

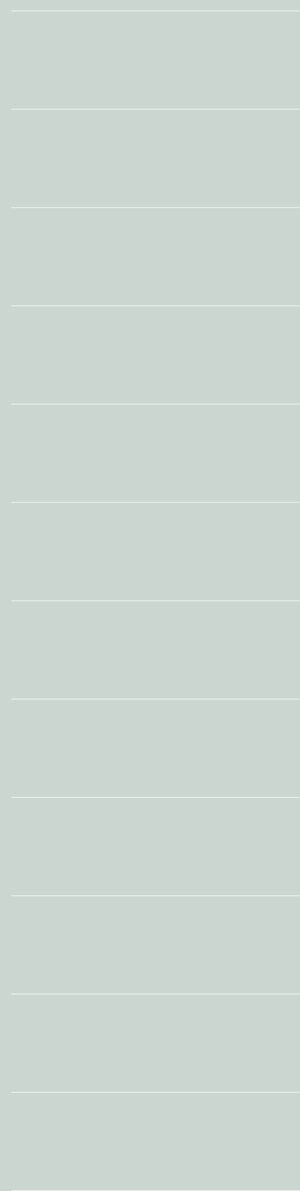


LIETUVOS BANKAS
EUROSISTEMA

THE ANNUAL FINANCIAL STATEMENTS

2015

2015



THE ANNUAL FINANCIAL STATEMENTS OF THE BANK OF LITHUANIA

2015

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Independent Auditor's Report

To the Seimas of the Republic of Lithuania

We have audited the accompanying financial statements of Bank of Lithuania (the Bank) set out on pages 4 to 33, which comprise the balance sheet as of 31 December 2015 and the profit and loss account, for the year then ended, and explanatory notes comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Guideline of the European Central Bank on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2010/20, as amended) adopted by the Governing Council of the European Central Bank, the Law on the Bank of Lithuania and the Accounting Policy approved by the Board of the Bank of Lithuania. Management is also responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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


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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank of Lithuania as of 31 December 2015, and its financial performance for the year then ended in accordance with Guideline of the European Central Bank on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2010/20, as amended) adopted by the Governing Council of the European Central Bank, the Law on the Bank of Lithuania and the Accounting Policy approved by the Board of the Bank of Lithuania.

On behalf of PricewaterhouseCoopers UAB


Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
31 March 2016

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BALANCE SHEET OF THE BANK OF LITHUANIA

EUR thousands

	Notes	31 December 2015	1 January 2015
ASSETS			
1. Gold and gold receivables	1	182,309	184,860
2. Claims on non-euro area residents denominated in foreign currency		2,379,184	3,202,509
Receivables from the IMF	2	174,803	163,764
Balances with banks and security investments, external loans and other external assets	3	2,204,380	3,038,745
3. Claims on euro area residents denominated in foreign currency	4	115,603	84,797
4. Claims on non-euro area residents denominated in euro	5	317,066	1,492,902
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	6	345,700	–
Main refinancing operations		–	–
Longer-term refinancing operations		345,700	–
Fine-tuning reverse operations		–	–
Structural reverse operations		–	–
Marginal lending facility		–	–
Credits related to margin calls		–	–
6. Other claims on euro area credit institutions denominated in euro	7	21	651,220
7. Securities of euro area residents denominated in euro		3,423,859	2,895,976
Securities held for monetary policy purposes	8	2,508,058	–
Other securities	9	915,801	2,895,976
8. General government debt denominated in euro		–	–
9. Intra-Eurosystem claims		4,489,542	5,049,991
Participating interest in the ECB	10	207,183	44,729
Claims equivalent to the transfer of foreign reserves	11	239,454	–
Net claims related to the allocation of euro banknotes within the Eurosystem	12	3,751,032	4,937,282
Other claims within the Eurosystem (net)	13	291,872	67,980
10. Items in course of settlement		–	–
11. Other assets		77,450	141,408
Tangible and intangible fixed assets	14	30,437	30,338
Other financial assets	15	3,355	3,355
Off-balance-sheet instruments revaluation differences	16	6,059	72,293
Accruals and prepaid expenses	17	36,714	29,571
Sundry	18	885	5,852
Total assets		11,330,734	13,703,664

	Notes	31 December 2015	1 January 2015
LIABILITIES			
1. Banknotes in circulation	19	5,960,269	7,105,222
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	20	2,841,656	2,857,841
Current accounts (covering the minimum reserve system)		2,841,656	2,857,841
Deposit facility		–	–
Fixed-term deposits		–	–
Fine-tuning reverse operations		–	–
Deposits related to margin calls		–	–
3. Other liabilities to euro area credit institutions denominated in euro	21	25,778	1,437,202
4. Debt certificates issued		–	–
5. Liabilities to other euro area residents denominated in euro	22	1,272,627	1,254,881
General government		1,272,620	1,254,881
Other liabilities		7	–
6. Liabilities to non-euro area residents denominated in euro	23	806	48,194
7. Liabilities to euro area residents denominated in foreign currency	24	191,972	5,563
8. Liabilities to non-euro area residents denominated in foreign currency	25	52,052	–
9. Counterpart of special drawing rights allocated by the IMF	26	174,677	163,643
10. Intra-Eurosystem liabilities		–	43,052
Net liabilities related to the allocation of euro banknotes within the Eurosystem		–	–
Other liabilities within the Eurosystem (net)	27	–	43,052
11. Items in course of settlement	28	2,832	28,434
12. Other liabilities		125,666	135,392
Off-balance-sheet instruments revaluation differences	16	30,988	11,402
Accruals and income collected in advance	29	1,011	1,208
Sundry	30	93,667	122,782
13. Provisions	31	49,690	33,893
14. Revaluation accounts	32	193,369	165,250
15. Capital	33	417,561	404,761
Authorised capital		60,000	57,924
Reserve capital		357,561	346,837
16. Profit for the year	43	21,779	20,337
Total liabilities		11,330,734	13,703,664

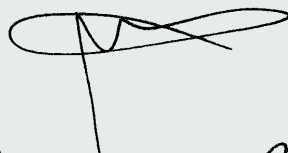
PROFIT AND LOSS ACCOUNT OF THE BANK OF LITHUANIA

EUR thousands

	Notes	2015	2014
Interest income		23,428	29,511
Interest expense		(2,503)	(837)
1. Net interest income	34	20,926	28,674
Realised gains (losses) arising from financial operations		(891)	19,425
Write-downs on financial assets and positions		(16,307)	(642)
Transfer to provisions for risks		(15,800)	(17,956)
2. Net result of financial operations, write-downs and risk provisions	35	(32,998)	826
Fees and commissions income		5,395	6,422
Fees and commissions expense		(723)	(789)
3. Net income from fees and commissions	36	4,672	5,633
4. Income from equity shares and participating interests	37	10,382	9,255
5. Net result of pooling of monetary income	38	46,963	–
6. Other income	39	7,176	14,385
TOTAL NET INCOME		57,121	58,773
7. Staff costs	40	(15,267)	(15,129)
8. Administrative expenses	41	(8,296)	(7,873)
9. Depreciation of tangible and intangible fixed assets	14	(2,786)	(2,273)
10. Banknote production services		–	–
11. Other expenses	42	(8,992)	(13,160)
PROFIT FOR THE YEAR	43	21,779	20,337

The Annual Financial Statements 2015 of the Bank of Lithuania were approved on 29 March 2016 by Resolution No 03-38 of the Board of the Bank of Lithuania.

Chairman of the Board



Vitas Vasiliauskas

Director of the Organization Service
Accounting Department



Lina Našlėnienė

EXPLANATORY NOTES

1. BASIS FOR PREPARATION AND PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

The financial accounting of the Bank of Lithuania is managed and the Annual Financial Statements are prepared in accordance with the Guideline of the European Central Bank (hereinafter — ECB) on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2010/20) adopted by the Governing Council of the ECB (hereinafter — Accounting Guideline), the Law on the Bank of Lithuania and the Accounting Policy approved by the Board of the Bank of Lithuania. If a specific accounting treatment is not laid down in the Accounting Guideline and the Accounting Policy of the Bank of Lithuania and in the absence of the decisions and instructions to the contrary by the ECB, the Bank of Lithuania shall follow the principles of the international accounting and financial reporting standards as adopted by the European Union (EU), relevant to the activities and accounts of the Bank of Lithuania.

On 1 January 2015, Lithuania adopted the single currency of the EU — the euro — and became a member of the euro area. Coming into effect on the same date, financial accounting data in litas were translated into euro, the items of the balance sheet were reclassified according to the structure laid down in the Accounting Guideline, operations related to participation in the Eurosystem were booked in the financial accounting, and the initial balance sheet as of 1 January 2015 was prepared. On the basis of this initial balance sheet, the comparative information was prepared. The comparative figures of the Profit and Loss Account of the Bank of Lithuania for 2014 were translated from litas to euro; the structure of this statement remained unchanged. For more information about the conversion, reclassification of the balance sheet items and operations related to participation in the Eurosystem, see Chapter '5. Adoption of the Euro in Lithuania' of the Explanatory Notes.

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

2. ACCOUNTING POLICY

2.1. GENERAL PRINCIPLES

In managing financial accounting the Bank of Lithuania follows the following general accounting principles: going concern, accrual, post-balance sheet events.

Qualitative characteristics in drawing up the financial statements of the Bank of Lithuania: economic reality and transparency, prudence, materiality, consistency and comparability.

Gold, marketable securities and other on-balance-sheet and off-balance-sheet assets and liabilities that comprise financial assets (hereinafter — financial items) in financial accounting are recorded at acquisition cost (transaction price), and in the Annual Financial Statements are presented at market price (except for securities valued at amortised cost). Results arising from revaluation of marketable debt and equity securities (on a code-by-code basis) and derivatives (on an item-by-item basis) at market prices are accounted for separately.

In the Annual Financial Statements, financial items denominated in foreign currency are presented in euro at market rates.¹ Results arising from revaluation of gold and foreign currency (on a currency-by-currency basis) at market rates are accounted for separately.

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

Unrealised revaluation gain arising at the end of the financial year from the revaluation of a separate

¹ Market rate — euro and foreign currency reference rate, based on the daily concertation procedure between central banks within and outside the ESCB, published by the ECB.

financial item at market price and market rate is presented at revaluation accounts. Unrealised gain, which arose before joining the Eurosystem, is presented separately from the revaluation gain, arising after that date on the liabilities side of the balance sheet as pre-system revaluation gain (see 'Note 32. Revaluation accounts').

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

Income and expense are recognised in the accounting period in which they are earned or incurred and not in the period in which they are received or paid. Income and expense in foreign currency are recognised in euro at market rates prevailing on the day of their recognition in accounting; they influence a respective foreign currency position on that date.

2.2. FOREIGN CURRENCY

The market rates of euro and foreign currency, with which the Bank of Lithuania holds material positions

Foreign currency per euro

Currency	Code	31 December 2015	31 December 2014	Change (%)
Swiss franc	CHF	1.08350	1.20240	-9.9
US dollar	USD	1.08870	1.21410	-10.3
Japanese yen	JPY	131.070	145.230	-9.8
Special drawing rights (SDR)	XDR	0.78567	0.83864	-6.3
Chinese yuan renminbi	CNY	7.06080	7.53580	-6.3
British pound	GBP	0.73395	0.77890	-5.8

The average rate of foreign currency is recalculated on a daily basis in case of an increase of a respective foreign currency position. When the foreign currency position decreases — the realised result is calculated.

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

2.3. GOLD

In the Annual Financial Statements, gold is presented in euro at the market price of one Troy ounce, prevailing on the last business day of the financial year.

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

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

2.4. MARKETABLE SECURITIES

Marketable debt and equity securities are recorded in on-balance-sheet accounts at acquisition cost on the settlement date.

Securities held for monetary policy purposes, as well as debt securities classified as held-to-maturity, are presented in the balance sheet at amortised cost subject to impairment. Other marketable securities are presented in the balance sheet at mid-market prices prevailing on the balance sheet date. Revaluation results of securities related with changes of the market price of securities and the market rate of the foreign currency are presented in separate revaluation accounts.

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

A coupon purchased together with debt securities is presented in a separate balance sheet item as other assets and is not included in the acquisition cost of the securities.

The dividends, bought together with equity securities, are included in the acquisition cost of the security. Dividends bought in the period when the dividend receivable is announced are presented in a separate balance sheet item as other assets.

The difference between the debt security acquisition cost and its par value — discount or premium — is recognised as income or expense according to the straight-line method on a daily basis from the purchase settlement date to the maturity date or sale settlement date. The nominal value of inflation-linked securities is indexed to the inflation index on a daily basis from the settlement date of the purchase transaction to the maturity date or settlement date of the sale transaction. The nominal value change is recognised as interest income or expense.

Discount on non-coupon bearing debt securities is amortised according to the internal rate of return (IRR), and discount or premium on coupon bearing debt securities is amortised according to the straight-line method.

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

2.5. NON-MARKETABLE EQUITY INSTRUMENTS

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

2.6. RECOGNITION OF INCOME AND EXPENSE

Realised income and expense, related to the sold foreign currency, gold and securities, are recognised in the income and expense accounts. Such income and expense are calculated considering the average rate or average price of the corresponding financial item.

Unrealised revaluation gain of financial items is not recognised as income and is presented in revaluation accounts. Unrealised revaluation loss, exceeding previous revaluation gain related to the corresponding financial item, is recognised as expense at the year-end.

Impairment losses are recognised as expense and are not reversed in subsequent years unless the impairment decreases and this decrease can be related to an observable event that occurred after the impairment was first recorded.

Dividends of marketable equity instruments are booked upon their announcement, while dividends of non-marketable equity instruments are booked upon having been settled or having received a notification on their distribution.

2.7. REVERSE TRANSACTIONS

Reverse transactions are operations whereby the Bank of Lithuania buys or sells assets under a repurchase agreement or conducts credit operations against collateral.

Repurchase agreements are presented as collateralised deposits of the counterparty on the liabilities side of the balance sheet, while the financial asset that has been given as collateral (sold and repurchased under these agreements) remains on the asset side of the balance sheet for the period of transactions.

Reverse repurchase agreements are presented as collateralised loans on the asset side of the balance sheet. The collateral acquired during the transactions period is not reported in the balance sheet and is not revalued.

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

2.8. FOREIGN EXCHANGE TRANSACTIONS

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

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

The non-deliverable foreign exchange forwards are recorded at notional amount calculated based on the forward exchange rate in the off-balance-sheet accounts from the trade date to the maturity date. In the Annual Financial Statements, the value of these transactions is presented at market prices, prevailing on the last business day of the financial year. Unrealised loss recognised as expense at the end of the financial year is presented as write downs on the balance sheet liabilities accounts. The difference between the forward exchange rate and the spot rate at the settlement date of the transaction, taking into account any accumulated impairment losses, is recognised as realised income or expense.

2.9. FORWARD TRANSACTIONS IN SECURITIES

Forward purchases or sales of securities are recognised in off-balance-sheet accounts from the trade date to the settlement date at the forward price of the transaction. In the Annual Financial Statements, the value of these transactions is presented at a forward market price.

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

2.10. INTEREST RATE TRANSACTIONS

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

Interest rate swaps are recorded in off-balance-sheet accounts at notional amount from the trade date to the closing or maturity date. In the Annual Financial Statements, the value of these transactions is presented at market prices, prevailing on the last business day of the financial year. Unrealised loss recognised as expense at the end of financial year is presented as write downs on the balance sheet liabilities accounts and is subject to straight-line amortisation till the maturity date of the transaction. Interest income and interest expense is accrued on a daily basis over the remaining duration of the transaction.

2.11. TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible fixed assets include such tangible assets whose useful life is longer than one year and whose acquisition cost (including VAT) is no less than EUR 2,000. Intangible fixed assets include items without physical substance whose useful life is no less than one year and whose acquisition cost is no less than EUR 2,000. Tangible and intangible fixed assets are recorded in the balance sheet at cost less accumulated depreciation (amortisation). The fixed assets under construction, pieces of art, museum stocks and tangible assets included in the list of cultural valuables (excluding buildings) are not depreciated (amortised). Depreciation (amortisation) of other fixed assets is calculated on a straight-line basis over the expected useful life of assets.

Depreciation (amortisation) rates of tangible and intangible fixed assets

Fixed assets	Annual rate, %
Tangible assets	
Buildings	2.5–10
Cash count and computer equipment	8–50
Vehicles	20
Furniture, office equipment and other inventories	3–50
Intangible assets	25–50

If there are indications that the market value of real estate has declined significantly, then at the end of the financial year the acquisition cost of such assets is reduced by the amount of impairment loss.

When fixed assets are sold, the difference between the value of sale and the value presented in the balance sheet is recognised as income or expense.

Maintenance and repair costs of fixed assets are recognised as expense at the time they are incurred.

2.12. BANKNOTES AND COINS IN CIRCULATION

The ECB and the euro area NCBs, which together comprise the Eurosystem, issue euro banknotes.² The total value of euro banknotes in circulation is allocated to the Eurosystem central banks on the last working day of each month in accordance with the banknote allocation key.³

The ECB has been allocated a share of 8 per cent of the total value of euro banknotes in circulation, whereas the remaining 92 per cent has been allocated to NCBs according to their weightings in the capital key of the ECB. The share of banknotes allocated to each NCB is disclosed in the balance sheet under liability item '1. Banknotes in circulation'.

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that it actually puts into circulation is presented as remunerated intra-Eurosystem balance.⁴

Seeking to avoid significant fluctuations in the monetary income after new members join the Eurosystem, the intra-Eurosystem balances arising from the allocation of euro banknotes are adjusted by the compensatory amount, which is applied for the new entrants from the cash changeover year and gradually reduced over the following five years. For the Bank of Lithuania, the period for which the above-mentioned adjustments are applicable will terminate on 31 December 2020. From 1 January 2021, the interest income will be calculated on the whole position of the net claims related to the allocation of euro banknotes.

The nominal value of euro coins issued into circulation by the Bank of Lithuania is presented in the balance sheet item '12. Other liabilities'.

The sale price of euro collector's and commemorative coins, which are sold above their nominal value, as well as the sale price of litas coins and sets of litas coins, is recognised as income.

Litas banknotes and coins in circulation are presented at nominal value. When assessed that the probability of return is negligibly low, the nominal value of such litas banknotes and coins is derecognised from the balance sheet. Provisions shall be established for the assessed value of probable return. The difference between the nominal value derecognised and provisions made shall be recognised as income.

The cost of printing banknotes and minting coins, as well as other expenses associated with the issue of banknotes and coins into circulation, are recorded as expenses when incurred, irrespective of when the coins and banknotes were put into circulation.

2.13. PROVISIONS FOR COVERING FINANCIAL RISKS AND LIABILITIES

The provisions for expected foreign exchange rate, interest rate and credit risks (hereinafter — provisions for risks) are formed by the Board of the Bank of Lithuania, seeking the Bank of Lithuania to have sufficient financial resources to offset risk arising from the management of financial assets and safeguard the Bank of Lithuania's capital and the real value of financial assets. These provisions are formed according to the rules established by the Board of the Bank of Lithuania. Provisions for risks may be used for the coverage of all or part of the net expenses related to financial assets' operations (realised result, unrealised revaluation loss and impairment of the financial assets).

Provisions for termination benefits, payable for staff who will qualify for the state social insurance pension while working at the Bank of Lithuania, are assessed using actuary valuations. Their value is determined as termination benefits, earned by the employee upon retirement, which is calculated based on the employee change dynamics and wage growth preconditions, discounted at using the long-term lending interest rates in the Republic of Lithuania.

Other provisions for liabilities, such as provisions for wages and salaries payable for annual leave, provisions for termination benefits for the staff and members of the Board or provisions related to exchange of litas banknotes and coins, are not discounted due to the relatively short period from the creation of these provisions to their use.

Provisions for risks and liabilities are formed as at the year-end and recognised as expense.

² ECB Decision of 13 December 2010 on the issue of euro banknotes (recast) (ECB/2010/29), OJ L 35, 9.2.2011, p. 26, as amended.

³ Banknote allocation key means the percentages that result from taking into account the ECB's share in the total euro banknote issue and applying the subscribed capital key to the NCBs' share in such total.

⁴ ECB Decision of 25 November 2010 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (recast) (ECB/2010/23), OJ L 35, 9.2.2011, p. 17, as amended.

3. FINANCIAL RISK AND ITS MANAGEMENT

The main source of the financial risk of the Bank of Lithuania is the financial assets of the Bank of Lithuania, in managing which the Bank of Lithuania is exposed to market, credit, liquidity and settlement risks.

The value-at-risk is the basic tool for the management of market risk (interest rate, market price, and exchange rate) which cannot exceed the risk budget for the financial assets investments (excluding monetary policy operations), i.e. the maximum acceptable amount of EUR 100 million negative return per annum with 95 per cent probability. The application of the risk budget facilitates the integral management of market risk, more flexible use of various investment strategies as well as one indicator for the overall assessment of both equity and debt securities risk. A model used for the calculation of value-at-risk considers the past patterns and forecasted macroeconomic environment in the financial markets. As at 31 December 2015 the risk value amounted to EUR 63 million (on 31 December 2014 — EUR 61 million).

In pursuing the credible risk management system, other market risk management instruments are combined with the risk budget instrument.

For managing the foreign exchange rate risk related to financial assets which do not correspond to liabilities in foreign currencies, the limits for the open currency positions are established alongside the risk budget. Exchange rate risk related to financial assets corresponding to liabilities in foreign currencies is eliminated by investing in the currency of liabilities.

Appropriate investment allocation plays an important role in financial risk management seeking to reduce the concentration of investment. In 2015, the Bank of Lithuania ensured diversification of investments by investing in almost twenty countries and more than fifty issuers' debt securities. The Bank of Lithuania also invests in exchange traded funds (ETFs) linked to well-diversified equity and debt securities market indexes.

For managing the foreign exchange rate and interest rate risks, the Bank of Lithuania widely uses financial derivatives. All financial derivatives are included in the measurement of the Bank of Lithuania's financial assets investment market and credit risk.

Credit risk is managed by dealing only with investment grade financial institutions, investing only in investment grade financial instruments and diversifying investment by establishing the limits of the liabilities to the Bank of Lithuania by issuers, counterparties and their groups.

Liquidity risk is managed by combining the duration of liabilities and corresponding investments.

Various correspondent account management instruments are applied to diminish settlement risks: the delivery-versus-payment principle, matching of debt and credit turnovers, ISDA Master Agreement.

4. FINANCIAL ACCOUNTING PRINCIPLES ON OPERATIONS RELATED TO PARTICIPATION IN THE EUROSISTEM

This chapter covers the accounting principles of claims, liabilities and income, expenses arising from operations related to participation in the Eurosystem.

4.1. PARTICIPATING INTEREST IN ECB CAPITAL

Shares of the NCBs in the subscribed capital of the ECB depend on the established key for ECB capital subscription, which is adjusted in accordance with the provisions of the Statute of the European System of Central Banks (hereinafter — ESCB) and of the ECB. It is adjusted every five years and every time when a new Member State joins the EU on the basis of population and GDP data provided by the European Commission.

Participating interest of NCBs of the EU Member States in ECB capital

Central bank	Capital key as at 31 December 2015, %	Paid-up capital as at 31 December 2015, EUR	Capital key as at 31 December 2014, %	Paid-up capital as at 31 December 2014, EUR
<i>Nationale Bank van België / Banque Nationale de Belgique</i>	2.4778	268,222,025	2.4778	268,222,025
<i>Deutsche Bundesbank</i>	17.9973	1,948,208,997	17.9973	1,948,208,997
<i>Eesti Pank</i>	0.1928	20,870,614	0.1928	20,870,614

continued

Central bank	Capital key as at 31 December 2015, %	Paid-up capital as at 31 December 2015, EUR	Capital key as at 31 December 2014, %	Paid-up capital as at 31 December 2014, EUR
<i>Banc Ceannais na hÉireann / Central Bank of Ireland</i>	1.1607	125,645,857	1.1607	125,645,857
<i>Bank of Greece</i>	2.0332	220,094,044	2.0332	220,094,044
<i>Banco de España</i>	8.8409	957,028,050	8.8409	957,028,050
<i>Banque de France</i>	14.1792	1,534,899,402	14.1792	1,534,899,402
<i>Banca d'Italia</i>	12.3108	1,332,644,970	12.3108	1,332,644,970
<i>Central Bank of Cyprus</i>	0.1513	16,378,236	0.1513	16,378,236
<i>Latvijas Banka</i>	0.2821	30,537,345	0.2821	30,537,345
<i>Lietuvos bankas</i>	0.4132	44,728,929	–	–
<i>Banque centrale du Luxembourg</i>	0.2030	21,974,764	0.2030	21,974,764
<i>Bank Ċentrali ta' Malta / Central Bank of Malta</i>	0.0648	7,014,605	0.0648	7,014,605
<i>De Nederlandsche Bank</i>	4.0035	433,379,158	4.0035	433,379,158
<i>Oesterreichische Nationalbank</i>	1.9631	212,505,714	1.9631	212,505,714
<i>Banco de Portugal</i>	1.7434	188,723,173	1.7434	188,723,173
<i>Banka Slovenije</i>	0.3455	37,400,399	0.3455	37,400,399
<i>Národná banka Slovenska</i>	0.7725	83,623,180	0.7725	83,623,180
<i>Suomen Pankki – Finlands Bank</i>	1.2564	136,005,389	1.2564	136,005,389
Total (euro area central banks)	70.3915	7,619,884,851	69.9783	7,575,155,922
<i>Българска народна банка (Bulgarian national bank)</i>	0.8590	3,487,005	0.8590	3,487,005
<i>Česká národní banka</i>	1.6075	6,525,450	1.6075	6,525,450
<i>Danmarks Nationalbank</i>	1.4873	6,037,512	1.4873	6,037,512
<i>Hrvatska narodna banka</i>	0.6023	2,444,963	0.6023	2,444,963
<i>Lietuvos bankas</i>	–	–	0.4132	1,677,335
<i>Magyar Nemzeti Bank</i>	1.3798	5,601,129	1.3798	5,601,129
<i>Narodowy Bank Polski</i>	5.1230	20,796,192	5.1230	20,796,192
<i>Banca Națională a României</i>	2.6024	10,564,124	2.6024	10,564,124
<i>Sveriges Riksbank</i>	2.2729	9,226,559	2.2729	9,226,559
<i>Bank of England</i>	13.6743	55,509,148	13.6743	55,509,148
Total (non-euro area central banks)	29.6085	120,192,083	30.0217	121,869,418
Total	100.0000	7,740,076,935	100.0000	7,697,025,340

The contribution of the Bank of Lithuania to ECB capital is presented in the Explanatory Notes Chapter '5. Adoption of the euro in Lithuania'.

4.2. FOREIGN RESERVES TRANSFERRED TO THE ECB

Pursuant to Article 30 and Article 48 of the Statute of the ESCB and of the ECB, the NCBs transfer their share of foreign reserves to the ECB when joining the Eurosystem applying the ratio between the number of shares subscribed by the NCB concerned and the number of shares already paid up by the other NCBs.

Liabilities to the euro area NCBs, which arose after the transfer of foreign reserve assets to the ECB by the Bank of Lithuania, comprised the amount of EUR 40,792,608 thousand. The share of foreign reserve assets, transferred to the ECB by the Bank of Lithuania, is reported under 'Claims equivalent to the transfer of foreign reserves' (see Note 11).

The remuneration of foreign reserves transferred to the ECB is calculated daily, at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations, adjusted to reflect a zero return on the gold component.

4.3. LENDING TO EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

Main refinancing operations. Main refinancing operations are executed through liquidity providing reverse transactions with a weekly frequency and maturity of one week, normally by means of standard tenders. These operations play a key role in achieving the aims of the steering interest rate, managing market liquidity and signalling the monetary policy stance.

Longer-term refinancing operations. These operations aim to provide counterparties with additional longer-term refinancing. In 2015 operations were conducted with maturities equal to the reserve maintenance period and with maturities between 3 and 48 months.

Fine-tuning reverse operations. Fine-tuning reverse operations aim to regulate the market liquidity situation and steer interest rates, particularly to smooth the effects on interest rates caused by unexpected market fluctuations. Owing to their nature, they are executed on an *ad hoc* basis.

Structural reverse operations. These are reverse open-market transactions through standard tenders to enable the Eurosystem to adjust its structural liquidity position *vis-à-vis* the financial sector.

Marginal lending facility. The marginal lending facility is a standing facility provided by the Eurosystem, which may be used by counterparties to obtain overnight liquidity from NCBs at a pre-specified interest rate against eligible assets.

Credits related to margin calls. They refer to cash paid to counterparties in those instances where the market value of the collateral exceeds an established trigger point implying an excess of collateral with respect to outstanding monetary policy operations.

In accordance with Article 32.4 of the Statute of the ESCB and of the ECB, losses from monetary policy operations, if they were to materialise, are shared in full by the Eurosystem NCBs, in proportion to the prevailing ECB capital key shares. With effect from 1 January 2014, the share of the Bank of Lithuania in the capital of the ECB is 0.4132 per cent. In 2015, no losses from monetary policy operations were materialised by the Bank of Lithuania and other NCBs.

Losses can only materialise if both the counterparty fails and the recovery of funds received from the resolution of the collateral provided by the counterparty is not sufficient. For specific collateral, which can be accepted by the NCBs at their own discretion, risk sharing has been excluded by the Governing Council of the ECB.

4.4. SECURITIES HELD FOR MONETARY POLICY PURPOSES

As at 31 December 2015, the securities held by the ECB and national central banks amounted to EUR 803,135 million, acquired within the scope of the three covered bond purchase programmes, the Securities Markets Programme, the asset-backed securities purchase programme and the public sector asset purchase programme.

Purchases under the first and second covered bond purchase programmes and the Securities Markets Programme were completed by the end of 2012. In 2015, the ECB and NCBs continued the purchase of securities under the third covered bond purchase programme and the asset-backed securities purchase programme.

The public sector asset purchase programme was started in 2015 when the Governing Council of the ECB decided that asset purchases should be expanded. This programme aims to further ease monetary and financial conditions, including those relevant to borrowing conditions of euro area and non-financial corporations and households. Under this programme, the ECB and NCBs may purchase, in the secondary market, euro-denominated securities issued by euro area central governments, agencies and European institutions (securities holdings of the Bank of Lithuania is presented in 'Note 8. Securities held for monetary policy purposes').

Securities purchased under all six programmes are valued on an amortised cost basis subject to impairment. Annual impairment tests are conducted on the basis of the estimated recoverable amounts as at the year-end.

4.5. LIABILITIES TO EURO AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS DENOMINATED IN EURO

Deposit facility. Deposit facility is a liquidity absorbing standing facility provided by the Eurosystem, which counterparties can use to make overnight deposits with national central banks at the pre-specified rate.

Fixed-term deposits. These liabilities relate to liquidity-absorbing fine-tuning operations for a fixed term and with a fixed rate of interest.

Fine-tuning reverse operations. Fine-tuning reverse operations are liquidity-absorbing reverse operations used to offset high liquidity imbalances.

Deposits related to margin calls. They refer to cash received from counterparties in those instances where the market value of the collateral has fallen below an established trigger point implying a shortfall of collateral to cover the outstanding monetary policy operations.

4.6. PARTICIPATION IN TARGET2

Cross-border payments in the EU settled in TARGET2⁵ give rise to bilateral balances in the TARGET2 accounts of EU central banks. These bilateral balances are netted out and then assigned to the ECB on a daily basis, leaving each NCB with a single net bilateral position *vis-à-vis* only the ECB. Intra-Eurosystem balances of the Bank of Lithuania *vis-à-vis* the ECB arising from TARGET2 are disclosed under 'Other claims within the Eurosystem (net)' or 'Other liabilities within the Eurosystem (net)' (see Note 13).

4.7. ALLOCATION OF MONETARY INCOME

Monetary income of the Eurosystem, accruing to the NCBs in the performance of the ESCB's monetary policy function, is calculated and allocated among the NCBs at the end of each financial year in proportion to the subscribed capital key in accordance with Article 32 of the ESCB and of the ECB. The amount of the NCBs' monetary income is determined by measuring actual income, which it derives from the earmarkable assets held against its liability base.

The earmarkable assets consist mainly of the following items: lending to euro area credit institutions related to monetary policy operations denominated in euro; securities held for monetary policy purposes; intra-Eurosystem claims equivalent to the transfer of foreign reserve assets to the ECB; net intra-Eurosystem claims resulting from TARGET2 transactions; net intra-Eurosystem claims related to the allocation of euro banknotes within the Eurosystem; accrued interest on monetary policy liabilities, the maturity of which is one year or longer; a limited amount of each NCBs' gold holdings in proportion to each NCBs' capital key share. Gold is considered to generate no income. Securities held for monetary policy purposes under both Decision ECB/2009/16 on the implementation of the covered bond purchase programme and Decision ECB/2011/17 on the implementation of the second covered bond purchase programme, as well as government securities under Decision ECB/2015/10 on the implementation of a secondary markets public sector asset purchase programme are considered to generate income at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations.

The liability base consists mainly of the following items: banknotes in circulation; liabilities to euro area credit institutions related to monetary policy operations denominated in euro; net intra-Eurosystem liabilities resulting from TARGET2 transactions; net intra-Eurosystem liabilities related to the allocation of euro banknotes within the Eurosystem. Any interest paid on liabilities included within the liability base is to be deducted from the monetary income to be pooled.

The difference between the NCBs' earmarkable assets value and its liability base value shall be offset by applying to the difference the latest available marginal rate for the Eurosystem's main refinancing operations.

After pooling of the annual monetary income of the Eurosystem and reallocation to NCBs in proportion to their subscribed capital keys, the differences between the NCBs' pooled monetary income and allocated in proportion to capital key are settled among the NCBs' via TARGET2. The net result arising from the reallocation of monetary income for the Bank of Lithuania is disclosed in Note 38.

4.8. DISTRIBUTION OF THE ECB PROFIT

The net profit of the ECB is distributed pursuant to Article 33 of the Statute of the ESCB and of the ECB. The Governing Council of the ECB may decide to make transfers to the provision for foreign exchange rate, interest rate, credit and gold price risks. The remaining net profit is distributed to the shareholders of the ECB in proportion to the subscribed capital key.

Unless otherwise decided by the Governing Council, the ECB distributes seigniorage income, which arises from the 8 per cent share of euro banknotes allocated to the ECB, as well as the income arising from the securities held under the securities programmes, by means of an interim distribution of profit in January of the following year.⁶ The result from ECB interim profit

⁵ *The Trans-European Automated Real-time Gross settlement Express Transfer system.*

⁶ *Decision (EU) 2015/298 of the ECB of 15 December 2014 on the interim distribution of the income of the European Central Bank (recast) (ECB/2014/57), OJ J 53, 25.2.2015, p. 24.*

distribution is recorded by the Bank of Lithuania as income of the financial year when this income was accrued, not received.

After approval by the Governing Council of the ECB annual accounts, the ECB distributes the remaining part of the ECB profit (after interim profit distribution and transfer to the provision). The result from the ECB final profit distribution is recorded by the Bank of Lithuania as income of the financial year when this income was received.

The received distribution of the ECB profit is disclosed in the Profit and Loss Account item '4. Income from equity shares and participating interests' (see Note 37).

5. ADOPTION OF THE EURO IN LITHUANIA

On 1 January 2015, the Republic of Lithuania adopted the single currency of the EU — the euro — and became a member of the euro area. The Bank of Lithuania became a part of the Eurosystem and contributes to seeking strategic goals and the implementation of the key tasks of the ESCB.

5.1. TRANSLATION OF THE BANK OF LITHUANIA'S BALANCES DENOMINATED IN LITAS, TO EURO

Upon Lithuania's adoption of the single currency of the EU — the euro — on 1 January 2015, the data of the financial accounting of the Bank of Lithuania denominated in litas, were translated to euro, applying the irrevocably fixed conversion rate of litas to euro: EUR 1 = LTL 3.45280. Negligible rounding differences were recognised as income.

5.2. RECLASSIFICATION OF THE ITEMS OF THE BALANCE SHEET OF THE BANK OF LITHUANIA

Upon Lithuania joining the Eurosystem and adopting the euro on 1 January 2015, the balance sheet of the Bank of Lithuania was reclassified under the structure provided in Accounting Guideline, where items of the balance sheet are allocated by residency (euro area residents and non-euro area residents), currency denomination (denominated in euro or in foreign currency); items, related to the monetary policy operations, are also differentiated.

In the process of reclassification, a) the claims of the Bank of Lithuania to the residents of Lithuania and their liabilities to the Bank of Lithuania were reclassified as the claims to euro area residents and euro area resident liabilities; b) the assets and liabilities items of the Bank of Lithuania denominated in euro, which until 1 January 2015 had been treated as foreign reserves or liabilities denominated in foreign currency, were reclassified to respective balance sheet items denominated in euro; c) the assets and liabilities items of the Bank of Lithuania denominated in litas, were reclassified to respective balance sheet items denominated in euro; d) the nominal value of the litas coins in circulation were transferred to the balance sheet item '12. Other liabilities' (see the Accounting Policy section '2.12. Banknotes and Coins in Circulation').

5.3. OPERATIONS RELATED TO PARTICIPATION IN THE EUROSISTEM

On 1 January 2015, the Bank of Lithuania's gold, assets and liabilities denominated in foreign currency, were revalued by applying market rates, which were published by the ECB on 31 December 2014. Unrealised revaluation gains (of gold, securities and financial items denominated in foreign currency, excluding the revaluation of derivatives), which arose on 1 January 2015 — EUR 164,456 thousand — were transferred to the pre-system revaluation reserve, the use of which is subject to a decision taken by the Board of the Bank of Lithuania. In 2015, the pre-system revaluation reserve was not used.

On 1 January 2015, the share of the Bank of Lithuania in the ECB's subscribed capital was 0.4132 per cent; it comprises EUR 44,729 thousand of the subscribed capital of the ECB. The Bank of Lithuania had been paid 3.75 per cent of the subscribed capital of the ECB until joining the Eurosystem. Upon Lithuania joining the euro area, on 2 January 2015 the Bank of Lithuania additionally paid EUR 43,052 thousand to the ECB capital.

Contribution of the Bank of Lithuania to the ECB capital

	Share of subscribed ECB capital, EUR	Paid up ECB's capital share	
		Per cent	EUR
1 January 2014	44,728,929	3.75	1,677,335
1 January 2015	44,728,929	100	44,728,929

Implementing the requirements of frontloading of euro banknotes and coins the Bank of Lithuania from 1 November 2014 to 31 December 2014 delivered to the commercial banks euro banknotes with the nominal value of EUR 555,020 thousand and euro coins with the nominal value EUR 65,780 thousand, which, on 1 January 2015, were shown as euro in circulation issued by the Bank of Lithuania (see Accounting Policy section '2.12. Banknotes and coins in circulation'). From 1 January, the claims of the Bank of Lithuania, related to the frontloading of euro banknotes and coins, were disclosed as non-remunerated loans to commercial banks in balance sheet item '6. Other claims to euro area credit institutions denominated in euro'. In addition, during the same time EUR 1,028 thousand of euro coins in starter kits were sold at the cash offices of the Bank of Lithuania.

Also, on 1 January 2015, the nominal value of euro banknotes allocated to the Bank of Lithuania, under the capital share mechanism (EUR 4,937,282 thousand), was included in the balance sheet item '1. Banknotes in circulation' and disclosed as intra-Eurosystem claim as well (see the Accounting Policy section '2.12. Banknotes and coins in circulation').

Translation and reclassification of comparative information of the Bank of Lithuania and the impact of operations, related to participation in the Eurosystem

EUR thousands

	31 December 2014	Adjustment due the reclassification	Adjustment due the operations related to the participation in the Eurosystem	1 January 2015
ASSETS				
Gold and gold receivables	184,521	–	339	184,860
Claims on non-euro area residents denominated in foreign currency	7,713,492	(4,516,438)⁷	5,455	3,202,509
Receivables from the IMF	163,576	–	188	163,764
Balances with banks and security investments, external loans and other external assets	7,549,916	(4,516,438)	5,268	3,038,745
Claims on euro area residents denominated in foreign currency	50,157	34,445	195	84,797
Claims on non-euro area residents denominated in euro	–	1,492,902	–	1,492,902
Other claims on euro area credit institutions denominated in euro	–	30,421	620,800	651,220
Securities of euro area residents denominated in euro	5,286	2,890,690	–	2,895,976
Intra-Eurosystem claims	–	69,657	4,980,334	5,049,991
Participating interest in ECB	–	1,677	43,052	44,729
Net claims related to the allocation of euro banknotes within the Eurosystem	–	–	4,937,282	4,937,282
Other claims within the Eurosystem (net)	–	67,980	–	67,980
Other assets	147,634	(1,677)	(4,549)	141,408
TOTAL ASSETS	8,101,091	–	5,602,574	13,703,664
LIABILITIES				
Banknotes in circulation	1,668,749	(55,830)	5,492,302	7,105,222
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	4,162,161	(1,304,320)	–	2,857,841
Other liabilities to euro area credit institutions denominated in euro	–	1,437,202	–	1,437,202
Liabilities to other euro area residents denominated in euro	259,039	995,841	–	1,254,881

⁷ Foreign reserves held with non-Lithuanian residency counterparties denominated in euro on 1 January 2015 were reclassified to balance sheet items denominated in euro (according to the residency of counterparties in the euro area or non-euro area).

continued

	31 December 2014	Adjustment due the reclassification	Adjustment due the operations related to the participation in the Eurosystem	1 January 2015
Liabilities to non-euro area residents denominated in euro	33,775	14,420	–	48,194
Liabilities to euro area residents denominated in foreign currency	1,106,064	(1,100,523)	22	5,563
Liabilities to non-euro area residents denominated in foreign currency	42,620	(42,620)	–	–
Counterpart of special drawing rights allocated by the IMF	163,456	–	188	163,643
Intra-Eurosystem liabilities	–	–	43,052	43,052
Other liabilities within the Eurosystem (net)	–	–	43,052	43,052
Items in course of settlement	28,433	–	0	28,434
Other liabilities	13,867	55,829	65,695	135,392
Provisions	33,893	–	–	33,893
Revaluation accounts	163,934	–	1,315	165,250
Capital and reserves	404,761	–	–	404,761
Profit for the year	20,337	–	–	20,337
TOTAL LIABILITIES	8,101,091	–	5,602,574	13,703,664

Relating to the reclassification, the items of the 2015 balance sheet can no longer be compared to the items of the balance sheet of earlier periods; therefore, the comparative information of the financial results is given on the data of 1 January 2015.

6. NOTES ON THE BALANCE SHEET

Note 1. Gold and gold receivables

	31 December 2015	1 January 2015
Gold holdings in:		
Troy ounces	187,324	187,150
Kilograms	5,826	5,821
Price of one Troy ounce, EUR	973.225	987.769
Value of gold, EUR thousands	182,309	184,860

Gold investment

Troy ounces

	31 December 2015	1 January 2015
Fixed-term deposits	77,458	78,195
Non-invested reserves	0	66,296
Swaps	109,866	42,658
Total	187,324	187,150

The gold held by the Bank of Lithuania as at 31 December 2015 was invested into fixed-term deposits and swaps. The unrealised revaluation losses of EUR 2,742 thousand, arising due to the revaluation of gold holdings at market price on 31 December 2015, are disclosed in Note 35 on the Profit and Loss Account 'Net result of financial operations, write-downs and risk provisions'.

Note 2. Receivables from the IMF

EUR thousands

	31 December 2015	1 January 2015
Balance in Special Drawing Rights account with the IMF	174,759	163,723
Reserve tranche position in the IMF	44	41
Total	174,803	163,764

The major part of the SDR balance in the SDR account with the IMF, managed by the Republic of Lithuania, is comprised of SDR 137,239 thousand (EUR 174,677 thousand), allocated by the IMF in 2009. Their counterpart is disclosed under the balance sheet of the Bank of Lithuania liability item '9. Counterpart of Special Drawing Rights allocated by the IMF'. The Bank of Lithuania receives interest on balance in SDR account with the IMF and pays interest on SDR allocated by the IMF. The interest payable and receivable on SDR funds practically coincide. The increase in the euro equivalent value of the SDR balance in the SDR account with the IMF was mainly due to the depreciation of the euro against the SDR in 2015.

Reserve tranche position in the IMF

SDR thousands

	31 December 2015	1 January 2015
Lithuania's quota in the IMF (total value)	183,900	183,900
Promissory notes of the government of the Republic of Lithuania	(183,347)	(183,347)
Cash funds in the IMF account with the Bank of Lithuania	(519)	(519)
Reserve tranche position in the IMF	34	34

The reserve tranche position in the IMF is the difference between (a) Lithuania's quota in the IMF, and (b) non-interest-bearing promissory notes issued for the benefit of the IMF by the government of the Republic of Lithuania and balance in the IMF account with the Bank of Lithuania for financial operations with the IMF. Lithuania's quota in the IMF belongs to the Republic of Lithuania and reflects its voting power within the IMF, as well as determines the financial commitments of Lithuania to the IMF and how much it could borrow from the Fund. 99.75 per cent of Lithuania's quota was paid in non-interest-bearing promissory notes of the Republic of Lithuania denominated in euro. The Bank of Lithuania performs the function of depository of the IMF funds.

Note 3. Balances with banks and security investments, external loans and other external assets denominated in foreign currency

This balance sheet item consists of the Bank of Lithuania's balances with credit institutions, investments in securities and reverse repurchase agreements of non-euro area residents denominated in foreign currency.

EUR thousands

	JPY	USD	CNY	CZK	GBP	Other	Total
31/12/2015							
Balances in current accounts	832,516	1,313	538	914,191	562	349	1,749,468
Debt securities	87,778	275,690	90,647	–	–	–	454,115
Reverse repurchase agreements	–	797	–	–	–	–	797
Total	920,294	277,800	91,185	914,191	562	349	2,204,380
01/01/2015							
Balances in current accounts	206,217	3,786	47	596,591	684	643,233	1,450,558
Debt securities	–	81,673	81,774	–	5,372	–	168,819
Reverse repurchase agreements	1,411,461	7,907	–	–	–	–	1,419,368
Total	1,617,678	93,367	81,821	596,591	6,055	643,233	3,038,745

In managing its investments, the Bank of Lithuania aims to reduce currency exposure; therefore, the majority of its foreign currency investments are hedged against the negative impact of changes

in currency rates using derivatives. Following the increase in the price of such transactions, in 2015 foreign currency investments became less attractive.

Breakdown of balances with banks and security investments, external loans and other external assets by the economic area of residence of the issuer and counterparty

EUR thousands

	31 December 2015	1 January 2015
Non-euro area EU Member States	953,645	609,248
Japan	922,988	1,416,067
USA	194,023	38,365
China	91,188	81,824
Korea	28,820	27,784
International financial institutions	13,423	223,296
Switzerland	292	642,161
Total	2,204,380	3,038,745

Note 4. Claims on euro area residents denominated in foreign currency

EUR thousands

	USD	CHF	GBP	Other	Total
31/12/2015					
Balances in current accounts	597	1	–	1	598
Debt securities	103,242	11,764	–	–	115,006
Total	103,838	11,765	–	1	115,603
01/01/2015					
Balances in current accounts	8	4	–	40	51
Debt securities	74,444	–	10,302	–	84,746
Total	74,452	4	10,302	40	84,797

Note 5. Claims on non-euro area residents denominated in euro

This balance sheet item consists of the Bank of Lithuania's balances in current accounts and investments in securities of non-euro area residents denominated in euro.

EUR thousands

	31 December 2015	1 January 2015
Balances in current accounts	2,661	1,045,230
Debt securities	314,405	447,672
Total	317,066	1,492,902

Breakdown of claims on non-euro area residents denominated in euro by the economic area of residence of the issuer and counterparty

EUR thousands

	31 December 2015	1 January 2015
Non-euro area EU Member States	251,546	302,478
International financial institutions	31,144	1,091,212
Norway	20,896	59,249
Other countries	13,480	39,963
Total	317,066	1,492,902

On 31 December 2015, compared to 1 January 2015, the level of euro-denominated investments (excluding monetary policy instruments) decreased due to low and continuously decreasing return on secure and most liquid investments in euro area, which was related to the continuing consumption and spending stimulations policy by the Eurosystem.

Note 6. Lending to euro area credit institutions related to monetary policy operations denominated in euro

EUR thousands

	31 December 2015	Conducted in 2015	1 January 2015
Main refinancing operations	–	107,500	–
Longer-term refinancing operations	345,700	363,700	–
Marginal lending facility	–	54,046	–
Total	345,700	525,246	–

Descriptions of these operations are presented in the Explanatory Notes section '4.3. Lending to euro area credit institutions denominated in euro'.

Note 7. Other claims on euro area credit institutions denominated in euro

This item relates to claims on credit institutions which do not relate to monetary policy operations, consisting of balances with banks and loans to the banks. As at 1 January 2015, this item included loans to the commercial banks of Lithuania arising from the frontloading of euro banknotes and coins.

EUR thousands

	31 December 2015	1 January 2015
Balances in current accounts	21	30,421
Claims related to frontloaded banknotes and coins	–	620,800
Total	21	651,220

Note 8. Securities held for monetary policy purposes

This item consists of securities acquired by the Bank of Lithuania within the scope of the public sector purchase programme⁸ (see Explanatory Notes section 4.4).

EUR thousands

	31 December 2015		1 January 2015	
	Amortised cost	Market value	Amortised cost	Market value
Public sector purchase programme	2,508,058	2,511,218	–	–
The Republic of Lithuania government securities	841,172	844,783	–	–
Supranational securities	1,666,886	1,666,435	–	–
Total	2,508,058	2,511,218	–	–

The market value of the securities presented in the table is not recorded on the Balance Sheet or in the Profit and Loss Account but is provided for comparison purposes only.

As a result of an impairment test conducted as at 31 December 2015 on securities purchased under monetary policy programmes, the Governing Council of the ECB decided that all future cash flows on these securities are expected to be received. Consequently, in 2015, no impairment losses were recorded for these securities by the Bank of Lithuania.

Note 9. Other securities

This item presents the Bank of Lithuania's investments in debt securities by euro area residents and investments in marketable equity securities.

EUR thousands

	31 December 2015	1 January 2015
Debt securities, excl. classified as held-to-maturity	430,819	2,332,080
Debt securities, classified as held-to-maturity	12,659	12,484
Marketable equity securities	472,324	551,412
Total	915,801	2,895,976

⁸ Decision ECB/2015/10 of 4 March 2015 establishing a public sector purchase programme, OJ L 121, 14.5.2015, p. 20.

As at 31 December 2015, the market value of debt securities, classified as held-to-maturity, amounted to EUR 12,750 thousand (as at 1 January 2015 — EUR 13,180 thousand).

The marketable equity instruments are investments in exchange traded fund units, replicating corporate debt or equity securities indexes. As at the end of 2015, the market value of investments, which replicate the equity securities index, amounted to EUR 122,678 thousand (as at 1 January 2015 — EUR 113,034 thousand).

On 31 December 2015, compared to 1 January 2015, the level of euro-denominated investments (excluding monetary policy instruments) decreased due to low and continuously decreasing return on secure and most liquid investments in euro area, which was related to continued consumption and spending supporting policy by the Eurosystem.

Note 10. Participating interest in the ECB

EUR thousands

	31 December 2015	1 January 2015
Contribution of the Bank of Lithuania to the ECB capital (see Explanatory Notes Chapter '5. Adoption of the euro in Lithuania')	44,729	44,729
Contribution of the Bank of Lithuania to the reserves of the ECB and to provisions, equivalent to reserves	162,454	-
Total	207,183	44,729

Upon joining the Eurosystem, the Bank of Lithuania, pursuant to Article 48.2 of the Statute of the ESCB and of the ECB, contributed to the reserves of the ECB and to provisions, equivalent to reserves, EUR 162,454 thousand. The contribution calculation is based on balances of general reserve fund of the ECB, of revaluation accounts and of provisions for foreign exchange rate, interest rate, credit and gold price risks. The contribution is calculated by applying the ratio between the number of shares subscribed by the NCB concerned and the number of shares already paid up by the other NCBs for above-defined balances.

On 5 January 2015, the Bank of Lithuania contributed a preliminary sum to the reserves of the ECB and to the provisions, equivalent to reserves — EUR 99,203 thousand. The remaining part of the contribution — EUR 63,251 thousand — was paid up by the Bank of Lithuania on 20 February 2015, after approval of the annual accounts of the ECB by the Governing Council of the ECB, when the final sums of the ECB reserves were approved. Also, pursuant to the ECB decision and procedures, the Bank of Lithuania paid up the remuneration for liability on 1 January 2015, in order to contribute to the reserves of the ECB and to the provisions, equivalent to the reserves.

Note 11. Claims equivalent to the transfer of foreign reserves

Upon joining the Eurosystem, in the beginning of January 2015, the Bank of Lithuania, pursuant to Article 48.1 of the Statute of the ESCB and of the ECB, transferred their share of foreign reserves to the ECB, the value of which amounted to EUR 338,657 thousand. 85 per cent of this contribution was paid up in US dollars, applying the exchange rate published by the ECB on 31 December 2014 — USD 349,607 thousand (equivalent to EUR 287,956 thousand). The remaining 15 per cent of the contribution was paid up by the Bank of Lithuania in gold — 51,328.688 ounces of fine gold (equivalent to EUR 50,701 thousand). The US dollars and gold for the contribution were purchased in the open market.

Claims equivalent to the transfer of foreign reserves of the Bank of Lithuania, shown in this balance sheet item, comprise EUR 239,454 thousand. These claims were determined by multiplying the amount of the foreign reserves already transferred to the ECB at historical exchange rates (31 December 1998) by the ratio between the number of shares subscribed by the NCB concerned and the number of shares already paid up by the other NCBs. The difference between the value of transferred foreign reserves and the claims, equivalent to the transfer of foreign reserves — EUR 99,203 thousand — was recognised as a contribution to the reserves of the ECB and to provisions, equivalent to reserves (see 'Note 10. Participating interest in the ECB').

Note 12. Net claims related to the allocation of euro banknotes within the Eurosystem

This item presents the claim of the Bank of Lithuania to the Eurosystem, related to the allocation of euro banknotes within the Eurosystem (see the Accounting Policy section '2.12. Banknotes

and coins in circulation' and Note 19). The remuneration of this claim (see Note 34), adjusted by compensatory amount (see the Accounting Policy section '2.12. Banknotes and coins in circulation') is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations.

Note 13. Other claims within the Eurosystem (net)

EUR thousands

	31 December 2015	1 January 2015
Balance in TARGET2 account	240,142	67,980
Redistribution of monetary income	46,963	–
Interim profit distribution of the ECB	4,767	–
Total	291,872	67,980

The remuneration of the TARGET2 balance is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations.

Claim on the ECB in connection with the reallocation of monetary income come from the difference between the amounts pooled and allocated by the Eurosystem NCBs (see 'Note 38. Net result of pooling of monetary income').

Following a decision of the Governing Council of the ECB, the amount due to the euro area NCBs, with respect to the ECB's interim profit distribution, was EUR 812,134 thousand (see Explanatory Notes section '4.8. Distribution of the ECB profit'). The amount due to the Bank of Lithuania amounted to EUR 4,767 thousand and was recognised as income of 2015 (see 'Note 37. Income from equity shares and participating interests').

Note 14. Tangible and intangible fixed assets

EUR thousands

	Tangible assets				Intangible assets (including assets under construction)	Total
	Buildings and construction in progress	Cash calculation and computer equipment (including non-assembled)	Vehicles	Other tangible assets (including assets under construction)		
Acquisition cost as at 1 January 2015	36,313	16,260	1,465	6,756	5,576	66,371
Additions in 2015	–	206	–	133	2,546	2,885
Disposals in 2015	–	(246)	(37)	(153)	(5)	(441)
Acquisition cost as at 31 December 2015	36,313	16,220	1,428	6,736	8,118	68,814
Accumulated depreciation as at 1 January 2015	(12,075)	(12,407)	(1,465)	(5,049)	(5,037)	(36,033)
Depreciation in 2015	(868)	(1,390)	–	(154)	(373)	(2,786)
Depreciation of disposed assets in 2015	–	246	37	153	5	441
Accumulated depreciation as at 31 December 2015	(12,943)	(13,551)	(1,428)	(5,050)	(5,406)	(38,378)
Net carrying amount as at 31 December 2015	23,369	2,669	–	1,686	2,712	30,437
Net carrying amount as at 1 January 2015	24,238	3,854	–	1,707	539	30,338

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

Note 15. Other financial assets

EUR thousands

	31 December 2015	1 January 2015
Bank for International Settlements shares	3,334	3,334
SWIFT shares	21	21
Total	3,355	3,355

The Bank of Lithuania is a member of the Bank for International Settlements (BIS), with 1,070 shares, the acquisition cost of which is EUR 3,334 thousand and the nominal value is SDR 5,000 per share. The Bank of Lithuania received dividends of EUR 303 thousand for these BIS shares in 2015 (EUR 260 thousand in 2014).

The Bank of Lithuania holds seven SWIFT shares with the acquisition cost of EUR 20,741. Dividends are not paid for these shares.

Note 16. Off-balance-sheet instruments revaluation differences

Off-balance-sheet instruments revaluation differences represent the revaluation of off-balance-sheet accounted foreign exchange payables and receivables due to changes in the market rates and the revaluation of non-deliverable foreign exchange forward transactions, interest rate derivatives and forward transactions in securities due to market price movements.

EUR thousands

	31 December 2015		1 January 2015	
	Positive differences	Negative differences	Positive differences	Negative differences
Foreign exchange transactions	234	28,265	71,499	11,319
Non-deliverable foreign exchange forwards	5,327	2,723	794	–
Interest rate swaps	488	–	–	84
Forward transactions in securities	11	–	–	–
Total	6,059	30,988	72,293	11,402

Note 17. Accruals and prepaid expenses

EUR thousands

	31 December 2015	1 January 2015
Accrued interest income	23,727	19,869
On securities held for monetary policy purposes	12,656	–
On other securities	8,269	19,121
On financial derivatives	1,603	482
On current accounts and fixed-term deposits	721	264
On Intra-Eurosystem balances	345	–
On monetary policy operations	134	–
Other accrued interest	–	1
Debt securities coupon payment purchased	11,637	8,374
Other accruals	984	938
Prepaid expenses	366	389
Total	36,714	29,571

Note 18. Sundry

EUR thousands

	31 December 2015	1 January 2015
Loans to the staff of the Bank of Lithuania	635	859
Short-term assets	174	169
Advances and other receivables	76	811
Dividend receivable	–	4,014
Total	885	5,852

Pursuant to a resolution of the Board of the Bank of Lithuania, loans to the Bank of Lithuania's employees are no longer issued as of 2009.

Note 19. Banknotes in circulation

This item consists of the Bank of Lithuania's share of the total euro banknotes in circulation (see the Accounting Policy section '2.12. Banknotes and coins in circulation'). According to the banknote allocation key, which as at 31 December 2015 was 0.5400 per cent, the Bank of Lithuania had euro banknotes in circulation worth EUR 5,850,517 thousand at the end of 2015 compared with EUR 5,492,302 thousand as at 1 January 2015. The value of the euro banknotes actually issued by the Bank of Lithuania in 2015 increased nearly 4 times from EUR 555,020 thousand as at 1 January 2015 to EUR 2,099,484 thousand as at 31 December 2015. As this was less than the allocated amount, the difference of EUR 3,751,032 thousand (compared to EUR 4,937,282 thousand as at 1 January 2015) is shown under asset sub-item 'Net claims related to the allocation of euro banknotes within the Eurosystem' (see Note 12).

EUR thousands

	31 December 2015	1 January 2015
Euro banknotes	5,850,517	5,492,302
Euro banknotes issued by the Bank of Lithuania	2,099,484	555,020
Adjustment for banknote allocation in the Eurosystem	4,259,813	5,414,911
The ECB's share of euro banknotes in circulation	(508,781)	(477,629)
Lithuanian litas banknotes	109,752	1,612,920
Total	5,960,269	7,105,222

During 2015, which was the changeover year, the nominal value of Lithuanian litas banknotes was still included within the banknotes in the circulation figure. With effect from 1 January 2016, the nominal value of litas banknotes in circulation is disclosed under the balance sheet item '12. Other liabilities'.

Note 20. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro

This item contains the balances on the current accounts of credit institutions with the Bank of Lithuania that are required to hold minimum reserves. Bank minimum reserve balances have been remunerated at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations. The reserves held in excess of the minimum requirements are remunerated at the lower rate of either zero per cent or the deposit facility rate.

EUR thousands

	31 December 2015	Conducted in 2015	1 January 2015
Current accounts (covering the minimum reserve system)	2,841,656	–	2,857,841
Deposits related to margin calls	–	320,239	–
Total	2,841,656	320,239	2,857,841

Descriptions of other liquidity absorbing monetary policy operations are presented in the Explanatory Notes section '4.5. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro'.

Note 21. Other liabilities to euro area credit institutions denominated in euro

This item presents gold swaps concluded with euro area credit institutions and fixed-term deposits of credit institutions with the Bank of Lithuania.

EUR thousands

	31 December 2015	1 January 2015
Gold swaps	25,778	28,201
Fixed-term deposits	–	1,409,001
Total	25,778	1,437,202

Fixed-term deposits on the Bank of Lithuania's balance sheet as at 1 January 2015 — a monetary policy instrument applied by the Bank of Lithuania in preparation for the adoption of the euro, which was aimed at reducing bank incentives to exchange litas surplus funds into euro as well as avoid sudden fluctuations in the Bank of Lithuania's foreign reserve assets and forced sale of part of investments due to a temporary changes in the amount of cash.

Note 22. Liabilities to other euro area residents denominated in euro

EUR thousands

	31 December 2015	1 January 2015
Liabilities to the general government	1,272,620	1,254,881
Other liabilities	7	–
Total	1,272,627	1,254,881

Note 23. Liabilities to non-euro area residents denominated in euro

This item presents balances of accounts of international institutions in euro and gold swaps concluded with non-euro area residents.

EUR thousands

	31 December 2015	1 January 2015
Balances in current accounts	806	36,478
Gold swaps	–	11,716
Total	806	48,194

Note 24. Liabilities to euro area residents denominated in foreign currency

This item shows repurchase agreements and gold swaps concluded by the Bank of Lithuania with euro area financial sector residents, as well as liabilities to the general government, the main part of which consists of balances in current accounts of government institutions in foreign currency.

EUR thousands

	USD	JPY	GBP	SEK	XDR	Other	Total
31/12/2015							
Liabilities to the financial sector	183,028	6,016	–	–	–	–	189,044
Repurchase agreements	102,069	–	–	–	–	–	102,069
Other liabilities	80,960	6,016	–	–	–	–	86,975
Liabilities to the general government	2,526	–	358	–	44	0	2,928
Total	185,555	6,016	358	–	44	0	191,972
01/01/2015							
Liabilities to the general government	4,253	–	428	819	41	22	5,563
Total	4,253	–	428	819	41	22	5,563

Note 25. Liabilities to non-euro area residents denominated in foreign currency

This item presents repurchase agreements concluded by the Bank of Lithuania with non-euro area residents in US dollar with a total value of EUR 52,052 thousand as at 31 December 2015 (as at 1 January 2015, the Bank of Lithuania had no such transactions concluded).

Note 26. Counterpart of special drawing rights allocated by the IMF

This item presents liabilities to the IMF related to the allocation of SDR to all Member States carried out by the IMF in 2009. According to this allocation, SDR 137,239 thousand was allocated to Lithuania (see 'Note 2. Receivables from the IMF').

Note 27. Other liabilities within the Eurosystem (net)

This item presents the obligation of the Bank of Lithuania, as the NCBs of the EU Member State joining the euro area, to pay up EUR 43,052 thousand, i.e. the remainder of its capital subscription to the ECB (see Explanatory Notes section '5.3. Operations related to participation in the Eurosystem').

Note 28. Items in course of settlement

The balance of this item consists of cash management operations with commercial banks in the course of settlement.

Note 29. Accruals and income collected in advance

EUR thousands

	31 December 2015	1 January 2015
Accrued interest expenses	291	214
On financial derivatives	244	169
Other accrued interest expenses	47	44
Other accrued expenses	673	941
Income collected in advance	47	53
Total	1,011	1,208

Note 30. Sundry

EUR thousands

	31 December 2015	1 January 2015
Euro circulation coins	60,489	66,808
Litas circulation coins	32,613	55,830
Sundry	564	144
Total	93,667	122,782

Note 31. Provisions

EUR thousands

	31 December 2015	1 January 2015
Provisions for risks	45,920	30,120
Provisions for liabilities related to	3,770	3,773
Termination benefits, payable to staff who will qualify for the state social insurance pension while working at the Bank of Lithuania	1,908	1,928
Wages and salaries payable for annual leave	1,233	1,127
Termination benefits to the members of the Board as provided in the Law on the Bank of Lithuania	96	57
Termination benefits by agreements payable to the staff in the subsequent year	15	52
Provisions for exchanging derecognised litas banknotes and coins	517	608
Total	49,690	33,893

The Board of the Bank of Lithuania, based on the assessed level of risk exposure, applying the selected risk assessment model, which takes into account the current and projected size of the Bank of Lithuania's financial assets and interest rate development in the financial markets, as well as the adopted strategy for reaching the size for the set provisions for risks in the long-term, in 2015 made the decision for the establishment of an additional EUR 15,800 thousand provisions for risks. Provisions for the exchange of derecognised litas banknotes and coins are the provisions, formed in 2014, for covering the nominal value of derecognised litas banknotes and coins, which may be returned to the Bank of Lithuania for exchange into euro. EUR 91 thousand of these provisions were used in 2015.

Note 32. Revaluation accounts

Revaluation accounts present unrealised revaluation gains of foreign currency, debt and equity securities, as well as off-balance-sheet financial instruments. Unrealised revaluation gains of financial items, which built up before joining the euro area, are shown separately from other revaluation gains.

EUR thousands

	31 December 2015	1 January 2015
Revaluation accounts		
Pre-system unrealised gains	164,456	164,456
Foreign currency	10,741	–
Equity securities	9,206	–
Financial derivatives	5,826	794
Debt securities	3,139	–
Total	193,369	165,250

The main part of foreign currency revaluation gains built up due to the revaluation of the US dollar and the Chinese yuan renminbi.

Unrealised revaluation losses, recognised as expenses on the last working day of 2015 are presented in 'Note 35. Net result of financial operations, write-down and risk provisions'.

Note 33. Capital

Statement of changes in equity for 2015

EUR thousands

	31 December 2015	2014 profit distribution	1 January 2015
Capital			
Authorised capital	60,000	2,076	57,924
Reserve capital	357,561	10,724	346,837
Total	417,561	12,800	404,761

The authorised capital of the Bank of Lithuania amounts to EUR 60,000 thousand and is fully formed. Pursuant to the Law on the Bank of Lithuania, the Bank of Lithuania's reserve capital must not be lower than five amounts of its authorised capital and can be increased from the Bank of Lithuania's profit by an independent decision of the Board of the Bank of Lithuania, adopted taking into account risks and their likely impact. Reserve capital is used for the Bank of Lithuania's loss absorption.

The Board of the Bank of Lithuania in 2015 made a decision to increase the reserve capital up to specified amount, provided that the annual increase pace shall be proportionally close to the Bank of Lithuania's projected medium-term period in the Republic of Lithuania's GDP (calculated in comparative prices) annual average growth.

7. NOTES ON THE PROFIT AND LOSS ACCOUNT

Note 34. Net interest income

EUR thousands

	2015	2014
Interest income from:	23,428	29,511
Debt securities	12,729	26,216
Monetary policy instruments	4,638	–
Securities held for monetary policy purposes	2,575	–
Balances in current accounts exceeding minimum reserves	1,923	–
Longer-term refinancing operations	136	–
Other monetary policy instruments	4	–
Financial derivatives	3,582	1,882
Balances in current accounts with the Bank of Lithuania	1,020	1,056
Intra-Eurosystem claims	1,004	–
Claims related to the allocation of euro banknotes within the Eurosystem	902	–
Foreign reserves transferred to the ECB	102	–
Gold investments	379	(25)
Reverse repurchase agreements	48	100
The Bank of Lithuania's fixed term deposits	–	201
Other interest income	29	82
Interest expense on:	(2,503)	(837)
The Bank of Lithuania's balances in current accounts	(1,187)	(46)
Financial derivatives	(885)	(415)
Repurchase agreements	(303)	(22)
Monetary policy instruments	(85)	–
Minimum reserve balances	(85)	–
Fixed-term deposits	(26)	(354)
Intra-Eurosystem liabilities	(11)	–
TARGET2 balances	(11)	–
Other interest expense	(5)	(0)
Net interest income	20,926	28,674

The growth in the market share of the euro area government securities with a negative interest rate and the decline in investments denominated in euro (excluding monetary policy instruments) resulted in the decrease of interest income from debt securities.

Note 35. Net result of financial operations, write-downs and risk provisions

This item includes (a) net income (expense) related to the sale transactions of financial instruments, gold and foreign currency; (b) write-downs of financial items, which consists of unrealised revaluation loss as a result of the decline in market prices and rates on 31 December 2015 as compared to the average prices and rates of these items; and (c) additional provisions for foreign exchange rate, interest rate and credit risks, formed based on the assessment of the level of risk assumed, by a decision of the Board of the Bank of Lithuania.

EUR thousands

	2015	2014
Net realised gains (losses) arising from:	(891)	19,425
Interest rate derivatives	(10,318)	(53,936)
Transactions in securities	8,662	78,300
Other transactions in gold and foreign currency	766	(4,939)
Write-downs on financial items	(16,307)	(642)

continued

	2015	2014
Securities	(10,837)	(57)
Gold	(2,742)	–
Financial derivatives	(2,723)	(84)
Foreign currency	(5)	(502)
Transfers to provisions for risks	(15,800)	(17,956)
Net result of financial operations, write-downs and risk provisions	(32,998)	826

Note 36. Net income from fees and commissions

EUR thousands

	2015	2014
Fees and commissions income	5,395	6,422
Contributions of supervised financial market participants	4,532	4,297
Settlement services	606	2,092
Other services	257	33
Fees and commissions expense	(723)	(789)
Financial instruments	(622)	(625)
Other	(101)	(164)
Net income from fees and commissions	4,672	5,633

Pursuant to the Law on the Bank of Lithuania, the costs of financial market supervision are funded by the contributions of supervised financial market participants and own funds of the Bank of Lithuania.

Note 37. Income from equity shares and participating interests

EUR thousands

	2015	2014
Dividend income from marketable equity securities	5,312	8,995
Income from interim distribution of the ECB profit	4,767	–
Dividend income from non-marketable equity securities	303	260
Total	10,382	9,255

Note 38. Net result of pooling of monetary income

EUR thousands

	2015
Net monetary income pooled by the Bank of Lithuania	(5,754)
Net monetary income reallocated to the Bank of Lithuania	52,717
Net result of pooling of monetary income	46,963

The difference between EUR 5,754 thousand monetary income pooled by the Bank of Lithuania in 2015 and EUR 52,717 thousand in monetary income reallocated to it represents the net result of pooling of monetary income by the Bank of Lithuania in 2015.

Note 39. Other income

EUR thousands

	2015	2014
Income from sale of collector coins and numismatic valuables	3,589	950
Income from sale of scrap of litas coins withdrawn from circulation	3,450	933
Income from derecognition of litas banknotes and coins (at their nominal value), which in 1994–2007 were announced as withdrawn from circulation and ceased to be legal tender	–	6,755
Income from derecognition of collector's (commemorative) coins and sets of coins (at their nominal value)	–	5,362
Other miscellaneous income	137	384
Total	7,176	14,385

Note 40. Staff costs

EUR thousands

	2015	2014
Expenses on wages and salaries:	11,194	10,644
to the members of the Board	381	365
to the heads of structural divisions	814	820
to other staff of the Bank of Lithuania	9,998	9,460
Other emoluments	286	135
Contributions to State Social Insurance Fund	3,534	3,321
Expenses on provisions related to liabilities to the staff	253	1,029
Total	15,267	15,129

The Board of the Bank of Lithuania consists of: a Chairman, two Deputy Chairmen and two Members.

As at 31 December 2015, five services, three autonomous departments and four autonomous divisions operated in the Bank of Lithuania. On 31 December 2015, the Bank of Lithuania employed 609 staff members (at the end of 2014 — 628) of which 26 (at the end of 2014 — 49) were on a fixed-term labour contract. In addition 10 employees were on parental leave or unpaid leave for the term of their contracts with the ECB and the IMF (at the end of 2014 — 19).

In 2015, the rules of calculating the provisions for wages and salaries payable for annual leave were changed. Pursuant to them, provisions are not used during the year, and wages and salaries payable to the staff for annual leave are presented as a part of expenses on wages and salaries. Accordingly, comparable information for 2014 was reclassified.

In 2015, the increase in expenses on wages and salaries to the staff of the Bank of Lithuania is mainly related to the staff incentives for work results.

Other emoluments grew in 2015 mainly due to termination benefits paid to staff members when terminating employment contracts with them.

Note 41. Administrative expenses

EUR thousands

	2015	2014
Administrative expenses		
Tangible assets maintenance	3,145	3,099
Information system maintenance and information acquisition	1,440	523
Participation in international organisations fees	878	896
Business trips	837	654
Equipment and office supply	468	725
Training of the staff	415	328

continued

	2015	2014
Communication	282	496
Mail and telecommunication	186	446
Other	644	706
Total	8,296	7,873

In 2015, the largest impact on the increase in administrative expenses was due to the rise in expenses related to the maintenance of information systems used for the needs of the activities of the Eurosystem and to the acquisition of information.

In 2015, the increase in business trip expenses was due to the increase in representation needs of the Bank of Lithuania, as a member of the Eurosystem, in the committees and working groups of the ESCB, European Commission, European financial institutions and international financial institutions.

Note 42. Other expenses

EUR thousands

	2015	2014
Euro circulation coin minting expenses	7,035	11,866
Collector and commemorative coin minting expenses	1,896	876
Cash circulation expenses	59	418
Other miscellaneous expenses	2	1
Total	8,992	13,160

Note 43. Distribution of the profit of the Bank of Lithuania

Pursuant to Article 23 of the Law on the Bank of Lithuania, the profit (loss) is distributable (coverable) in the following order:

- 1) the net distributable profit (loss), which consists of the profit (loss) for the last financial year and undistributed profit (if any) carried over from the previous financial periods, is distributed (covered) after the end of the financial year;
- 2) the net distributable loss shall be covered from the reserve capital of the Bank of Lithuania. When reserve capital is not sufficient to cover the net distributable loss, remaining uncovered losses are carried forward to be covered by the distributable profit of the succeeding financial years;
- 3) the net distributable profit shall be allocated in the following sequence:
 - to cover the uncovered loss carried forward;
 - for the authorised capital up to the amount specified in the Law on the Bank of Lithuania;
 - for the reserve capital up to the amount independently established by the decision of the Board of the Bank of Lithuania taking into account potential impact of risks; however this capital shall not be less than five amounts of the authorised capital of the Bank of Lithuania;
 - to the State Budget as the profit contribution of the Bank of Lithuania. This contribution shall not exceed the amount corresponding to 70 per cent of the calculated average of the profit (loss) of the Bank of Lithuania of the last three financial years.

The surplus of the distributable profit after the allocation shall be carried forward as undistributed profit and shall be distributed in subsequent financial years.

Profit distribution

EUR

	2015	2014	2013
Profit distribution			
Allocation to the authorised capital of the Bank of Lithuania	–	2,075,996	–
Allocation to the reserve capital of the Bank of Lithuania	11,334,686	10,724,178	–
Transfer to the state budget	10,444,643	7,537,005	5,978,716
Total	21,779,329	20,337,179	5,978,716

8. OTHER NOTES

Note 44. Derivatives

As at 31 December 2015, the Bank of Lithuania had outstanding foreign exchange swaps, foreign exchange forwards, non-deliverable foreign exchange forwards, interest rate futures transactions, interest rate swaps and forward transactions in securities. All these transactions were conducted in the context of the management of the Bank of Lithuania's financial assets.

Foreign exchange swaps and foreign exchange forwards

EUR thousands

	31 December 2015	1 January 2015
Claims	3,121,849	3,202,677
Liabilities	3,121,849	3,202,586

Non-deliverable foreign exchange forwards

EUR thousands

	31 December 2015	1 January 2015
Notional claims	472,443	81,056
Notional liabilities	473,468	81,345

Interest rate futures

EUR thousands

	31 December 2015	1 January 2015
Notional claims	248,016	–
Notional liabilities	326,804	430,186

Interest rate swaps

The notional value of interest rate swap transactions as at 31 December 2015 amounted to EUR 36,741 thousand (as at 1 January 2015 — EUR 85,000 thousand).

Forward transactions in securities

EUR thousands

	31 December 2015	1 January 2015
Claims	14,833	–
Receivable amounts	3,810	–
Receivable securities	11,023	–
Liabilities	14,833	–
Payable amounts	11,023	–
Payable securities	3,810	–

Note 45. Liabilities related to the return of borrowed banknotes

The Bank of Lithuania, in preparing to adopt the euro, in 2014 signed a euro banknote borrowing agreement with one of the Eurosystem's NCBs, which holds the banknotes reserve of the Eurosystem. The value of borrowed banknotes was recalculated into the quantity of proper nominal banknotes, which is needed to supplement the Eurosystem's banknotes reserve. The appropriate quantity of banknotes should be printed from the Bank of Lithuania's funds and delivered in 2016 to the Eurosystem's NCB, named by the ECB.

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