,416) | (1,505) | (1,489) |
| Profit before tax | | 2,663 | 2,337 | 1,738 | 1,730 |
| Profit tax | 7 | (103) | 78 | 123 | 125 |
| Profit from ordinary activities after tax | | 2,560 | 2,415 | 1,861 | 1,855 |
| Minority interest | | (145) | - | - | - |
| Net profit | | 2,415 | 2,415 | 1,861 | 1,855 |
| Earnings per share (in LTL per share) | 8 | 3.60 | 3.60 | 2.77 | 2.76 |

The accounting policies and notes on pages 6 to 33 are an integral part of these financial statements.

The group and bank balance sheet

| | Notes | Year ended | | | |
|---|-------|------------------|----------------|------------------|----------------|
| | | 31 December 2001 | | 31 December 2000 | |
| | | Group | Bank | Group | Bank |
| Assets | | | | | |
| Cash and balances with central banks | 9 | 32,451 | 32,446 | 21,481 | 21,472 |
| Treasury bills | 10 | 497 | 497 | 7,709 | 7,709 |
| Due from other banks and financial institutions | 11 | 21,319 | 40,251 | 11,883 | 14,680 |
| Trading securities | 12 | 462 | 462 | 725 | 725 |
| Derivative financial instruments | 13 | 38 | 38 | - | - |
| Loans | 14 | 165,251 | 165,243 | 118,716 | 118,716 |
| Leasing | 15 | 10,928 | - | 2,886 | - |
| Investment securities: | | | | | |
| – available-for-sale | 16 | 36,494 | 32,705 | 8,638 | 8,638 |
| – held-to-maturity | 16 | 10,301 | 10,301 | 2,639 | 2,639 |
| Investments in associates | 17 | 1,344 | 1,807 | 156 | 1,219 |
| Intangible assets | 18 | 2,048 | 2,036 | 1,311 | 1,303 |
| Fixed assets | 19 | 18,710 | 16,954 | 17,460 | 17,385 |
| Other assets | 20 | 12,100 | 7,478 | 8,770 | 7,749 |
| Total assets | | 311,943 | 310,218 | 202,374 | 202,235 |
| Liabilities | | | | | |
| Due to other banks | 21 | 76,922 | 77,030 | 35,452 | 35,454 |
| Derivative financial instruments | 13 | 35 | 35 | - | - |
| Deposits | 22 | 185,995 | 185,995 | 123,201 | 123,201 |
| Special and lending funds | 23 | 88 | 88 | 84 | 84 |
| Other liabilities | 24 | 9,204 | 7,717 | 5,545 | 5,404 |
| Total liabilities | | 272,244 | 270,865 | 164,282 | 164,143 |
| Minority interest | | 346 | - | - | - |
| Shareholders' equity | | | | | |
| Share capital | 25 | 34,021 | 34,021 | 34,021 | 34,021 |
| Less: treasury shares | | (671) | (671) | (391) | (391) |
| Other reserves | | 1,326 | 1,326 | 1,326 | 1,326 |
| Fixed asset revaluation reserve | | 303 | 303 | 424 | 424 |
| Restricted earnings reserve | | 803 | 803 | 446 | 446 |
| Retained earnings | | 3,571 | 3,571 | 2,266 | 2,266 |
| Total shareholders equity | | 39,353 | 39,353 | 38,092 | 38,092 |
| Total liabilities and equity | | 311,943 | 310,218 | 202,374 | 202,235 |

These financial statements have been approved by the Board on 21 March 2002 and signed on its behalf by:


Algirdas Butkus,
the Chairman of the Board


Rima Grikšienė,
the Chief Financial Officer

The accounting policies and notes on pages 6 to 33 are an integral part of these financial statements.

The group and bank statement of changes in shareholders' equity

(all amounts are in LTL thousand, if not otherwise stated)

| | Notes | Registered share capital | Treasury shares | Other reserves | Fixed asset revaluation reserve | Restricted earnings reserve | Retained earnings | Total |
|---|-------|--------------------------|-----------------|----------------|---------------------------------|-----------------------------|-------------------|---------|
| As at 31 December 1999 | | 34,021 | (390) | 1,326 | 429 | 611 | 1,767 | 37,764 |
| Dividends | | - | - | - | - | - | (1,361) | (1,361) |
| Revaluation reserve adjustment | | - | - | - | (5) | - | 5 | - |
| Nominal value of net treasury share acquisitions | 25 | - | (1) | - | - | - | - | (1) |
| Net premium paid on transactions with treasury shares | 25 | - | (165) | - | - | - | - | (165) |
| Transfer to restricted earnings reserve | | - | 165 | - | - | (165) | - | - |
| Net profit for the year | | - | - | - | - | - | 1,855 | 1,855 |
| As at 31 December 2000 | 25 | 34,021 | (391) | 1,326 | 424 | 446 | 2,266 | 38,092 |
| Dividends | | - | - | - | - | - | (680) | (680) |
| Transfer to restricted earnings reserve | | - | - | - | - | 500 | (500) | - |
| Revaluation reserve adjustment | | - | - | - | (121) | - | 70 | (51) |
| Nominal value of net treasury share acquisitions | 25 | - | (280) | - | - | - | - | (280) |
| Net premium paid on transactions with treasury shares | 25 | - | (143) | - | - | - | - | (143) |
| Transfer to restricted earnings reserve | | - | 143 | - | - | (143) | - | - |
| Net profit for the year | | - | - | - | - | - | 2,415 | 2,415 |
| As at 31 December 2001 | 25 | 34,021 | (671) | 1,326 | 303 | 803 | 3,571 | 39,353 |

The accounting policies and notes on pages 6 to 33 are an integral part of these financial statements.

The group and bank cash flow statement

| | Notes | Year ended | | | |
|--|-------|------------------|-----------------|------------------|-----------------|
| | | 31 December 2001 | | 31 December 2000 | |
| | | Group | Bank | Group | Bank |
| Operating activities | | | | | |
| Income (expense) | | | | | |
| Interest income | | 21,402 | 21,020 | 15,222 | 14,996 |
| Interest expense | | (10,535) | (10,611) | (7,713) | (7,716) |
| Collected previously written-off loans | | 4 | 4 | 73 | 73 |
| Net income from operations in foreign currency | | 1,532 | 1,532 | 1,732 | 1,732 |
| Net income from operations in securities | | 580 | 141 | (65) | (65) |
| Net income from service and commission fees | | 4,944 | 4,018 | 4,515 | 4,373 |
| Salaries and related expenses | | (7,111) | (6,537) | (5,967) | (5,816) |
| Other expenses | | (6,045) | (5,711) | (1,903) | (1,805) |
| Operating result | | 4,771 | 3,856 | 5,894 | 5,772 |
| (Increase) decrease in short-term assets | | | | | |
| (Increase) in compulsory reserves with the central bank | | (796) | (796) | (723) | (723) |
| (Increase) decrease in loans to credit and financial institutions | | | | | |
| (Increase) in loans granted | | (54,468) | (46,643) | (22,669) | (20,228) |
| (Increase) decrease in other short-term assets | | (3,494) | 235 | (1,472) | (934) |
| Change in short-term assets | | (61,158) | (65,739) | (19,863) | (19,682) |
| Increase (decrease) in liabilities | | | | | |
| Increase in liabilities to credit and financial institutions | | | | | |
| Increase in deposits and letters of credit | | 62,798 | 62,798 | 35,464 | 35,464 |
| Increase in other liabilities | | 2,291 | 1,178 | 462 | 305 |
| Change in liabilities | | 106,559 | 105,552 | 37,796 | 37,639 |
| Net cash flow from operating activities before tax | | 50,172 | 43,669 | 23,827 | 23,739 |
| Tax (paid) recovered | | (72) | (69) | 80 | 80 |
| Net cash flow from operating activities | | 50,100 | 43,600 | 23,907 | 23,809 |
| Investing activities | | | | | |
| Purchase of tangible and intangible fixed assets | | (3,522) | (1,744) | (2,293) | (2,200) |
| Investments in securities | | (28,509) | (23,751) | (7,598) | (7,598) |
| Dividends received | | 58 | 26 | 6 | 6 |
| Net cash flow from investing activities | | (31,973) | (25,469) | (9,885) | (9,792) |
| Financing activities | | | | | |
| Net purchase of treasury shares | | (423) | (423) | (166) | (166) |
| Dividends paid | | (680) | (680) | (1,361) | (1,361) |
| Other | | 233 | 233 | (353) | (353) |
| Net cash flow from financing activities | | (870) | (870) | (1,880) | (1,880) |
| Net increase (decrease) in cash and cash equivalents | | 17,257 | 17,261 | 12,142 | 12,137 |
| Cash and cash equivalents at 1 January | | 34,780 | 34,771 | 22,638 | 22,634 |
| Cash and cash equivalents at 31 December | 27 | 52,037 | 52,032 | 34,780 | 34,771 |

The accounting policies and notes on pages 6 to 33 are an integral part of these financial statements.

General background

AB Šiaulių bankas was registered as a public company in the Enterprise Register of the Republic of Lithuania on 4 February 1992. The Bank is licensed by the Bank of Lithuania to perform all banking operations provided for in the Law on Commercial Banks of the Republic of Lithuania and the Statute of the Bank, except for operations with precious metals.

The Head Office of the Bank is located in Šiauliai. At the end of the reporting period the Bank had 8 branches and 16 client service units.

The Bank owns the following subsidiaries:

- UAB Šiaulių Banko Lizingas (Leasing),
- UAB Šiaulių Banko Investicijų Valdymas (Investment management).

As at 31 December 2001 and throughout the year 2001 (and 2000), the Bank owned 100% of the share capital of the Leasing and 60.4% of the Investment management subsidiaries.

The Bank's shares are listed on the Current List of the National Stock Exchange of Lithuania (NSEL).

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements are prepared in accordance with and comply with International Accounting Standards. The financial statements are prepared under the historical cost convention as adjusted for the revaluation of certain fixed assets as well as trading securities and investment securities available for sale.

Amounts shown in these financial statements are presented in the national currency of Lithuania, the litas (LTL). Throughout the year, the exchange rate of the litas was pegged to the US dollar at a rate of 4 LTL to 1 USD. On 2 February 2002 the base currency of the litas was changed to Euro. From that date, the litas is pegged to Euro at a rate of 3.4528 LTL to 1 Euro.

In 2001 the Group adopted IAS 39 Financial Instruments: Recognition and Measurement. The financial effect of adopting IAS 39 on the opening balance is insignificant. Further information is disclosed in the accounting

policies for Derivative financial instruments, Trading securities, Investment securities and Originated loans and provisions for loan impairment and in related Notes.

Prior to the adoption of IAS 39, all debt and equity securities were measured at the lower of (amortized) cost or market value, providing only for other than temporary value impairments. IAS 39 has been applied prospectively in accordance with the requirements of this standard and therefore corresponding financial information has not been restated.

Consolidation

These financial statements include consolidated statements of the Bank and its subsidiaries. Assets and liabilities of the subsidiaries are consolidated on a line-by-line basis, following elimination of inter-group balances.

In the financial statements as at 31 December 2000 Investment management subsidiary, which was established on 31 August 2000, was not consolidated but accounted for by equity method, as the income, expenses, assets and liabilities of this company were not significant compared to those of the Group. The corresponding figures in these

financial statements have not been adjusted for consolidation of the Investment management subsidiary.

In the Bank's statements, investments in the subsidiaries are accounted for using the equity method. An increase or decrease in investment value during the reporting year is included in the Bank's income statement.

Activities of the Investment management subsidiary

Investment management subsidiary acts as a financial investor. As at 31 December 2001, it held investments in a number of companies in range of 20 to 49 per cent of share capital of the investees. The objective of the investing activity is to finance acquisitions of shares made by strategic investors and assist them by providing consultancy to management, generally over the period from 3 months to 3 years. In the financial statements of the Group the investments are classified available for sale, if the expected period of investment is less than 12 months, or as investments in associates, if the expected period exceeds 12 months. The investments are valued at their fair value.

Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into Lithuanian litas (LTL) at the official rate of the Bank of Lithuania prevailing at the reporting period end. Gains and losses arising from this translation are included in the income statement for the period. All non-monetary items are translated at historical rates.

Transactions denominated in foreign currency are recorded at the rate ruling on the date of the transaction. Exchange differences arising from the settlement of transactions denominated in foreign currency are charged to the income statement at the time of settlement using the exchange rate ruling at that date.

Derivative financial instruments

Derivative financial instruments including for-

ign exchange forwards and swaps are initially recognized in the balance sheet at cost and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices or applying pricing models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealized gains and losses reported in income.

Changes in the fair value of derivatives held for trading are included in net trading income.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in income.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in Note 13.

Prior to adoption of IAS 39, on the balance sheet date the Bank estimated every position of derivative financial instruments by comparing the current and future (transaction) currency exchange rates, and recognized the profit (loss) in the income statement as unrealized profit or loss and as accrued income or expenses of transactions with currency derivative instruments in the balance sheet.

Recognition of income and expenses

Interest income and expense are recognized in the income statement on an accrual basis using the effective yield method based on the actual purchase price. Interest due on non-performing commitments is no longer accrued when one interest payment period

elapsed from the date when debt servicing was due. Interest accrued but not paid is provided for at the same percentage rate as the principal amount to which it relates.

Commission fees, certain taxes and other similar income and expenses that are recognized as gained or incurred.

Cash received during an accounting period which is not recognized as income of this period is shown in the balance sheet as liabilities and expenses made during an accounting period which are not recognized as expenses of an accounting period are shown in the balance sheet as assets.

Taxation

Profit tax

In accordance with the Lithuanian Law on Corporate Profit Tax, the current profit tax rate is 24% (15% from 2002) on taxable income. Expenses related with taxation charges and included in these financial statements are based on calculations made by the management in accordance with Lithuanian tax legislation.

Deferred taxation is provided on all temporary differences between the accounting and taxation treatment of income and expenses. Where an overall deferred taxation asset arises, this is only recognized in the financial statements to the extent that its recoverability can be foreseen by the management as being probable.

Other taxes

Road tax of 1% is imposed on income from interest margin and on other income. Real estate tax rate is 1% on the tax value of property, plant and equipment and foreclosed assets. These taxes are included in other expenses in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise the cash, other valuables, correspondent bank account

balances, correspondent account and term deposits with the Bank of Lithuania and short-term treasury bills.

Trading securities

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognized at cost (which includes transaction costs) and subsequently re-measured at fair value, which is based on quoted bid prices or derived from a discounted cash flow model if market price is unreliable measure. All related Realized and unRealized gains and losses are included in net trading income. Interest earned whilst holding trading securities is reported as interest income. Dividends received are included in dividend income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognized at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs.

Investment securities

Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognized at cost (which includes transaction costs). Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from discounted cash flow models. Unrealized

gains and losses arising from changes in the fair value of investment securities classified as available-for-sale are recognized as they arise in the income statement.

Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is received.

All regular way purchases and sales of investment securities are recognized at trade date, which is the date that the Group commits to purchase or sell the asset. All other purchases and sales are recognized as derivative forward transactions until settlement.

Originated loans and provisions for loan impairment

Loans originated by the Group by providing money directly to the borrower (or to a sub-participation agent at draw down) are categorised as loans originated by the Group and are carried at amortised cost. All loans and advances are recognized when cash is advanced to borrowers.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception.

General provisions on the loan portfolio are established to take account of losses that experience indicates exist but not yet specifically identified in the loan portfolio taken as a whole.

Specific provisions on interest already accrued but not paid and for guarantees issued are calculated in the same way as for loans.

Amounts receivable from finance lease

Rights and liabilities arising from finance lease activities of a subsidiary company are recognized at the date of transfer of the asset to the lessee. Until that day, the payment from the prospective lessee is considered as a pre-payment.

The present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as un-earned finance income. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Intangible assets are amortised using the straight-line method over their estimated useful life.

Fixed assets

Fixed assets are held at historical cost plus revaluation less accumulated depreciation. Depreciation is provided on a straight-line basis to write off proportionally the cost of each asset over its estimated useful life. Re-valuation of fixed assets was performed by indexation of cost of fixed assets and accumulated depreciation and by recording the change in the revaluation reserves using the revaluation indices for the different asset categories set by the Government in 1993 to 1995.

Where the carrying amount of an asset is greater than its estimated recoverable amount or the value in use, it is written down immediately. Gains and losses on disposals of fixed assets are determined by reference to their carrying amount and are charged to the in-

come statement.

Acquisition of assets with the estimated useful life of less than one year and the cost of no more than LTL 500 are charged to the income statement during the period of their acquisition.

Fixed asset maintenance costs are charged to the income statement when they are incurred. Significant renewals of fixed assets are capitalised and depreciated over the remaining useful life period of the improved asset.

Foreclosed assets

Assets repossessed from defaulted loan customers and other assets kept for sales are stated at the lower of cost and estimated market value, determined by the independent valuers or the Bank's internal valuers.

Borrowings

Borrowings are recognized initially at 'cost', being their issue proceeds net of transaction costs incurred. Subsequently borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective yield method.

Treasury shares

The nominal value of treasury shares held is accounted for as a deduction from registered share capital. All premiums and discounts to nominal value of trading in treasury shares are accounted for under shareholders' equity. The net gain or loss is charged against a restricted earnings reserve specifically allocated by the shareholders for that purpose.

Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

Fair value of assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. Where, in the opinion of the Board, fair values of financial assets and liabilities differ materially from book values, such fair values are separately disclosed in the notes to the financial statements.

Corresponding figures

Where necessary, corresponding figures have been adjusted to conform to changes in presentation in the current period.

Key risk management policies

Strategy in using financial instruments

By its nature the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers and borrows from other financial institutions at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and

lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-balance sheet loans and advances but the Group also enters into guarantees and other commitments such as letters of credit and performance, and other bonds.

Capital adequacy

The capital adequacy ratio is calculated in accordance with the rules approved by the Bank of Lithuania, which are

based on the Basel Committee recommendations. The Bank of Lithuania requires local commercial banks to maintain a minimum capital adequacy ratio of 10%.

The capital adequacy ratios for the year 2001 are presented below:

| | Group | | | Bank | | |
|---|------------------------|------------------------|---------------------|--------------------|-------------------------|------------------------|
| | 31 December 2001 | 31 December 2000 | 31 March 2001 | 30 June 2001 | 30 September 2001 | 31 December 2001 |
| Calculated capital | 37,193 | 35,692 | 34,139 | 34,420 | 34,578 | 35,691 |
| Risk weighted assets and off balance sheet items | 229,030 | 154,931 | 170,829 | 194,676 | 199,222 | 224,867 |
| Capital adequacy ratio | 16.24 | 23.04 | 19.98 | 17.68 | 17.36 | 15.87 |

From 31 December 2001, new capital adequacy rules, approved by the Bank of Lithuania on 21 December 2000 have to be adopted by the banks. The new rules are more comprehensive and include distinction between banking book and trading book as well as weigh the Bank's exposure to credit, market, foreign currency, interest rate, equity securities price, and counter party risks individually. The Bank capital adequacy ratio calculated in accordance with the new rules was 16.26% as at 31 December 2001.

Credit risk

The Group takes on exposure to credit risk which is the risk that a counter party will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers and to industry segments. Such risks are monitored on a rolling basis and subject to an annual or more frequent review. The structures of borrowers and lessees by are disclosed in Notes 14 and 15, respectively.

Credit related commitments

The primary purpose of these instruments is

to ensure that funds are available to a customer as required. Guarantees and letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to them, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused amount since most commitments are contingent upon customers maintaining specific credit standards.

Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

General background and accounting policies

Note 28 analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The Group's (Bank's) liabilities on demand exceed assets with similar duration, however, the Bank's liquidity ratio, calculated using the methodology approved by the Bank of Lithuania, is 62.62%. The Bank of Lithuania requires that the liquidity ratio should not be less than 30%. In the opinion of the management of the Bank, the Group and Bank's liquidity is sufficient to meet its operating needs.

Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and

cash flows. The management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Bank's exposure to foreign currency exchange rate risk is summarized in Note 29.

Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken. The Bank's exposure to interest rate risk is summarised in Note 30.

Business segments

The main business of the Group and Bank is conducted in Lithuania.

Below, there is a summary of major indicators for the main segments of the Group:

| | Retail banking | Business banking | Other | Total banking | Leasing | Invest- ment manage- ment | Reclassi- fications | Total Group |
|--|-------------------|---------------------|---------|------------------|---------|------------------------------------|------------------------|----------------|
| Interest income | 1,423 | 15,784 | 3,064 | 20,271 | 915 | 6 | - | 21,192 |
| Net interest income | (1,508) | 12,226 | (423) | 10,295 | 457 | (95) | - | 10,657 |
| Net interest income after provisions | (1,553) | 11,155 | (423) | 9,179 | 385 | (95) | 72 | 9,541 |
| Net interest, service fees and commissions income | (1,092) | 15,252 | (1,061) | 13,099 | 1,125 | 428 | 72 | 14,724 |
| Operating income | (466) | 16,713 | (718) | 15,529 | 1,117 | 899 | 72 | 17,617 |
| Unallocated income | | | | 239 | 21 | 39 | - | 299 |
| Unallocated costs | | | | (14,088) | (628) | (465) | (72) | (15,253) |
| Profit before tax | | | | 1,680 | 510 | 473 | - | 2,663 |
| Profit tax gain (expense) | | | | 78 | (115) | (66) | - | (103) |
| Segment's profit from ordinary activities after tax | | | | 1,758 | 395 | 407 | - | 2,560 |
| Minority interest | | | | | | | | (145) |
| Net profit | | | | | | | | 2,415 |
| Total assets of the segment | | | | 288,300 | 16,699 | 6,944 | - | 311,943 |
| Capital expenditure: | | | | | | | | |
| Amortisation of intangible assets | | | | 320 | 13 | 4 | - | 337 |
| Depreciation | | | | 1,242 | 44 | 38 | - | 1,324 |

Investment management subsidiary held 99.95% of shares of UAB LTB Draudimas as at 31 December 2001. The investment is accounted for at acquisition cost of kLTL 3,789 under investment securities available-for-sale.

The investment in UAB LTB Draudimas was made for the purposes of re-sale. 98.5% of shares of this company was sold to AAS Baltijas Transporta Apdrošināšana (BTA), a Latvian insurance company, by 4 February 2002.

According to the sale agreement, the Group still bears all rewards and risks that will arise from the assets and liabilities of UAB LTB Draudimas as at 1 February 2002. These in-

surance related assets and liabilities should be sold to BTA by 31 December 2002 at their net value at that time.

On 24 January 2002, the Bank issued a guarantee for Investment management subsidiary to BTA, to fulfil the obligations of LTB Draudimas that had been taken before that date and subsequent obligations arising from activity of the Group's authorised managers, to the amount of kLTL 4,546. The guarantee expires on 30 December 2003.

LTB Draudimas was not consolidated in the Group financial statements as, in the opinion of the management of the Group, assets and liabilities related to the insurance activity are insignificant for the Group.

The condensed balance sheet of LTB Draudimas as at 31 December 2001 is as follows:

| | |
|---|--------------|
| Assets | |
| Cash at bank | 107 |
| Investment securities and deposits | 4,063 |
| Debtors arising from insurance and reinsurance operations | 1,589 |
| Fixed assets | 171 |
| Other assets | 33 |
| Total assets | 5,963 |
| Liabilities and shareholders' equity | |
| Technical insurance provisions | 2,243 |
| Creditors arising from insurance and reinsurance operations | 272 |
| Deferred reinsurance commission income | 89 |
| Other liabilities | 145 |
| Shareholders' equity | 3,214 |
| Total liabilities and shareholders' equity | 5,963 |

As at 1 February 2002, assets and liabilities of UAB LTB Draudimas do not differ significantly from those as at 31 December 2001.

Notes to the financial statements

Note 1 Net interest income

| | Group | 2001 Bank | Group | 2000 Bank |
|---|-----------------|-----------------|----------------|----------------|
| Interest income: | | | | |
| on loans to credit and financial institutions and placements with credit institutions | 369 | 1,045 | 425 | 503 |
| on other loans | 18,804 | 17,956 | 13,687 | 13,399 |
| on debt securities acquired | 2,019 | 2,019 | 1,094 | 1,094 |
| Total interest income | 21,192 | 21,020 | 15,206 | 14,996 |
| Interest expense: | | | | |
| on liabilities to central banks | (402) | (402) | (396) | (396) |
| on liabilities to credit and financial institutions and amounts due to credit institutions | (3,009) | (3,085) | (1,856) | (1,858) |
| on deposits and other repayable funds | (7,124) | (7,124) | (5,461) | (5,462) |
| Total interest expense | (10,535) | (10,611) | (7,713) | (7,716) |
| Net interest income | 10,657 | 10,409 | 7,493 | 7,280 |

Note 2 Expenses for provisions for loans and accrued interest

| | For loans | For accrued interest | Total |
|--|--------------|-------------------------|--------------|
| Group (Bank) | | | |
| Increase of specific provisions, net | 806 | 14 | 820 |
| Increase of general provisions | 300 | - | 300 |
| Recovered written off loans | (4) | - | (4) |
| Expenses for provisions in 2001 | 1,102 | 14 | 1,116 |
| Increase of provisions, net | 1,051 | 11 | 1,062 |
| Recovered written off loans | (60) | (13) | (73) |
| Expenses for provisions in 2000 | 991 | (2) | 989 |

Note 3 Net gain on operations with securities and financial instruments

| | Group | 2001 Bank | Group | 2000 Bank |
|--|------------|--------------|----------|--------------|
| Debt securities, including treasury bills: | | | | |
| Realized gain | 82 | 82 | - | - |
| UnRealized gain (loss) | 844 | 844 | - | - |
| Net income from debt securities | 926 | 926 | - | - |

Notes to the financial statements

| | Group | 2001 Bank | Group | 2000 Bank |
|--|--------------|--------------|--------------|--------------|
| Equity securities: | | | | |
| Realized gain (loss) | 498 | 59 | 277 | 277 |
| Unrealized loss | (14) | (14) | (57) | (57) |
| Other income from equity securities | 58 | 26 | 11 | 11 |
| Net income from equity securities | 542 | 71 | 231 | 231 |
| Other financial instruments: | | | | |
| Realized gain (loss) | 233 | 233 | (353) | (353) |
| Unrealized gain | 3 | 3 | - | - |
| Net income from other financial instruments | 236 | 236 | (353) | (353) |
| Associated companies: | | | | |
| Revaluation of investments in associated companies | - | 437 | - | 63 |
| Total | 1,704 | 1,670 | (122) | (59) |

Note 4 Operating expenses

| | Group | 2001 Bank | Group | 2000 Bank |
|---|---------------|---------------|---------------|---------------|
| Salaries, social insurance and other related expenses | 7,111 | 6,537 | 5,983 | 5,816 |
| Rent of premises and maintenance expenses | 1,359 | 1,339 | 935 | 935 |
| Transportation, post and communications expenses | 1,185 | 1,131 | 848 | 833 |
| Advertising and marketing expenses | 291 | 266 | 178 | 165 |
| Training and business trip expenses | 153 | 118 | 103 | 103 |
| Other operating expenses | 1,828 | 1,674 | 1,167 | 1,133 |
| Amortisation of intangible assets | 337 | 320 | 169 | 167 |
| Depreciation of fixed assets | 1,324 | 1,242 | 928 | 913 |
| Total | 13,588 | 12,627 | 10,311 | 10,065 |

Note 5 Provisions for other doubtful assets

| | Group | 2001 Bank | Group | 2000 Bank |
|--|------------|--------------|-----------|--------------|
| Expenses for (release of) provisions on: | | | | |
| foreclosed assets | 39 | 39 | 50 | 50 |
| receivables for sold foreclosed assets | - | - | (41) | (41) |
| finance lease receivable | 77 | - | 7 | - |
| Total | 116 | 39 | 16 | 9 |

Notes to the financial statements

Note 6 Other expenses

| | Group | 2001 Bank | Group | 2000 Bank |
|---|--------------|--------------|--------------|--------------|
| Fees for compulsory insurance of deposits | 656 | 656 | 462 | 462 |
| Taxes | 645 | 553 | 603 | 587 |
| Other expenses | 242 | 207 | 440 | 440 |
| Total | 1,543 | 1,416 | 1,505 | 1,489 |

Note 7 Profit tax

| | Group | 2001 Bank | Group | 2000 Bank |
|--|--------------|--------------|------------|--------------|
| Calculated profit tax for the year (see below) | (181) | - | (106) | (104) |
| Corrections of previous year profit tax | 103 | 103 | 310 | 310 |
| Change of deferred tax liability (see below) | (25) | (25) | (81) | (81) |
| Total | (103) | 78 | 123 | 125 |

| | 2001 | | | 2000 | | |
|--|----------------|------------|--------------------------|-------|--------------|----------------|
| | Bank | Leasing | Investment management | Group | Bank | Group |
| Profit tax for the year | | | | | | |
| Profit before tax | 2.337 | 330 | 433 | | 1.730 | 1.738 |
| Permanent differences: | | | | | | |
| Non-taxable income | (2.682) | (28) | (110) | | (1.381) | (1.390) |
| Non-deductible expenses | 714 | 121 | 1 | | 503 | 512 |
| Relief on charity | - | - | - | | (83) | (83) |
| Fixed asset acquisition relief (method no 1) | - | (60) | (47) | | - | (78) |
| Total permanent differences | (1,968) | 33 | (156) | | (961) | (1.039) |
| Temporary differences: | | | | | | |
| UnRealized (profit) loss from revaluation of securities | (885) | - | - | | (11) | 52 |
| Fixed asset acquisition relief (method no 2) | - | - | - | | (440) | (440) |
| Depreciation of fixed assets for which the relief was applied | 7 | - | - | | 2 | 2 |
| Other expenses | 131 | - | - | | 112 | 129 |
| Expenses that were non deductible in previous periods | (112) | (16) | - | | - | - |
| Total temporary differences | (990) | 115 | - | | (337) | (257) |

Notes to the financial statements

| | 2001 | | | 2000 | | |
|--|-------|---------|-----------------------|-------|-------|-------|
| | Bank | Leasing | Investment management | Group | Bank | Group |
| Taxable profit (loss) | (621) | 478 | 277 | | 432 | 442 |
| Calculated profit tax at 24% | - | 115 | 66 | 181 | 104 | 106 |
| Deferred tax | | | | | | |
| Deferred tax liability brought forward | (81) | - | - | | - | - |
| Adjustment because of change of tax rate | 30 | - | - | | - | - |
| Adjusted deferred tax liability brought forward | (51) | - | - | | - | - |
| Tax loss to be carried forward | 621 | - | - | | - | - |
| Temporary differences occurred during the year | (990) | 115 | - | | (337) | (337) |
| Total temporary differences during the year | (369) | 115 | - | | (337) | (337) |
| Tax rate | 15% | 15% | 15% | | 24% | 24% |
| Calculated deferred tax asset (liability) occurred during the year | (55) | 17 | - | | (81) | (81) |
| Recovery allowance for deferred tax asset | - | (17) | - | | - | - |
| Closing deferred tax liability | (106) | - | - | (106) | (81) | (81) |
| Deferred tax expenses during the year | (25) | - | - | (25) | (81) | (81) |

Note 8 Earnings per share

Earnings per share were calculated by dividing the Group's (Bank's) net profit for the period by the weighted average number of ordinary registered shares issued during the period.

| | 2001 | | 2000 | |
|--|---------|---------|---------|---------|
| | Group | Bank | Group | Bank |
| Earnings per share | | | | |
| Net profit | 2,415 | 2,415 | 1,861 | 1,855 |
| Weighted average number of issued shares (unit number) | 671,262 | 671,262 | 672,120 | 672,120 |
| Earnings per share (in LTL) | 3.60 | 3.60 | 2.77 | 2.76 |

Notes to the financial statements

Note 9 Cash and balances with central banks

| | Group | 2001 Bank | Group | 2000 Bank |
|---|---------------|---------------|---------------|---------------|
| Cash and other valuables | 10,320 | 10,315 | 6,373 | 6,364 |
| Placements with Central Bank: | | | | |
| Correspondent account with central bank | 9,885 | 9,885 | 5,324 | 5,324 |
| Mandatory reserves in national currency | 7,297 | 7,297 | 5,631 | 5,631 |
| Mandatory reserves in foreign currency | 4,949 | 4,949 | 4,153 | 4,153 |
| Total placements with Central Bank | 22,131 | 22,131 | 15,108 | 15,108 |
| Total | 32,451 | 32,446 | 21,481 | 21,472 |

Mandatory reserves comprise the funds calculated on a monthly basis as an 8% share (10% until September 2000) of the average balance of deposits of the previous month. The mandatory reserves are held with the

Bank of Lithuania in the form of non-interest bearing deposits under the Bank of Lithuania's regulations. Mandatory reserves in foreign currency are not available to finance the Bank's day-to-day operations.

Note 10 Treasury bills

Treasury bills are debt securities issued by the Republic of Lithuania for a term equal to or less than a year. Treasury bills are categorised as assets held for trading and carried at their fair value.

Note 11 Due from other banks and financial institutions

| | Group | 2001 Bank | Group | 2000 Bank |
|--|---------------|---------------|---------------|---------------|
| Due from banks and financial institutions: | | | | |
| Correspondent bank accounts | 14,219 | 14,219 | 7,183 | 7,183 |
| Security deposits with financial institutions | - | - | 200 | 200 |
| Time deposits with banks | 6,600 | 6,600 | 2,000 | 2,000 |
| Total due from banks and financial institutions | 20,819 | 20,819 | 9,383 | 9,383 |
| Loans granted to financial institutions | 500 | 19,432 | 2,500 | 5,297 |
| Total | 21,319 | 40,251 | 11,883 | 14,680 |

Note 12 Trading securities

Trading securities comprise Equity securities listed in the Official list of the National Stock Exchange of Lithuania.

Note 13 Derivative financial instruments

The Group utilizes the following derivative instruments:

- Currency forwards, which represent commitments to purchase foreign and domestic currency in the future.

- Currency swaps, which are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. The Group's credit risk represents the potential cost to replace the swap contracts if counter parties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses the creditworthiness of the counter parties.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values of derivative instruments held as at 31 December 2001 are set out in the following table:

| | Contract amounts | | Fair values | |
|-----------------------------|------------------|-------|-------------|-------------|
| | Purchase | Sale | Assets | Liabilities |
| Currency forwards and swaps | 8,506 | 8,503 | 38 | 35 |

Note 14 Loans

All loans are originated by the Bank.

| | 2001 | | 2000 | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | Group | Bank | Group | Bank |
| Loans to corporate entities | 160,011 | 160,003 | 110,566 | 110,566 |
| Loans to individuals | 8,531 | 8,531 | 11,459 | 11,459 |
| Total gross loans granted | 168,542 | 168,534 | 122,025 | 122,025 |
| Specific provisions | (2,991) | (2,991) | (3,309) | (3,309) |
| General provisions | (300) | (300) | - | - |
| Total | 165,251 | 165,243 | 118,716 | 118,716 |

Impairment of loans

As at 31 December 2001, impaired loans amounted to kLTL 5,042 (2000: kLTL 8,687), and the value of collateral against these loans amounted to kLTL 6,890, of which kLTL 1,340 was used as a deduction in calculation of provisions (2000: kLTL 13,126 and 2,472, respec-

tively). The specific and general provisions reflect possible losses due to illiquidity of collateral.

As at 31 December 2001, the outstanding principal amount of loans on which interest income is no longer accrued amounted to kLTL 3,766 (2000: kLTL 3,250).

Movement in provisions for impairment is as follows:

| | Group (Bank) |
|--|--------------|
| Balance sheet | |
| Provisions at 31 December 1999 | 3,135 |
| Provisions for loans written off | (883) |
| Exchange rate and other adjustments | 6 |
| Increase in specific provisions | 1,051 |
| Provisions at 31 December 2000 | 3,309 |
| Provisions for loans written off | (1,118) |
| Exchange rate and other adjustments | (6) |
| Increase in specific provisions (see Note 2) | 806 |
| Increase in general provisions (see Note 2) | 300 |
| Provisions at 31 December 2001 | 3,291 |

Segment information

| | 2001 | 2000 |
|--|----------------|----------------|
| Bank | | |
| Gross loans granted to corporate entities by industry sectors: | | |
| Agriculture, hunting and forestry | 8,883 | 5,436 |
| Manufacturing | 38,510 | 29,540 |
| Utilities | 3,686 | 8,999 |
| Construction | 18,581 | 11,819 |
| Trading | 59,505 | 40,745 |
| Transportation | 6,641 | 6,217 |
| Real estate, rent | 7,462 | 1,269 |
| State governance and compulsory social security | 10,594 | 1,606 |
| Other industry sectors | 6,141 | 4,935 |
| Total gross loans to corporate entities | 160,003 | 110,566 |

As at 31 December 2001 and 2000, all loans were granted to Lithuanian residents.

Note 15 Leasing

| | Up to one year | From 1 to 5 years | Total |
|---|-------------------|----------------------|---------------|
| Gross investments in leasing: | | | |
| Balance at 31 December 2000 | 2,524 | 670 | 3,194 |
| Change during 2001 | 5,723 | 3,417 | 9,140 |
| Balance at 31 December 2001 | 8,247 | 4,087 | 12,334 |
| Unearned finance income on finance leases: | | | |
| Balance at 31 December 2000 | 263 | 37 | 300 |
| Change during 2001 | 558 | 468 | 1,026 |
| Balance at 31 December 2001 | 821 | 505 | 1,326 |
| Net investments in leasing before provisions: | | | |
| 31 December 2000 | 2,261 | 633 | 2,894 |
| 31 December 2001 | 7,426 | 3,582 | 11,008 |
| Changes in provisions: | | | |
| Balance as at 31 December 1999 | 1 | - | 1 |
| Increase (decrease) in provisions | 5 | 2 | 7 |
| Balance as at 31 December 2000 | 6 | 2 | 8 |
| Increase (decrease) in provisions | 47 | 25 | 72 |
| Balance as at 31 December 2001 | 53 | 27 | 80 |
| Net investments in leasing after provisions: | | | |
| 31 December 2000 | 2,255 | 631 | 2,886 |
| 31 December 2001 | 7,373 | 3,555 | 10,928 |

Segment information

| | 2001 | 2000 |
|--|---------------|--------------|
| By type of lessees: | | |
| Individuals | 7,915 | 1,130 |
| Corporate entities | 3,093 | 1,764 |
| Net investments before provisions | 11,008 | 2,894 |
| By type of assets: | | |
| Computers and computer equipment | 2,374 | 961 |
| Cargo vehicles | 2,146 | 287 |
| Equipment | 1,903 | 797 |
| Automobiles | 1,793 | 135 |
| Television and audio devices | 875 | 311 |
| Software | 600 | - |
| Plastic windows | 504 | 85 |
| Commercial premises | 492 | 45 |
| Other | 321 | 273 |
| Net investments before provisions | 11,008 | 2,894 |

All lessees operate in Lithuania.

Notes to the financial statements

Note 16 Investment securities

| | Group | 2001 Bank | Group | 2000 Bank |
|--|---------------|---------------|---------------|---------------|
| Securities available-for-sale: | | | | |
| Government bonds of the Republic of Lithuania | 29,716 | 29,716 | 7,465 | 7,465 |
| Unlisted equity securities | 6,778 | 2,989 | 1,173 | 1,173 |
| Total securities available-for-sale | 36,494 | 32,705 | 8,638 | 8,638 |
| Securities held-to-maturity: | | | | |
| Savings bonds of the Government of the Republic of Lithuania | 10,055 | 10,055 | 2,639 | 2,639 |
| Unlisted corporate bonds | 246 | 246 | - | - |
| Total securities held-to-maturity | 10,301 | 10,301 | 2,639 | 2,639 |
| Total investment securities | 46,795 | 43,006 | 11,277 | 11,277 |

Investment securities at 31 December 2000 have been split into available-for-sale and held-to-maturity based on whether management had positive intent and ability to hold certain securities until maturity at that date.

Note 17 Investments in associates

Group

As at 31 December 2001, investments consist of investments by Investment subsidiary that are not expected to be disposed within

12 months from the acquisition. As at 31 December 2000, investments consist of the investment in UAB Šiaulių banko Investicijų Valdymas which was not consolidated due to immateriality.

| | Share in equity | Nominal value | Acquisition cost | 2001 Carrying value | 2000 Carrying value |
|---|-----------------|---------------|------------------|------------------------|------------------------|
| Bank | | | | | |
| Investments in consolidated subsidiaries: | | | | | |
| UAB Šiaulių banko Lizingas | 100.0% | 1,000 | 1,000 | 1,278 | 1,063 |
| UAB Šiaulių banko Investicijų Valdymas | 60.4% | 302 | 302 | 529 | 156 |
| Total (Bank) | | | | 1,807 | 1,219 |

Note 18 Intangible assets

| | Group | Bank |
|--------------------------------------|--------------|--------------|
| 31 December 2000: | | |
| Cost | 1,555 | 1,545 |
| Accumulated amortisation | 244 | 242 |
| Net book value | 1,311 | 1,303 |
| Year ended on 31 December 2001: | | |
| Net book value at 1 January | 1,311 | 1,303 |
| Acquisitions | 1,074 | 1,053 |
| Amortisation charge | (337) | (320) |
| Net book value at 31 December | 2,048 | 2,036 |
| 31 December 2001: | | |
| Cost | 2,629 | 2,598 |
| Accumulated amortisation | (581) | (562) |
| Net book value | 2,048 | 2,036 |
| Economic life (in years) | 1-10 | 5-10 |

Intangible assets consist from purchases of computer software and software licenses. The Bank's intangible assets of net book value of kLTL 826 were leased from Leasing subsidiary as at 31 December 2001.

Note 19 Fixed assets

| | Buildings and premises | Vehicles | Office equipment | Construction in progress | Total |
|---|------------------------|------------|------------------|--------------------------|---------------|
| Group | | | | | |
| 31 December 2000: | | | | | |
| Cost/valuation | 14,299 | 900 | 5,279 | 4 | 20,482 |
| Accumulated depreciation | (586) | (445) | (1,991) | - | (3,022) |
| Net book value | 13,713 | 455 | 3,288 | 4 | 17,460 |
| Year ended on 31 December 2001: | | | | | |
| Net book value at 1 January | 13,713 | 455 | 3,288 | 4 | 17,460 |
| Adjustment on consolidation Investment subsidiary | 1,602 | - | - | - | 1,602 |
| Acquisitions | 387 | 313 | 1,059 | 9 | 1,768 |
| Disposals and write-offs | (566) | - | (95) | (4) | (665) |
| Reclassifications from/to other assets | (228) | - | 97 | - | (131) |
| Depreciation charge | (216) | (186) | (922) | - | (1,324) |
| Net book value at 31 December | 14,692 | 582 | 3,427 | 9 | 18,710 |

Notes to the financial statements

| | Buildings and premises | Vehicles | Office equipment | Construction in progress | Total |
|--|------------------------|------------|------------------|--------------------------|---------------|
| 31 December 2001: | | | | | |
| Cost/valuation | 15,491 | 1,190 | 6,059 | 9 | 22,749 |
| Accumulated depreciation | (799) | (608) | (2,632) | - | (4,039) |
| Net book value | 14,692 | 582 | 3,427 | 9 | 18,710 |
| Economic life (in years) | 5-80 | 5 | 3-22 | - | |
| Bank | | | | | |
| 31 December 2000: | | | | | |
| Cost/valuation | 14,299 | 865 | 5,224 | 4 | 20,392 |
| Accumulated depreciation | (586) | (445) | (1,976) | - | (3,007) |
| Net book value | 13,713 | 420 | 3,248 | 4 | 17,385 |
| Year ended on 31 December 2001: | | | | | |
| Net book value at 1 January | 13,713 | 420 | 3,248 | 4 | 17,385 |
| Acquisitions | - | 275 | 927 | 9 | 1,211 |
| Disposals and write-offs | (183) | - | (82) | (4) | (269) |
| Reclassifications from/to other assets | (228) | - | 97 | - | (131) |
| Depreciation charge | (194) | (168) | (880) | - | (1,242) |
| Net book value at 31 December | 13,108 | 527 | 3,310 | 9 | 16,954 |
| 31 December 2001: | | | | | |
| Cost/valuation | 13,888 | 1,117 | 5,888 | 9 | 20,902 |
| Accumulated depreciation | (780) | (590) | (2,578) | - | (3,948) |
| Net book value | 13,108 | 527 | 3,310 | 9 | 16,954 |
| Economic life (in years) | 5-80 | 5 | 3-22 | - | |

In the opinion of the management of the Bank, the net book value of buildings and premises is below their market value or their value in use to the Group (Bank).

The Bank's fixed assets of net book value of kLTL 622 were leased from the leasing subsidiary as at 31 December 2001.

As at 31 December 2001 and 31 December 2000, the fixed assets were not pledged to a third party.

Note 20 Other assets

| | 2001 | | 2000 | |
|--|---------------|--------------|--------------|--------------|
| | Group | Bank | Group | Bank |
| Factoring receivable | 3,037 | - | 753 | - |
| Foreclosed assets | 2,889 | 2,889 | 3,250 | 3,250 |
| Accrued interest income, net of provisions | 1,195 | 1,133 | 1,373 | 1,377 |
| Deferred expenses | 683 | 623 | 667 | 657 |
| Other assets | 4,296 | 2,833 | 2,727 | 2,465 |
| Total | 12,100 | 7,478 | 8,770 | 7,749 |

Note 21 Due to other banks, credit institutions and financial institutions

| | Group | 2001 Bank | Group | 2000 Bank |
|---|---------------|---------------|---------------|---------------|
| Funds of credit and financial institutions: | | | | |
| Correspondent accounts and demand deposits | 876 | 984 | 281 | 283 |
| Time deposits | 14,320 | 14,320 | 6,650 | 6,650 |
| Other liabilities | 34,224 | 34,224 | 19,042 | 19,042 |
| Total funds of credit and financial institutions | 49,420 | 49,528 | 25,973 | 25,975 |
| Loans received: | | | | |
| Loans from international organizations | 17,636 | 17,636 | - | - |
| Loan from the Bank of Lithuania | 9,866 | 9,866 | 9,479 | 9,479 |
| Total loans from banks | 27,502 | 27,502 | 9,479 | 9,479 |
| Total | 76,922 | 77,030 | 35,452 | 35,454 |

Loans from the Bank of Lithuania comprise loans received according to the EU PHARE Small and Medium Sized Enterprise Financing Programme.

Note 22 Deposits

| | Group | 2001 Bank | Group | 2000 Bank |
|---|----------------|----------------|----------------|----------------|
| Demand deposits: | | | | |
| National government institutions | 802 | 802 | 2,073 | 2,073 |
| Local government institutions | 10,137 | 10,137 | 7,014 | 7,014 |
| Governmental and municipality companies | 6,103 | 6,103 | 722 | 722 |
| Corporate entities | 37,323 | 37,323 | 28,316 | 28,316 |
| Non-profit organizations | 1,302 | 1,302 | 3,722 | 3,722 |
| Individuals | 10,044 | 10,044 | 4,940 | 4,940 |
| Total demand deposits | 65,711 | 65,711 | 46,787 | 46,787 |
| Term deposits: | | | | |
| National government institutions | 968 | 968 | - | - |
| Local government institutions | 1,700 | 1,700 | 500 | 500 |
| Governmental and municipality companies | 3,357 | 3,357 | 7,101 | 7,101 |
| Corporate entities | 13,870 | 13,870 | 11,467 | 11,467 |
| Non-profit organizations | 384 | 384 | 633 | 633 |
| Individuals | 100,005 | 100,005 | 56,713 | 56,713 |
| Total term deposits | 120,284 | 120,284 | 76,414 | 76,414 |
| Total | 185,995 | 185,995 | 123,201 | 123,201 |

Notes to the financial statements

Note 23 Special and lending funds

Special and lending funds consist of compulsory social and health insurance funds. Special funds have to be available to their providers on their first demand.

Note 24 Other liabilities

| | Group | 2001 Bank | Group | 2000 Bank |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Accrued expenses | 1,352 | 1,352 | 894 | 894 |
| Deferred income | 160 | 9 | 48 | 27 |
| Deferred tax liabilities (Note 7) | 106 | 106 | 81 | 81 |
| Other liabilities | 7,586 | 6,250 | 4,522 | 4,402 |
| Total | 9,204 | 7,717 | 5,545 | 5,404 |

Note 25 Share capital

The share capital of the Bank is divided into 680,420 ordinary registered shares with the nominal value of LTL 50 each.

As of 31 December 2001 the key shareholders of the Bank are listed in the table below:

| | Number of shares | Nominal value, kLTL | % |
|--|---------------------|------------------------|-------------|
| Vilniaus bankas AB | 141,552 | 7,078 | 20.8 |
| Baltic Fund and connected parties | 85,655 | 4,283 | 12.6 |
| Prekybos namai "Aiva" UAB | 45,319 | 2,266 | 6.7 |
| Medicinos bankas AB | 31,650 | 1,583 | 4.7 |
| G.Šaulys' company | 30,923 | 1,546 | 4.5 |
| Valstybės Turto Fondas (State Property Fund) | 29,042 | 1,452 | 4.3 |
| "Šiaulių plentas" AB | 21,695 | 1,085 | 3.2 |
| "Alita" AB | 21,042 | 1,052 | 3.1 |
| Total | 406,878 | 20,345 | 59.5 |

Percentage of the share holdings in the above table is calculated from the Bank's total share capital, not considering treasury shares.

The other shareholders individually hold less than 3% of the Bank's share capital. As at 31 December 2001, there were approximately

760 shareholders of the Bank (2000: approximately 815).

Dividends

In 2001, the annual general meeting decided to pay 2% dividends to the holders of the ordinary shares (2000: 4%).

Restricted earnings reserve

The restricted earnings reserve was set up in 1997 in accordance with regulatory requirements, to allow the Bank to trade in its own shares.

Own share purchases at prices different from the ruling market price

In 2001, certain own transactions with own shares were conducted at prices different from the ruling market price. In the table below, the material transactions are disclosed.

| | Date | Number of shares | Transaction price, kLTL | Average share price, LTL |
|---|--------------------|------------------|-------------------------|--------------------------|
| Purchased from: | | | | |
| G. Kateiva | 7 Aug – 21 Aug 01 | 7,960 | 487 | 61.2 |
| UAB Lokva | 16 May – 8 Jun 01 | 6,000 | 330 | 55.0 |
| FMJ AB Finasta | 27 Mar – 30 Jul 01 | 3,875 | 209 | 54.0 |
| Subtotal | | 17,835 | 1,026 | 57.5 |
| Other purchases | | 3,873 | 177 | 45.7 |
| Total equity share purchases over the year | | 21,708 | 1,203 | 55.4 |
| Sold to: | | | | |
| FMJ AB Finasta | 24 – 30 Apr 01 | 5,977 | 239 | 40.0 |
| AB Namų statyba | 28 Aug 01 | 757 | 30 | 40.0 |
| Subtotal | | 6,734 | 269 | 40.0 |
| Other sales | | 9,375 | 511 | 54.5 |
| Total equity share sales over the year | | 16,109 | 780 | 48.5 |

Accordingly, the summary of treasury share purchases in 2000 is disclosed below:

| | Date | Number of shares | Transaction price, kLTL | Average share price, LTL |
|---|-------------------|------------------|-------------------------|--------------------------|
| Purchased from 2 entities | 2 Feb – 23 Oct 00 | 25,714 | 1,564 | 60.9 |
| Other purchases | | 7,794 | 380 | 48.7 |
| Total equity share purchases over the year | | 33,508 | 1,944 | 58.0 |

The average market price of AB Šiaulių bankas shares on the National Stock Exchange of Lithuania during 2001 fluctuated around its nominal value of LTL 50 (the same as in 2000).

Note 26 Contingent liabilities and commitments

Legal claims. As at 31 December 2001 the Bank was not engaged in any known legal cases that might require provisions for possible losses to be assessed and established.

Notes to the financial statements

Note 26 Contingent liabilities and commitments (continued)

Guarantees, letters of credit, commitments to grant loans and other commitments. As at 31 December 2001 the Bank had outstanding guarantees, letters of credit and commitments to grant loans amounting to kLTL 8,715, kLTL 9,499 and kLTL 25,020, respectively. No provisions were established for these commitments as at 31 December 2001.

Commitments to grant finance lease and acquire assets. As at 31 December 2001, Leasing subsidiary had effective agree-

ments signed with providers regarding assets meant for finance lease for the total of kLTL 1,697 (in 2000: kLTL 372). Furthermore, as at 31 December 2000, in compliance with some leasing agreements in effect Leasing subsidiary had not yet transferred assets to the clients. The total value of such leasing agreements amounted to kLTL 272 and client's prepayments under these agreements, amounting to kLTL 107, are shown in the balance sheet as Other liabilities.

Note 27 Cash and cash equivalents

| | Group | 2001 Bank | Group | 2000 Bank |
|--|---------------|---------------|---------------|---------------|
| Cash | 10,317 | 10,312 | 6,366 | 6,357 |
| Other valuables | 3 | 3 | 7 | 7 |
| Correspondent accounts with other banks | 14,219 | 14,219 | 7,183 | 7,183 |
| Correspondent accounts with the central bank | 9,885 | 9,885 | 5,324 | 5,324 |
| Compulsory reserves with central bank | 7,297 | 7,297 | 5,631 | 5,631 |
| Short term treasury bills | 10,316 | 10,316 | 10,269 | 10,269 |
| Total | 52,037 | 52,032 | 34,780 | 34,771 |

Note 28 Liquidity risk

The structure of the Bank's assets and liabilities by maturity as at 31 December 2001 is as follows:

| | On demand | Less than 1 month | 1 to 3 months | 3 to 6 months | 6 to 12 months | 1 to 3 years | More than 3 years | Maturity undefi- ned | Total |
|--------------------------------------|---------------|-------------------------|------------------|------------------|-------------------|-----------------|-------------------------|----------------------------|----------------|
| Assets | | | | | | | | | |
| Cash and balances with central banks | 27,497 | - | - | - | - | - | - | 4,949 | 32,446 |
| Treasury bills | - | - | 497 | - | - | - | - | - | 497 |
| Due from other banks | 14,219 | 16,500 | 7,432 | - | 2,100 | - | - | - | 40,251 |
| Trading securities | - | - | - | - | 462 | - | - | - | 462 |
| Derivative financial instruments | - | 35 | 3 | - | - | - | - | - | 38 |
| Loans | - | 11,878 | 22,697 | 21,587 | 45,636 | 40,076 | 19,810 | 3,559 | 165,243 |
| Investment securities | | | | | | | | | |
| – available-for-sale | - | - | - | 552 | 1,681 | 19,936 | 7,547 | 2,989 | 32,705 |
| – held-to-maturity | - | 16 | 621 | 1,617 | 259 | 7,788 | - | - | 10,301 |
| Investments in associates | - | - | - | - | - | - | - | 1,807 | 1,807 |
| Intangible assets | - | - | - | - | - | - | - | 2,036 | 2,036 |
| Fixed assets | - | - | - | - | - | - | - | 16,954 | 16,954 |
| Other assets | 254 | 1,332 | 236 | 254 | 539 | 856 | 203 | 3,804 | 7,478 |
| Total assets | 41,970 | 29,761 | 31,486 | 24,010 | 50,677 | 68,656 | 27,560 | 36,098 | 310,218 |

Notes to the financial statements

| | On demand | Less than 1 month | 1 to 3 months | 3 to 6 months | 6 to 12 months | 1 to 3 years | More than 3 years | Maturity undefined | Total |
|---|---------------|-------------------|---------------|---------------|----------------|---------------|-------------------|--------------------|----------------|
| Liabilities and shareholders' equity | | | | | | | | | |
| Due to other banks | 984 | 345 | 7,262 | 3,629 | 21,539 | 17,912 | 25,351 | 8 | 77,030 |
| Derivative financial instruments | - | 32 | 3 | - | - | - | - | - | 35 |
| Deposits | 65,711 | 27,390 | 25,491 | 29,186 | 34,491 | 3,715 | - | 11 | 185,995 |
| Special and lending funds | 88 | - | - | - | - | - | - | - | 88 |
| Other liabilities | 4,582 | 1,893 | 152 | 246 | 228 | 393 | - | 223 | 7,717 |
| Shareholders' equity | - | - | - | - | - | - | - | 39,353 | 39,353 |
| Total liabilities and shareholders' equity | 71,365 | 29,660 | 32,908 | 33,061 | 56,258 | 22,020 | 25,351 | 39,595 | 310,218 |

The Bank's liquidity ratios calculated using the rules approved by the Bank of Lithuania were as follows at the end of each month of the reporting period:

| | Liquid assets | Current liabilities | Liquidity ratio (per cent) |
|-------------------|---------------|---------------------|----------------------------|
| 31 December 2000 | 48,828 | 101,714 | 48.01 |
| 31 January 2001 | 47,069 | 101,999 | 46.15 |
| 28 February 2001 | 45,825 | 105,846 | 43.29 |
| 31 March 2001 | 55,920 | 113,284 | 49.36 |
| 30 April 2001 | 47,602 | 112,414 | 42.35 |
| 31 May 2001 | 51,146 | 121,188 | 42.20 |
| 30 June 2001 | 57,599 | 114,872 | 50.14 |
| 31 July 2001 | 49,300 | 120,381 | 40.95 |
| 31 August 2001 | 49,224 | 128,036 | 38.45 |
| 30 September 2001 | 72,364 | 128,563 | 56.29 |
| 31 October 2001 | 69,627 | 132,985 | 52.36 |
| 30 November 2001 | 76,870 | 144,515 | 53.19 |
| 31 December 2001 | 99,685 | 159,224 | 62.61 |

Note 29 Foreign exchange transactions and open positions

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Bank's open positions of prevailing currencies as at 31 December 2001 were as follows:

| | USD | EUR | Other currencies | Total currencies | LTL | Total |
|--------------------------------------|--------|--------|------------------|------------------|--------|---------|
| Assets | | | | | | |
| Cash and balances with central banks | 9,128 | 1,392 | 213 | 10,733 | 21,713 | 32,446 |
| Treasury bills | - | - | - | - | 497 | 497 |
| Due from other banks | 13,624 | 7,631 | 218 | 21,473 | 18,778 | 40,251 |
| Trading securities | - | - | - | - | 462 | 462 |
| Derivative financial instruments | - | - | - | - | 38 | 38 |
| Loans, gross | 65,179 | 27,088 | - | 92,267 | 76,267 | 168,534 |

Notes to the financial statements

| | USD | EUR | Other currencies | Total currencies | LTL | Total |
|---|---------------|---------------|---------------------|---------------------|----------------|----------------|
| Investment securities | | | | | | |
| – available-for-sale | - | - | - | - | 32,705 | 32,705 |
| – held-to-maturity | - | - | - | - | 10,301 | 10,301 |
| Investments in associates | - | - | - | - | 1,807 | 1,807 |
| Intangible assets | - | - | - | - | 2,036 | 2,036 |
| Fixed assets | - | - | - | - | 16,954 | 16,954 |
| Other assets, gross | 586 | 250 | 1 | 837 | 7,664 | 8,501 |
| Provisions | (1,487) | (199) | - | (1,686) | (2,628) | (4,314) |
| Total assets | 87,030 | 36,162 | 432 | 123,624 | 186,594 | 310,218 |
| Liabilities and shareholders' equity | | | | | | |
| Due to other banks | 16,972 | 27,502 | - | 44,474 | 32,556 | 77,030 |
| Derivative financial instruments | - | - | - | - | 35 | 35 |
| Deposits | 65,865 | 6,938 | 192 | 72,995 | 113,000 | 185,995 |
| Special and lending funds | - | - | - | - | 88 | 88 |
| Other liabilities | 3,711 | 1,363 | 60 | 5,134 | 2,583 | 7,717 |
| Shareholders' equity | - | - | - | - | 39,353 | 39,353 |
| Total liabilities and shareholders' equity | 86,548 | 35,803 | 252 | 122,603 | 187,615 | 310,218 |
| Net balance sheet position | 482 | 359 | 180 | 1,021 | (1,021) | - |
| Off-balance sheet position | 3 | (2) | - | 1 | | |
| Net open position | 485 | 357 | 180 | 1,022 | | |

The Bank's open positions of prevailing currencies as at 31 December 2000 were as follows:

| | USD | EUR | Other currencies | Total currencies | LTL | Total |
|---|----------------|--------------|---------------------|---------------------|--------------|----------|
| Assets | 58,699 | 18,641 | 644 | 77,984 | 124,251 | 202,235 |
| Liabilities and shareholders' equity | 61,550 | 18,467 | 220 | 80,237 | 121,998 | 202,235 |
| Net balance sheet position | (2,851) | 174 | 424 | (2,253) | 2,253 | - |
| Off balance position | 185 | (186) | - | (1) | | |
| Net position | (2,666) | (12) | 424 | (2,254) | | |

According to the regulations approved by the Bank of Lithuania, the overall open position should not exceed 25% of the bank's capital and the open position of each individual foreign currency should not exceed 15% of the bank's capital.

The Bank has also extended loans in for-

ign currency. Although they are usually financed in the same currency, depending on the main currency of the debtor's cash flows, the strengthening of foreign currency against the litas may adversely affect the debtors' ability to repay the loans, which increases the probability of future losses from loans.

Note 30 Interest rate risk

The table below summarizes the Bank's interest rate risks as at 31 December 2001. The Bank's assets and liabilities shown at their carrying amounts categorized by the earlier of contractual reprising or maturity dates.

| | Less than 1 month | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 to 12 months | More than 1 years | Non interest bearing | Total |
|---|-------------------------|------------------|------------------|------------------|-------------------|-------------------------|----------------------------|----------------|
| Assets | | | | | | | | |
| Cash and balances with central banks | - | - | - | - | - | - | 32,446 | 32,446 |
| Treasury bills | - | 497 | - | - | - | - | - | 497 |
| Due from other banks | 16,500 | 7,432 | - | - | 2,100 | - | 14,219 | 40,251 |
| Trading securities | - | - | - | - | - | - | 462 | 462 |
| Derivative financial instruments | - | - | - | - | - | - | 38 | 38 |
| Loans, gross | 31,969 | 18,678 | 11,331 | 30,138 | 38,736 | 34,173 | 3,509 | 168,534 |
| Investment securities | | | | | | | | |
| – available-for-sale | - | - | - | 552 | 1,681 | 27,483 | 2,989 | 32,705 |
| – held-to-maturity | 16 | - | 621 | 1,617 | 259 | 7,788 | - | 10,301 |
| Investments in associates | - | - | - | - | - | - | 1,807 | 1,807 |
| Intangible assets | - | - | - | - | - | - | 2,036 | 2,036 |
| Fixed assets | - | - | - | - | - | - | 16,954 | 16,954 |
| Other assets, gross | - | - | - | - | - | - | 8,501 | 8,501 |
| Provisions | - | - | - | - | - | - | (4,314) | (4,314) |
| Total assets | 48,485 | 26,607 | 11,952 | 32,307 | 42,776 | 69,444 | 78,647 | 310,218 |
| Liabilities and shareholders' equity | | | | | | | | |
| Due to other banks | 27,028 | 1,619 | 5,644 | 13,857 | 11,310 | 16,580 | 992 | 77,030 |
| Derivative financial instruments | - | - | - | - | - | - | 35 | 35 |
| Deposits and special and lending funds | 27,390 | 11,782 | 13,709 | 29,186 | 34,491 | 3,715 | 65,810 | 186,083 |
| Other liabilities | - | - | - | - | - | - | 7,717 | 7,717 |
| Shareholders' equity | - | - | - | - | - | - | 39,353 | 39,353 |
| Total liabilities and shareholders' equity | 54,418 | 13,401 | 19,353 | 43,043 | 45,801 | 20,295 | 113,907 | 310,218 |
| Interest rate sensitivity gap | (5,933) | 13,206 | (7,401) | (10,736) | (3,025) | 49,149 | (35,260) | - |

Note 31 Related party transactions

In accordance with the Lithuanian Law on Commercial Banks, related parties are defined as follows: owners of a block of shares in the bank and its subsidiaries, their spouses, parents and children or enterprises in which these persons have acquired or hold, directly and/or indirectly, more than 20% of equity capital, as well as members of the council and the board of the bank and its subsidiaries, auditors, chief executive officers and bank branch managers and their spouses, parents and children or enterprises in which these persons have acquired or hold, directly and/or indirectly, more than 20% of equity capital.

For the purposes of these financial statements, parties are also considered to be related if one party has the ability to control, or exercise significant influence over the other party in making financial or operational decisions.

In the normal course of business, the Bank enters into banking transactions with large shareholders, members of the Council and the Board as well as subsidiaries. During 2001, a number of banking transactions were entered into with related parties in the normal course of business. These include settlements, loans, deposits and foreign currency transactions.

Notes to the financial statements

The balances of loans granted by the Bank to related parties, except for subsidiaries and associated companies, and their average annual interest rates (calculated as weighed average) were as follows:

| | 31 December 2001 | | 31 December 2000 | |
|-----------------------|--------------------------------|--|--------------------------------|--|
| | Principal of loans outstanding | Average annual interest rate, per cent | Principal of loans outstanding | Average annual interest rate, per cent |
| Shareholders | 16,912 | 8.69 | 8,021 | 10.5 |
| Other related parties | 1,157 | 9.87 | 2,282 | 9.5 |
| Total | 18,069 | | 10,303 | |

As at 31 December 2001 and during the year deposits from related parties were accepted on an arm's length principle.

Significant transactions with treasury shares are disclosed in Note 25.

Note 32 Concentration exposure

As at 31 December 2001, the largest single exposure comprising loans to several related borrowers treated as a single borrower, not secured by Government guarantees, amounted to LTL 8,182 million (all amount represents commitments to provide credit facilities), which is 23.0% of the Bank's calculated capital.

Note 33 Stock brokerage department activities

The volume of activities of Stock brokerage department of the bank is disclosed below:

| | 2001 | 2000 |
|---|--------|--------|
| Number of contracts for managing securities accounts and for transactions | 422 | 208 |
| Total value of transactions in the NSEL | 43,100 | 19,600 |
| Number of issuers, whose securities are accounted by the department | 4 | 5 |

As at 31 December the size of the portfolio managed by Stock brokerage department is as follows:

| | 2001 | 2000 |
|-------------------------------------|---------------|---------------|
| Bank's: | | |
| Treasury bills and government bonds | 33,019 | 16,556 |
| Equity securities | 1,264 | 1,108 |
| Total Bank's | 34,283 | 17,664 |
| On behalf of clients: | | |
| Treasury bills and government bonds | 4,138 | 2,158 |
| Equity securities | 18,341 | 14,022 |
| Equity securities of issuers | 7,372 | 10,381 |

Notes to the financial statements

| | | |
|-------------------------------|--------|--------|
| Equity securities of the Bank | 7,905 | 8,310 |
| Total on behalf of clients | 37,756 | 34,871 |

Income allocated to the Stock brokerage department is as follows:

| | 2001 | 2000 |
|--|-------|-------|
| Interest income for Lithuanian treasury bills and government bonds | 2,019 | 1,094 |
| Income from debt securities | 82 | 0 |
| Income from equity securities | 194 | 343 |
| Commission charged | 59 | 37 |
| Income for distribution of Savings bonds of the government | 116 | 45 |
| Dividends received | 26 | 6 |
| Other income | 19 | 18 |
| Total income | 2,515 | 1,543 |