



# **Annual Financial Statements of the Bank of Lithuania**

**2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Seimas of the Republic of Lithuania  
Opinion

We have audited the accompanying financial statements of the Bank of Lithuania (hereinafter the Bank), which comprise the balance sheet as at 31 December 2019, the profit and loss account for the year then ended and explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Bank's financial statements give a true and fair view of the financial position of the Bank as at 31 December 2019 and its financial performance for the year then ended in accordance with Guideline (EU) 2016/2249 of the European Central Bank (ECB) on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34), and amendments, adopted by the Governing Council of the ECB, the Law on the Bank of Lithuania and the Accounting Policy of the Bank approved by the Board of the Bank of Lithuania.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on audit of financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Guideline (EU) 2016/2249 of the European Central Bank (ECB) on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34), and amendments, adopted by the Governing Council of the ECB, the Law on the Bank of Lithuania and the Accounting Policy of the Bank approved by the Board of the Bank of Lithuania, and 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.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

UAB ERNST & YOUNG BALTIC  
Audit Bank's licence No. 001335

Jonas Akelis  
Auditor's licence  
No. 000003

(signed with electronic signature)  
3 April 2020

# Balance Sheet of the Bank of Lithuania

EUR thousands

	Notes	31 December 2019	31 December 2018
<b>ASSETS</b>			
<b>1. Gold and gold receivables</b>	<b>1</b>	<b>253,498</b>	<b>209,811</b>
<b>2. Claims on non-euro area residents denominated in foreign currency</b>		<b>5,010,639</b>	<b>5,461,691</b>
Receivables from the IMF	2	226,506	200,940
Balances with banks and security investments, external loans and other external assets	3	4,784,132	5,260,751
<b>3. Claims on euro area residents denominated in foreign currency</b>	<b>4</b>	<b>2,707</b>	<b>71,990</b>
<b>4. Claims on non-euro area residents denominated in euro</b>	<b>5</b>	<b>6</b>	<b>1,006</b>
<b>5. Lending to euro area credit institutions related to monetary policy operations denominated in euro</b>	<b>6</b>	<b>48,000</b>	<b>189,166</b>
Main refinancing operations		-	-
Longer-term refinancing operations		48,000	173,000
Fine-tuning reverse operations		-	-
Structural reverse operations		-	-
Marginal lending facility		-	16,166
Credits related to margin calls		-	-
<b>6. Other claims on euro area credit institutions denominated in euro</b>	<b>7</b>	<b>3,325</b>	<b>360</b>
<b>7. Securities of euro area residents denominated in euro</b>		<b>11,283,026</b>	<b>11,641,412</b>
Securities held for monetary policy purposes	8	10,552,676	10,755,562
Other securities	9	730,350	885,850
<b>8. General government debt denominated in euro</b>		<b>-</b>	<b>-</b>
<b>9. Intra-Eurosystem claims</b>		<b>2,957,053</b>	<b>3,446,946</b>
Participating interest in the ECB	10	206,393	207,183
Claims equivalent to the transfer of foreign reserves	11	235,223	239,454
Net claims related to the allocation of euro banknotes within the Eurosystem	12	2,515,437	3,000,309
Other claims within the Eurosystem (net)		-	-
<b>10. Items in course of settlement</b>		<b>-</b>	<b>-</b>
<b>11. Other assets</b>		<b>141,832</b>	<b>161,939</b>
Tangible and intangible fixed assets	13	30,007	29,668
Other financial assets	14	11,431	4,368
Off-balance-sheet instruments revaluation differences	15	28,576	55,324
Accruals and prepaid expenses	16	70,449	70,200
Sundry	17	1,369	2,380
<b>TOTAL ASSETS</b>		<b>19,700,085</b>	<b>21,184,321</b>

# Balance Sheet of the Bank of Lithuania

EUR thousands

	Notes	31 December 2019	31 December 2018
<b>LIABILITIES</b>			
<b>1. Banknotes in circulation</b>	<b>18</b>	<b>6,935,561</b>	<b>6,648,124</b>
<b>2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro</b>	<b>19</b>	<b>7,214,771</b>	<b>6,016,113</b>
Current accounts (covering the minimum reserve system)		7,214,771	5,997,113
Deposit facility		-	-
Fixed-term deposits		-	-
Fine-tuning reverse operations		-	-
Deposits related to margin calls		-	19,000
<b>3. Other liabilities to euro area credit institutions denominated in euro</b>	<b>20</b>	<b>15,675</b>	<b>-</b>
<b>4. Debt certificates issued</b>		<b>-</b>	<b>-</b>
<b>5. Liabilities to other euro area residents denominated in euro</b>	<b>21</b>	<b>2,452,759</b>	<b>1,011,590</b>
General government		2,019,092	893,165
Other liabilities		433,667	118,425
<b>6. Liabilities to non-euro area residents denominated in euro</b>	<b>22</b>	<b>348,999</b>	<b>123,074</b>
<b>7. Liabilities to euro area residents denominated in foreign currency</b>	<b>23</b>	<b>215,983</b>	<b>216,245</b>
<b>8. Liabilities to non-euro area residents denominated in foreign currency</b>	<b>24</b>	<b>-</b>	<b>47,475</b>
<b>9. Counterpart of special drawing rights allocated by the IMF</b>	<b>2</b>	<b>169,339</b>	<b>166,800</b>
<b>10. Intra-Eurosystem liabilities</b>		<b>861,406</b>	<b>5,728,138</b>
Net liabilities related to the allocation of euro banknotes within the Eurosystem		-	-
Other liabilities within the Eurosystem (net)	25	861,406	5,728,138
<b>11. Items in course of settlement</b>	<b>26</b>	<b>250</b>	<b>3,691</b>
<b>12. Other liabilities</b>		<b>299,764</b>	<b>319,155</b>
Off-balance-sheet instruments revaluation differences	15	46,742	78,275
Accruals and income collected in advance	27	16,402	17,409
Sundry	28	236,621	223,472
<b>13. Provisions</b>	<b>29</b>	<b>291,239</b>	<b>123,554</b>
<b>14. Revaluation accounts</b>	<b>30</b>	<b>382,843</b>	<b>281,606</b>
<b>15. Capital</b>	<b>31</b>	<b>486,052</b>	<b>465,146</b>
Authorised capital		60,000	60,000
Reserve capital		426,052	405,146
<b>16. Profit for the year</b>	<b>42</b>	<b>25,445</b>	<b>33,610</b>
<b>TOTAL LIABILITIES</b>		<b>19,700,085</b>	<b>21,184,321</b>

# Profit and Loss Account of the Bank of Lithuania

EUR thousands

	Notes	2019	2018
Interest income		143,774	120,513
Interest expense		(46,556)	(40,343)
<b>1. Net interest income</b>	<b>32</b>	<b>97,218</b>	<b>80,171</b>
Realised gains (losses) arising from financial operations		101,167	(25,544)
Write-downs on financial assets and positions		(6,392)	(23,527)
Transfer to provisions for risks		(167,450)	(16,000)
<b>2. Net result of financial operations, write-downs and risk provisions</b>	<b>33</b>	<b>(72,676)</b>	<b>(65,071)</b>
Fees and commissions income		7,705	7,426
Fees and commissions expense		(2,189)	(3,049)
<b>3. Net income from fees and commissions</b>	<b>34</b>	<b>5,516</b>	<b>4,377</b>
<b>4. Income from equity instruments</b>	<b>35</b>	<b>28,355</b>	<b>20,685</b>
<b>5. Net result of pooling of monetary income</b>	<b>36</b>	<b>823</b>	<b>25,007</b>
<b>6. Other income</b>	<b>37</b>	<b>3,252</b>	<b>3,078</b>
<b>TOTAL NET INCOME</b>		<b>62,489</b>	<b>68,247</b>
<b>7. Staff costs</b>	<b>38</b>	<b>(18,612)</b>	<b>(16,403)</b>
<b>8. Administrative expenses</b>	<b>39</b>	<b>(11,294)</b>	<b>(9,853)</b>
<b>9. Depreciation of tangible and intangible fixed assets</b>	<b>13</b>	<b>(4,036)</b>	<b>(4,280)</b>
<b>10. Banknote production services</b>	<b>40</b>	<b>(1,596)</b>	<b>(1,837)</b>
<b>11. Other expenses</b>	<b>41</b>	<b>(1,506)</b>	<b>(2,264)</b>
<b>PROFIT FOR THE YEAR</b>	<b>42</b>	<b>25,445</b>	<b>33,610</b>

The Annual Financial Statements for 2019 of the Bank of Lithuania were approved on 26 March 2020 by Resolution No 03-75 of the Board of the Bank of Lithuania.

Chairman of the Board

Vitas Vasiliauskas  
(signed electronically)

Director of the Accounting Department  
Organisation Service

Lina Našlėnienė  
(signed electronically)



# Explanatory Notes

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

As of 1 January 2015, Lithuania is a member of the euro area.

The financial accounting of the Bank of Lithuania is managed and the Annual Financial Statements are prepared in accordance with Guideline (EU) 2016/2249 of the European Central Bank (ECB) on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34), adopted by the Governing Council of the ECB, recast (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 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).

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 basic accounting assumptions: going concern basis, accrual principle, post-balance sheet events.

The qualitative characteristics in drawing up the financial statements of the Bank of Lithuania are as follows: 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 non-marketable equity instruments presented as other financial assets and debt securities valued at amortised cost). The results arising from revaluation at market prices of gold, marketable debt and equity securities, including exchange traded fund units (on a code-by-code basis), and derivatives (on an item-by-item basis) are accounted for separately.

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

For recognition of unrealised revaluation results, the Bank of Lithuania uses the asymmetric approach established in the Accounting Guideline. Pursuant to this approach, 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 financial item. Unrealised revaluation gain arising at the end of the financial year from the revaluation of a separate financial item at market price and market rate is presented in 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.

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<sup>1</sup> 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.

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 the euro and foreign currency with which the Bank of Lithuania holds material positions

Foreign currency per EUR 1

Currency	Code	31 December 2019	31 December 2018	Change (%)
Swiss franc	CHF	1.08540	1.12690	-3.7
US dollar	USD	1.12340	1.14500	-1.9
Chinese yuan	CNY	7.82050	7.87510	-0.7
British pound	GBP	0.85080	0.89453	-4.9
Special Drawing Rights (SDR)	XDR	0.81044	0.82277	-1.5
Japanese yen	JPY	121.940	125.850	-3.1
Czech koruna	CZK	25.4080	25.7240	-1.2

The average rate of foreign currency is recalculated on a daily basis in consideration of an increase of a respective foreign currency position and of the average costs of all purchases (if the position is long), or of all sales (if the position is short) of the same foreign currency made during the day. When the foreign currency position decreases – the realised result is calculated.

The allocation of the Bank of Lithuania's net assets (liabilities) by foreign currency is disclosed in Note 44 "Assets and liabilities of the Bank of Lithuania by foreign currency".

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 either at the mid-market prices (99% of the fair value as at 31 December 2019 and 87% – as at 31 December 2018) or on the basis of the relevant yield curve (1% of the fair value as at 31 December 2019 and 13% – as at 31 December 2018) prevailing on the last business day of the financial year. Revaluation results of securities related to changes in 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.

Dividends, bought together with equity securities, are included in the acquisition cost of the securities. Dividends bought in the period after 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 settlement

date of the purchase transaction to the maturity date or settlement date of the sale transaction. 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.

The discount on non-coupon bearing debt securities is amortised according to the internal rate of return (IRR), and the 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 issue of securities is recognised as an 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 in 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 subject to impairment.

## 2.6. INCOME AND EXPENSE

In the Profit and Loss Account, interest on a separate financial item or instrument is presented on a net basis (interest income is netted against interest expense on the same financial item or instrument).

Realised income and expense related to 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 end of the financial year.

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 securities 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. Collateral provided in the form of cash is presented on the asset side of the Balance Sheet.

Reverse repurchase agreements are presented as collateralised loans on the asset side of the Balance Sheet. The collateral acquired (bought with a subsequent sale under these agreements) is not reported in the Balance Sheet and is not revalued during the transaction period. Collateral received in the form of cash is presented on the liabilities side of the Balance Sheet.

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

Seeking to support bond and repurchase agreement market liquidity, the Bank of Lithuania, together with the ECB and other Eurosystem national central banks (NCBs), lends securities purchased under the public sector purchase programme. The Bank of Lithuania lends securities via its lending agent, as well as under the fail mitigation programme and the strategic lending programme provided by its securities depository. In the case of security lending transactions, the securities remain on the asset side of the Balance Sheet throughout the duration of transactions.

## 2.8. FOREIGN EXCHANGE TRANSACTIONS

Foreign currency to be received or paid, under foreign exchange spot, forward and swap transactions, influences a respective foreign currency's position on the 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.

Non-deliverable foreign exchange forwards are recorded in the off-balance-sheet accounts from the trade date to the maturity date at notional amount based on the forward exchange rate. In the Balance Sheet, 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 off-balance-sheet instruments revaluation difference on the Balance Sheet liabilities side. The difference between the forward 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 Balance Sheet, the value of these transactions is presented at the forward market price prevailing on the last business day of the financial year.

On the settlement date of forward transactions in securities, the 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 the 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 contractual amount from the trade date to the closing or maturity date. In the Balance Sheet, 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 off-balance-sheet instruments revaluation difference on the Balance Sheet liabilities side 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 €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 €2,000. Tangible and intangible fixed assets are recorded in the Balance Sheet at cost less accumulated depreciation (amortisation) and are subject to impairment. Internally generated tangible and intangible assets are recorded as fixed assets if they comply with the recognition criteria. The initial cost of such assets consists of the direct staff cost, the cost of assets and services acquired or depreciated (amortised) in order to develop the assets. 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 the assets.

### Useful lives of tangible and intangible fixed assets

Fixed assets	Years
Tangible assets	
Buildings	44–59
Cash processing equipment	5–15
Computer equipment	3–7
Other assets (furniture, office equipment and other)	5–30
Intangible assets	2–10

The residual depreciation (amortisation) period is reviewed having assessed that the useful life of the fixed assets have changed significantly.

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 an expense at the time they are incurred.

## 2.12. LEASES

Right-of-use assets are recorded as fixed assets if they comply with the recognition as tangible fixed assets criteria (see section 2.11 of the Explanatory Notes "Tangible and intangible fixed assets"). Right-of-use assets are valued at cost less depreciation. Depreciation is calculated on a straight-line basis over the lease term of the right-of-use assets. At the end of 2019, useful lives of right-of-use assets are 1–4 years.

The lease liability is initially measured at the value of the future lease payments, including amounts expected to be payable at the end of lease term under residual value guarantees, discounted to the present value using interest rate implicit in the lease contract. If the previous one is not set in the lease contract, the interest rate on the Eurosystem main refinancing operations is used.

Right-of-use assets and lease liability are presented on the Balance Sheet items "Tangible and intangible fixed assets" and "Sundry" (liabilities), respectively. The interest paid for the lease liability is presented in the Profit and Loss Account item "Interest expense" as other interest expense.

Until the end of 2018, the Bank of Lithuania recorded costs related to rental contracts in the Profit and Loss Account item "Administrative expenses". Following the issue of the International Financial Reporting Standard 16 Leases, the Bank of Lithuania has modified its accounting policy: as from 1 January 2019, all rental contracts involving fixed assets, if they meet the definition of a lease, were recognised as tangible fixed assets using the modified retrospective approach, according to which a right-of-use asset is equal to the related lease liability. As a result, the comparative information has not been restated.

The resulting right-of-use assets and lease liabilities recognised on the Balance Sheet as at 1 January 2019 are as follows:

EUR thousands

	Balance as at 31 December 2018	Adjustment due to policy change	Balance as at 1 January 2019
Tangible and intangible fixed assets (see Note 13)	29,668	683	30,350
Sundry (liabilities) (see Note 28)	537	683	1,220

## 2.13. BANKNOTES AND COINS IN CIRCULATION

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

The ECB is allocated a share of 8% of the total value of euro banknotes in circulation, whereas the remaining 92% is allocated to NCBs according to the Eurosystem capital key. The share of banknotes allocated to each NCB is disclosed in their Balance Sheet under liability item 1 "Banknotes in circulation".

The difference between the value of euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of euro banknotes that it actually puts into circulation is presented as remunerated intra-Eurosystem balance.<sup>4</sup> The remuneration of this balance is calculated at the latest available marginal interest rate used by the Eurosystem in its tenders for the main refinancing operations.<sup>5</sup>

The interest income or expense on this balance is disclosed in the Profit and Loss Account item 1 "Net interest income" (see Note 32 "Net interest income").

Seeking to avoid fluctuations in monetary income after new members join the Eurosystem, the net 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 euro adoption year and gradually reduced over the following five years. For the Bank of Lithuania, the period for which the above-mentioned adjustments are applicable

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

<sup>3</sup> 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.

<sup>4</sup> Decision of the ECB of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (recast) (ECB/2016/36), OJ L 347, 20.12.2016, p. 26.

<sup>5</sup> The marginal interest rate used by the Eurosystem in its tenders for the main refinancing operations was 0% in 2018 and 2019.

will terminate on 31 December 2020. As 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 circulation coins issued into circulation by the Bank of Lithuania is presented in the Balance Sheet liability item 12 "Other liabilities" (see Note 28 "Sundry").

The nominal value of litas<sup>6</sup> banknotes and litas circulation coins issued into circulation by the Bank of Lithuania and not returned from circulation after the euro adoption is presented in the Balance Sheet liability item 12 "Other liabilities".

The sale price (excluding VAT) of collector euro coins and other numismatic valuables is 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.

## 2.14. PROVISIONS FOR COVERING FINANCIAL RISKS AND LIABILITIES

Provisions for expected market, liquidity and credit risks (hereinafter – provisions for financial risks) are formed by the Board of the Bank of Lithuania, in order for the Bank of Lithuania to have sufficient financial resources to offset the negative change in value arising from the financial assets, including the financial assets acquired in connection with monetary policy operations of the Eurosystem, as well as the financial liabilities related to the management of these assets, and in such way 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. The aim of these provisions is to cover the assessed level of risk, which is set in accordance with the risk assessment methodology approved by the Governing Council of the ECB. The expected shortfall at a 99% confidence level (ES99%) is used to define the target amount of risk provisions. Provisions for financial 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 to staff who will qualify for the state social insurance pension while working at the Bank of Lithuania, are assessed using actuary calculations. Their value is determined as termination benefits earned by the employee upon retirement and calculated based on the employee change dynamics and wage growth preconditions, discounted 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 or provisions related to the exchange of litas banknotes and coins, are not discounted due to the relatively short period from the formation of these provisions to their use.

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

## 3. FINANCIAL RISK MANAGEMENT

### 3.1. MANAGEMENT OF FINANCIAL RISK RELATED TO MONETARY POLICY OPERATIONS

The risk related to monetary policy assets and operations is managed within the Eurosystem on an integral basis. The Bank of Lithuania takes part in this risk management process via its representative in the Risk Management Committee of the ECB, which is responsible for the management of financial risk related to monetary policy operations and investment of foreign reserves of the ECB.

Credit, market and liquidity risks are the key risks encountered in conducting monetary policy operations. Credit operations conducted by the Eurosystem are mainly exposed to credit risk, arising from potential default of counterparty. To manage the counterparty's credit risk, credibility requirements for counterparties, with which these operations can be executed, are established and monetary policy lending operations are conducted only against collateral. Collateral should match the established requirements for suitability and other risk management instruments. In case of insolvency of the counterparty, the Eurosystem will face the collateral issuer's or debtor's credit risk, market risk arising from the changes in collateral market value and liquidity risk (particularly if the Eurosystem wanted to sell a large part of asset position).

To mitigate the risk of securities purchase operations, requirements for securities, which can be acquired by the Eurosystem under adopted securities purchase programmes, and limits on their acquisition are set.

<sup>6</sup> The national currency used as legal tender until the adoption of the euro.

The Bank of Lithuania ensures that financial institutions registered in Lithuania and participating in monetary policy operations as well as collateral provided under monetary policy operations would match established requirements, and it controls fulfilment of established risk limits.

### **3.2. MANAGEMENT OF FINANCIAL RISK RELATED TO THE INVESTMENT OF THE BANK OF LITHUANIA**

Investments made by the Bank of Lithuania, not related to monetary policy operations, are mainly exposed to financial risks, such as market (foreign exchange rate, equity securities and gold price, interest rate), credit (insolvency, credit rating downgrade, counterparty, settlement) and liquidity risks.

Value-at-risk is the basic tool for the evaluation and management of the market risk of the investment portfolio, which is the largest part of financial assets, not related to monetary policy operations. This indicator, also called the risk budget, is calculated for a one year period at a 95% confidence level and cannot exceed €150 million. The application of the risk budget ensures 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. The model used for the calculation of value-at-risk considers past patterns and the forecasted macroeconomic environment. As at 31 December 2019, the risk value of the investment portfolio amounted to €117 million and was €16 million higher than at the end of 2018.

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

For managing foreign exchange rate risk related to financial assets, which do not correspond to liabilities in foreign currencies, limits for open currency positions (except for a separate reserve portfolio denominated in US dollars, with an exchange rate risk that is not hedged) are established. In 2019, the maximum allowable reserve portfolio risk budget of \$25 million was set. At the end of the year, its value stood at \$16 million.

Exchange rate risk related to financial assets corresponding to liabilities in foreign currencies is eliminated by investing in the currency of liabilities. For managing foreign exchange rate and interest rate risks, the Bank of Lithuania widely uses financial derivatives.

Credit risk is managed by dealing only with reliable financial institutions, investing only in investment grade financial instruments. Taking into account the credibility of the counterparty or issuer, limits on the liabilities to the Bank of Lithuania by issuers, counterparties and their groups are established. These limits help diversify credit risk.

Seeking to ensure the liquidity of financial assets, which do not correspond to liabilities in foreign currencies, a part of such financial assets is invested in very safe and liquid government debt securities. Liquidity risk related to financial assets that are linked to liabilities is managed by combining the duration of liabilities and corresponding investments.

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

Appropriate investment allocation plays an important role in financial risk management, seeking to reduce the concentration of investment. To ensure diversification, the Bank of Lithuania uses the risk parity strategy. The Bank of Lithuania also invests in exchange traded funds linked to well-diversified equity and debt securities market indexes.

All financial derivatives are included in the measurement of the market and credit risk of the Bank of Lithuania's financial assets investment.

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

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

### **4.1. PARTICIPATING INTEREST IN ECB CAPITAL**

The shares of NCBs in the subscribed capital of the ECB depend on the established key for ECB capital subscription, which is adjusted, in accordance with Article 29 of the Statute of the European System of Central Banks (hereinafter – ESCB) and of the ECB, every five years, on the basis of population and GDP data provided by the European Commission. The most recent adjustment came into effect on 1 January 2019.

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

NCB	Capital key as at 31 December 2019, %	Paid-up capital as at 31 December 2019, EUR	Eurosystem capital key as at 31 December 2019, %
Nationale Bank van België / Banque Nationale de Belgique	2.5280	273,656,179	3.63127
Deutsche Bundesbank	18.3670	1,988,229,048	26.38270
Eesti Pank	0.1968	21,303,614	0.28269
Banc Ceannais na hÉireann / Central Bank of Ireland	1.1754	127,237,133	1.68837
Bank of Greece	1.7292	187,186,022	2.48385
Banco de España	8.3391	902,708,165	11.97844
Banque de France	14.2061	1,537,811,329	20.40590
Banca d'Italia	11.8023	1,277,599,809	16.95304
Central Bank of Cyprus	0.1503	16,269,986	0.21589
Latvijas Banka	0.2731	29,563,094	0.39229
Lietuvos bankas	0.4059	43,938,704	0.58304
Banque centrale du Luxembourg	0.2270	24,572,766	0.32607
Bank Ċentrali ta'Malta / Central Bank of Malta	0.0732	7,923,905	0.10515
De Nederlandsche Bank	4.0677	440,328,813	5.84292
Oesterreichische Nationalbank	2.0325	220,018,269	2.91952
Banco de Portugal	1.6367	177,172,891	2.35099
Banka Slovenije	0.3361	36,382,849	0.48278
Národná banka Slovenska	0.8004	86,643,357	1.14971
Suomen Pankki – Finlands Bank	1.2708	137,564,190	1.82540
<b>Subtotal for euro area NCBs</b>	<b>69.6176</b>	<b>7,536,110,122</b>	<b>100.00000</b>
Българска народна банка (Bulgarian National Bank)	0.8511	3,454,936	-
Česká národní banka	1.6172	6,564,826	-
Danmarks Nationalbank	1.4986	6,083,383	-
Hrvatska narodna banka	0.5673	2,302,885	-
Magyar Nemzeti Bank	1.3348	5,418,457	-
Narodowy Bank Polski	5.2068	21,136,368	-
Banca Națională a României	2.4470	9,933,297	-
Sveriges Riksbank	2.5222	10,238,562	-
Bank of England	14.3374	58,200,921	-
<b>Subtotal for non-euro area NCBs</b>	<b>30.3824</b>	<b>123,333,636</b>	<b>-</b>
<b>Total</b>	<b>100.0000</b>	<b>7,659,443,757</b>	<b>100.00000</b>

The contribution of the Bank of Lithuania to the ECB capital is presented in Note 10 "Participating interest in the ECB".

#### 4.2. FOREIGN RESERVES TRANSFERRED TO THE ECB

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

Given the adjustment to the capital key on 1 January 2019, foreign reserve assets, transferred by the NCBs, comprise the amount of €40,344 million (until 31 December 2018 they amounted to €40,793 million). 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 (except for the gold component) is calculated at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations.<sup>7</sup>

### 4.3. LENDING TO EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

**Main refinancing operations.** These are executed through liquidity providing reverse transactions with a weekly frequency and a 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 2019, operations with maturities between 3 and 48 months were conducted. In 2016, the Governing Council of the ECB introduced a series of four targeted longer-term refinancing operations (TLTRO II). These operations have a four-year maturity, with a possibility of full or partial repayment after two years. Additionally, in 2019 the Governing Council of the ECB introduced a new series of seven quarterly targeted longer-term refinancing operations (TLTRO III). These operations have a three-year maturity, with a possibility of full or partial repayment after two years. According to the decisions taken by the Governing Council of the ECB, the final interest rate applicable to each TLTRO III operation can be as low as the average interest rate on the deposit facility prevailing over the life of the operation. Given that the rate for accruing interest will only be known starting from 2021 and that a reliable estimate is not possible until that time, the deposit facility rate is used for calculating the TLTRO III interest for 2019, as this was deemed a prudent approach.

**Fine-tuning reverse operations.** They 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.

As at 31 December 2019, the total Eurosystem NCB's holding of monetary policy assets amounted to €624,233 million (as at 31 December 2018 – €734,382 million). The share of monetary policy assets held by the Bank of Lithuania is presented in Note 6 "Lending to euro area credit institutions related to monetary policy operations denominated in euro".

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 2019, the securities held by the ECB and NCBs amounted to €2,632,056 million (as at 31 December 2018 – €2,651,281 million); they were acquired within the scope of three covered bond purchase programmes, the Securities Markets Programme, the asset-backed securities purchase programme, the public sector purchase programme<sup>8</sup> and the corporate sector purchase programme.

On 1 November 2019 the Eurosystem restarted its net purchases of securities under the asset purchase programme<sup>9</sup> at a monthly pace of €20 billion on average. This followed a period of ten months since the end of 2018 during which the Eurosystem only reinvested, in full, the principal payments from maturing securities purchased under the asset purchase programme. The Governing Council of the ECB expects net purchases to run for as long as necessary to reinforce the accommodative impact of its policy rates, and to end shortly before it starts raising the key ECB interest rates. The Governing Council of the ECB also intends to continue the reinvestments for an extended period of time past the date when the Governing Council of the ECB starts raising the key ECB interest rates, and in any case, for as long as necessary, maintain favourable liquidity conditions and an ample degree of monetary accommodation.

<sup>7</sup> The marginal interest rate used by the Eurosystem in its tenders for the main refinancing operations was 0% in 2018 and 2019.

<sup>8</sup> Decision of the ECB of 4 March 2015 on a secondary markets public sector asset purchase programme (ECB/2015/10), OJ L 121, 14.5.2015, p. 20.

<sup>9</sup> The asset purchase programme consists of the third covered bond purchase programme, the asset-backed securities purchase programme, the public sector purchase programme and the corporate sector purchase programme. Further information on the asset purchase programme can be found on the [ECB website](#).

Securities purchased under all of these programmes are valued on an amortised cost basis subject to impairment. In accordance with Article 32.4 of the Statute of the ESCB and of the ECB, losses from holdings of securities purchased under the third covered bond purchase programme, the Securities Markets Programme and the corporate sector purchase programme, as well as securities of supranational organisations purchased under the public sector purchase programme (totalling €695,824 million as at 31 December 2019), if they were to be materialised, are shared in full by the Eurosystem NCBs, in proportion to the prevailing Eurosystem capital key. Losses from holdings of securities purchased under the first and second covered bond purchase programmes, as well as securities of government purchased under the public sector purchase programme are covered by the NCBs concerned.

The Governing Council of the ECB assesses on a regular basis the financial risks associated with the securities held under all these programmes. Annual impairment tests are conducted on the basis of the estimated recoverable amounts as at the year-end. Upon assessing that the value of a security is impaired, in accordance with the prudence principle, a provision against losses in monetary policy operations is established. Impairment losses materialising from securities held for monetary policy purposes, which are proportionally shared in full by all the Eurosystem NCBs, are recognised as part of the net result of monetary income pooling (see Note 29 "Provisions" and Note 36 "Net result of pooling of monetary income").

The value of securities holdings of the Bank of Lithuania is presented in Note 8 "Securities held for monetary policy purposes".

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

**Current accounts (covering the minimum reserve system).** These are the balances on the current accounts of credit institutions with NCBs that are required to hold minimum reserves.

**Deposit facility.** Deposit facility is a liquidity absorbing standing facility provided by the Eurosystem, which counterparties can use to make overnight deposits with NCBs 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 TARGET2<sup>10</sup> 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 the Balance Sheet items "Other claims within the Eurosystem (net)" or "Other liabilities within the Eurosystem (net)".

#### 4.7. ALLOCATION OF MONETARY INCOME

Monetary income of the Eurosystem, accruing to the NCBs in the performance of the ESCB's monetary policy functions, is calculated and allocated among the NCBs at the end of each financial year in proportion to their Eurosystem capital key in accordance with Article 32 of the Statute of the ESCB and of the ECB.

The amount of the Eurosystem NCBs' monetary income is determined by measuring actual income, which they derive 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 reserves 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 operations, the maturity of which is one year or longer; a limited amount of each NCB's gold holdings in proportion to each NCB's capital key share.

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

<sup>10</sup> The Trans-European Automated Real-time Gross settlement Express Transfer system.

resulting from TARGET2 transactions; net intra-Eurosystem liabilities related to the allocation of euro banknotes within the Eurosystem.

Interest paid on the liability base items and (or) on the earmarkable assets items is deducted from the NCB's monetary income derived from these items. The difference between the NCB's earmarkable asset value and its liability base value shall be offset by applying the difference of the latest available marginal rate for the Eurosystem's main refinancing operations.<sup>11</sup> Furthermore, for monetary income calculation purposes, gold is considered to generate no income, and securities held for monetary policy purposes under both Decision ECB/2009/16 on the implementation of the first 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.

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 the Eurosystem 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 36 "Net result of pooling of monetary income".

#### 4.8. MANAGEMENT OF NET FINANCIAL ASSETS

The Agreement on Net Financial Assets is an agreement between the Eurosystem NCBs and the ECB, which sets the maximum amount of net financial assets of each NCB and the ECB held for non-monetary policy purposes and its management. The net financial assets covered by the agreement are mainly formed using liability base funds received from monetary policy operations that are temporarily free from performing monetary policy operations at that time (see section 4.7 of the Accounting Policy "Allocation of monetary income"). Such assets are usually comprised of gold and foreign currency reserves, investments in euro.

The Bank of Lithuania determines the amount of financial assets, taking into consideration market conditions as well as investment opportunities and restrictions; however, the average amount of financial assets cannot be above the maximum amount of net financial assets set in accordance with the agreement, i.e. €5,856 million. In 2019, as in 2018, the amount of net financial assets of the Bank of Lithuania met the provisions of the Agreement.

#### 4.9. THE ECB PROFIT DISTRIBUTION

Unless otherwise decided by the Governing Council of the ECB, the ECB distributes seigniorage income, which arises from the 8% share of euro banknotes allocated to the ECB, as well as the income arising from the securities acquired under securities programmes (the securities markets programme, the third covered bond purchase programme, the asset-backed securities purchase programme and the public sector asset purchase programme), by means of an interim distribution of profit in January of the following year.<sup>12</sup> It is distributed in full, unless it exceeds the ECB's net profit for the year, and is subject to any decisions by the Governing Council of the ECB to make transfers to the provisions for financial risks. The result from ECB interim profit distribution is recorded by the euro area NCBs as income of the financial year when this income was accrued, not received.

After the Governing Council approves the ECB annual accounts, the remaining profit is distributed to the shareholders of the ECB in proportion to the Eurosystem capital key, pursuant to Article 33 of the Statute of the ESCB and of the ECB. The result from the ECB final profit distribution is recorded by the NCBs 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 instruments" (see Note 35 "Income from equity instruments").

## 5. POST-BALANCE SHEET EVENTS

### 5.1. ON THE DEPARTURE OF THE UNITED KINGDOM FROM THE EU

As a result of the departure of the United Kingdom from the EU and consequent withdrawal of the Bank of England from the ESCB, the weights assigned to the remaining NCBs in the key for subscription to the ECB's capital were adjusted, coming into effect from 1 February 2020, as follows:

<sup>11</sup> The marginal interest rate used by the Eurosystem in its tenders for main refinancing operations was 0% in 2018 and 2019.

<sup>12</sup> Decision of the ECB of 15 December 2014 on the interim distribution of the income of the European Central Bank (recast) (ECB/2014/57), OJ L 53, 25.2.2015, p. 24, as amended.

NCB	Capital key from 1 February 2020, %	Capital key until 31 January 2020, %
Nationale Bank van België /Banque Nationale de Belgique	2.9630	2.5280
Deutsche Bundesbank	21.4394	18.3670
Eesti Pank	0.2291	0.1968
Banc Ceannais na hÉireann / Central Bank of Ireland	1.3772	1.1754
Bank of Greece	2.0117	1.7292
Banco de España	9.6981	8.3391
Banque de France	16.6108	14.2061
Banca d'Italia	13.8165	11.8023
Central Bank of Cyprus	0.1750	0.1503
Latvijas Banka	0.3169	0.2731
Lietuvos bankas	0.4707	0.4059
Banque centrale du Luxembourg	0.2679	0.2270
Bank Ċentrali ta'Malta / Central Bank of Malta	0.0853	0.0732
De Nederlandsche Bank	4.7662	4.0677
Oesterreichische Nationalbank	2.3804	2.0325
Banco de Portugal	1.9035	1.6367
Banka Slovenije	0.3916	0.3361
Národná banka Slovenska	0.9314	0.8004
Suomen Pankki – Finlands Bank	1.4939	1.2708
<b>Subtotal for euro area NCBs</b>	<b>81.3286</b>	<b>69.6176</b>
Българска народна банка (Bulgarian National Bank)	0.9832	0.8511
Česká národní banka	1.8794	1.6172
Danmarks Nationalbank	1.7591	1.4986
Hrvatska narodna banka	0.6595	0.5673
Magyar Nemzeti Bank	1.5488	1.3348
Narodowy Bank Polski	6.0335	5.2068
Banca Națională a României	2.8289	2.4470
Sveriges Riksbank	2.9790	2.5222
Bank of England	0.0000	14.3374
<b>Subtotal for non-euro area NCBs</b>	<b>18.6714</b>	<b>30.3824</b>
<b>Total</b>	<b>100.0000</b>	<b>100.0000</b>

The ECB kept its subscribed capital unchanged at €10,825,007 thousand after the withdrawal of the Bank of England from the ESCB. The share of the Bank of England in the ECB's subscribed capital, which stood at 14.3%, was reallocated among the euro area NCBs and the remaining non-euro area NCBs. As a result, the Bank of Lithuania's share in the ECB's subscribed capital increased by 16%.

The ECB's paid-up capital will also remain unchanged at €7,659,444 thousand in 2020, as the remaining NCBs will cover the Bank of England's paid-up capital of €58,201 thousand after its withdrawal. As a result of the adjustment to the capital key, €47 thousand from the contribution to the ECB capital was repaid to the Bank of Lithuania in 2020. Furthermore, euro area NCBs will then pay up in full their increased subscriptions to the ECB capital in two additional annual instalments. As a result, the Bank of Lithuania will transfer to the ECB an amount of €3,531 thousand in 2021 and again the same amount in 2022.

Pursuant to Article 30.2 of the Statute of the ESCB and of the ECB, the contributions of the NCBs to the transfer of foreign reserve assets to the ECB are fixed in proportion to their share in the ECB's subscribed capital. Following the increase in the weighting of the euro area NCBs (which have transferred foreign reserve assets to the ECB) in the ECB's subscribed capital resulting from the Bank of England's withdrawal from the ESCB and a decision of the Governing Council of the ECB to reduce the proportion of the euro area NCBs contributions, so that the total amount of foreign reserve assets already transferred by the euro area NCBs will remain at the current level, the claim equivalent to this transfer was marginally adjusted. This resulted in

a decrease in the Bank of Lithuania's claims equivalent to the transfer of foreign reserves by €1,727 thousand and as from 1 February 2020 comprised the amount of €233,496 thousand.

## 5.2. ON THE OUTBREAK OF THE CORONAVIRUS (COVID-19)

In order to prevent the high risks to the growth prospects of Lithuania and the euro area as a whole from the COVID-19 outbreak and its rapid expansion, from March 2020, the Bank of Lithuania and the ECB have taken measures to enable all sectors of the economy to benefit from favourable financing conditions and withstand this shock. The Governing Council of the ECB has launched a new Pandemic Emergency Purchase Programme with an envelope of €750 billion until the end of 2020. In addition, measures that allowed broadening the list of eligible assets in the corporate sector purchase programme and lowering standards for applying for collateral, have been announced. Also, temporary measures, which help release capital and liquidity requirements for banks, have been taken. The Bank of Lithuania also released 1% of the countercyclical capital buffer accumulated by banks during the upswing. All these measures will allow banks to lend more to business and the general public.

The Bank management regards the outbreak of the pandemic as a non-adjusting post-balance sheet event; therefore, the financial results for 2019 are not adjusted. At the current stage of the pandemic, the Bank of Lithuania's management is unable to estimate reliably the potential impact of the COVID-19 outbreak on the financial results of the Bank of Lithuania for 2020. However, on the date of approval of the financial statements for 2019, the impact on these results is considered to be insignificant. This is due to the fact that a large part of the Bank of Lithuania's funds are invested in highly reliable government securities, and their value remains stable even in times of crisis. Furthermore, applying the precautionary principle established in the Accounting Guidelines, unrealised revaluation gains arising from revaluation of a separate financial item at market price and market rate are not recognised as income but are recognised in revaluation accounts (see Note 30). This makes it possible to effectively absorb temporary fluctuations in the price of financial instruments. If the unrealised revaluation loss on separate financial instrument transactions or issues exceeds the cumulative revaluation surplus on those instruments, it could be covered by provisions for financial risks (see Note 29 and section 2.14 of the Explanatory Notes "Provisions for covering financial risks and liabilities"), which on the date of approval of the financial statements amounted to €286 million.

## 6. NOTES ON THE BALANCE SHEET

### NOTE 1. GOLD AND GOLD RECEIVABLES

	31 December 2019	31 December 2018
Gold holdings in		
Troy ounces	187,207	187,171
Kilograms	5,823	5,822
Price per one Troy ounce, EUR	1,354.104	1,120.961
<b>Value of gold, EUR thousands</b>	<b>253,498</b>	<b>209,811</b>

The gold held by the Bank of Lithuania as at 31 December 2019, the same as at 31 December 2018, was invested in gold swaps.

Compared to 2018, gold holdings in 2019 slightly increased due to differences in the weight of gold bars arising from settlements of gold investment transactions.

The overall increase in the value of gold was caused by the rise in the price of gold in the financial markets in 2019.

### NOTE 2. RECEIVABLES FROM THE IMF

EUR thousands	31 December 2019	31 December 2018
Balance in the SDR account with the IMF	169,704	166,867
Reserve tranche position in the IMF	56,802	34,073
Lithuania's quota in the IMF	545,673	536,724
Balance in the IMF account No 1 with the Bank of Lithuania	(488,872)	(502,651)
<b>Total</b>	<b>226,506</b>	<b>200,940</b>

The major part of the SDR balance in the SDR account with the IMF, managed by the Bank of Lithuania, is comprised of SDR 137,239 thousand, allocated to the Republic of Lithuania by the IMF in 2009, the counterpart (€169,339 thousand) of which 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 the SDR account with the IMF and pays interest on SDR allocated to the Republic of Lithuania by the IMF.

The increase in the euro equivalent value of the SDR balance in the SDR account with the IMF was mainly due to the appreciation of the SDR against the euro in 2019.

On behalf of the Republic of Lithuania, the Bank of Lithuania performs the fiscal agency function of the IMF. In performing these functions, the Bank of Lithuania has the participation and voting right in the IMF, which is reflected by Lithuania's quota in the IMF. In addition, the Bank of Lithuania has liabilities to the IMF, which are presented in the IMF account No 1 with the Bank of Lithuania. Since 2018, the Bank of Lithuania has carried out the financial operations of the IMF on behalf of the Republic of Lithuania using the financial assets of the Bank of Lithuania.

The increase in the reserve tranche position in the IMF as at 31 December 2019, compared to 31 December 2018, was due to participation in the Financial Transactions Plan. Under this Plan, the Bank of Lithuania contributed additional financing amounted to SDR 18 million in 2019 (SDR 28 million in 2018). The Bank of Lithuania receives interest on funds transferred under the Financial Transactions Plan.

### 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

	USD	JPY	CZK	GBP	CAD	Other	Total
<b>31/12/2019</b>							
Balances in current accounts	576	1,479,687	744,790	1,482	1,203	274,062	2,501,800
Debt securities	1,044,683	-	-	236,862	230,991	91,430	1,603,965
Marketable equity securities	329,871	-	-	-	-	-	329,871
Reverse repurchase agreements	348,496	-	-	-	-	-	348,496
<b>Total</b>	<b>1,723,625</b>	<b>1,479,687</b>	<b>744,790</b>	<b>238,344</b>	<b>232,194</b>	<b>365,492</b>	<b>4,784,132</b>
<b>31/12/2018</b>							
Balances in current accounts	2,159	1,489,268	641,126	1,525	3,176	321,048	2,458,302
Debt securities	1,885,517	-	-	191,890	152,452	88,215	2,318,074
Marketable equity securities	482,978	-	-	-	-	-	482,978
Reverse repurchase agreements	1,397	-	-	-	-	-	1,397
<b>Total</b>	<b>2,372,051</b>	<b>1,489,268</b>	<b>641,126</b>	<b>193,415</b>	<b>155,628</b>	<b>409,263</b>	<b>5,260,751</b>

The Bank of Lithuania manages financial investments using funds temporarily free from performing the single monetary policy (see section 4.8 of the Accounting Policy "Management of net financial assets").

At the end of 2019, the same as at the end of 2018, the balances in current accounts denominated in Japanese yen were higher than average during the year due to short-term transactions conducted so as to benefit from favourable conditions in the money market at the year end.

In 2019, the Bank of Lithuania temporarily reduced its investments in debt securities and in exchange traded fund units denominated in US dollars.

### 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 2019	31 December 2018
USA	1,673,936	2,263,812
Japan	1,505,531	1,510,516
Non-euro area EU Member States	953,725	810,996

Switzerland	273,856	320,851
Canada	268,445	197,674
China	91,626	88,400
Other countries	17,014	68,500
<b>Total</b>	<b>4,784,132</b>	<b>5,260,751</b>

#### NOTE 4. CLAIMS ON EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

EUR thousands

	USD	CAD	Other	Total
<b>31/12/2019</b>				
Balances in current accounts	2,008	465	235	2,707
<b>Total</b>	<b>2,008</b>	<b>465</b>	<b>235</b>	<b>2,707</b>
<b>31/12/2018</b>				
Balances in current accounts	60	61	49	170
Debt securities	71,820	-	-	71,820
<b>Total</b>	<b>71,880</b>	<b>61</b>	<b>49</b>	<b>71,990</b>

#### 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 with non-euro area residents denominated in euro.

In 2019, balances in current accounts decreased due to repaid cash collateral (€900 thousand), which ensured the discharge of the Bank of Lithuania obligations to the counterparty under transactions outstanding.

#### NOTE 6. LENDING TO EURO AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS DENOMINATED IN EURO

EUR thousands

	31 December 2019	31 December 2018
Longer-term refinancing operations	48,000	173,000
Marginal lending facility	-	16,166
<b>Total</b>	<b>48,000</b>	<b>189,166</b>

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

In 2019, no impairment losses from these monetary policy operations were incurred by the Bank of Lithuania.

#### NOTE 7. OTHER CLAIMS ON EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

This item consists of the Bank of Lithuania's balances in current accounts with credit institutions which do not relate to monetary policy operations. As at 31 December 2019, the balances in current accounts amounted to €3,325 thousand (as at 31 December 2018 – €360 thousand), part of which (€3,100 thousand) was provided as collateral to the counterparty in the form of cash to ensure the discharge of the Bank of Lithuania obligations under transactions outstanding.

#### NOTE 8. SECURITIES HELD FOR MONETARY POLICY PURPOSES

This item consists of the Republic of Lithuania government and supranational securities acquired by the Bank of Lithuania within the scope of the public sector purchase programme (see section 4.4. of the Explanatory Notes "Securities held for monetary policy purposes").

EUR thousands

Public sector purchase programme	31 December 2019		31 December 2018	
	Amortised cost	Market value	Amortised cost	Market value
Supranational securities	8,194,878	8,792,363	8,908,182	8,937,537
The Republic of Lithuania government securities	2,357,798	2,441,604	1,847,379	1,859,293
<b>Total</b>	<b>10,552,676</b>	<b>11,233,967</b>	<b>10,755,562</b>	<b>10,796,829</b>

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 presentation purposes only.

As a result of an impairment test conducted as at 31 December 2019 on securities purchased under the public sector purchase programme, the Governing Council of the ECB decided that all future cash flows on these securities were expected to be received, therefore no impairment losses from securities held by the Bank of Lithuania were incurred in 2019.

### NOTE 9. OTHER SECURITIES

The Bank of Lithuania's investments in debt and marketable equity securities by euro area residents, presented in this item, were marked to market in 2019 and 2018.

EUR thousands

	31 December 2019	31 December 2018
Marketable equity securities	730,350	701,674
Debt securities	–	184,176
<b>Total</b>	<b>730,350</b>	<b>885,850</b>

As at 31 December 2019, holdings of debt securities decreased due to implementation of changes in active investment.

### NOTE 10. PARTICIPATING INTEREST IN THE ECB

EUR thousands

	31 December 2019	31 December 2018
Contribution of the Bank of Lithuania to the ECB capital	43,939	44,729
Contribution of the Bank of Lithuania to the reserves of the ECB and to provisions, equivalent to reserves	162,454	162,454
<b>Total</b>	<b>206,393</b>	<b>207,183</b>

Pursuant to Article 29 of the Statute of the ESCB and of the ECB, shares of the NCBs in the subscribed capital of the ECB are adjusted every five years on the basis of population and GDP data provided by the European Commission. The most recent such adjustment took effect on 1 January 2019.

Consequently, the Bank of Lithuania's share in the subscribed capital of the ECB decreased by 0.0073 percentage point and amounts to 0.4059% as of 1 January 2019.

Given the decrease of the Bank of Lithuania's share in the paid-up capital of the ECB, €790 thousand from the contribution to the ECB capital was repaid to the Bank of Lithuania on 1 January 2019 and with effect from that date, the share of the Bank of Lithuania in the subscribed and paid-up capital of the ECB comprises €43,939 thousand.

The Bank of Lithuania, pursuant to Article 48.2 of the Statute of the ESCB and of the ECB, has contributed €162,454 thousand to the reserves of the ECB and to provisions equivalent to reserves.

### NOTE 11. CLAIMS EQUIVALENT TO THE TRANSFER OF FOREIGN RESERVES

Upon joining the Eurosystem, the Bank of Lithuania, pursuant to Article 48.1 of the Statute of the ESCB and of the ECB, transferred its share of foreign reserves to the ECB.

Claims equivalent to the transfer of foreign reserves of the Bank of Lithuania, shown in this Balance Sheet item, comprised €239,454 thousand until 1 January 2019. 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 adjustment to the ECB capital key entailed a change in the Bank of Lithuania's claims equivalent to the transfer of foreign reserves; the respective Balance Sheet item decreased by €4,230 thousand to €235,223 thousand as of 1 January 2019.

### NOTE 12. NET CLAIMS RELATED TO THE ALLOCATION OF EURO BANKNOTES WITHIN THE EUROSISTEM

This item presents the claim of the Bank of Lithuania to the Eurosystem, related to the allocation of euro banknotes within the Eurosystem (see section 2.13 of the Explanatory Notes "Banknotes and coins in



circulation" and Note 18 "Banknotes in circulation"). As at 31 December 2019, compared to 31 December 2018, these net claims of the Bank of Lithuania decreased by €484,872 thousand or 16% due to a higher increase in the nominal value of the banknotes put into circulation by the Bank of Lithuania (21%) compared to the rise in the nominal value of banknotes in circulation in the entire Eurosystem (5%).

### NOTE 13. TANGIBLE AND INTANGIBLE FIXED ASSETS

EUR thousands

	Tangible assets				Intangible assets (including assets under construction)	Right-of-use assets	Total
	Buildings and construction in progress	Cash processing equipment (including assets under construction)	Computer equipment (including assets under construction)	Other tangible assets (including assets under construction)			
Acquisition cost as at 31 December 2018	36,331	5,865	12,523	7,902	11,700	-	74,320
Additions in 2019	24	25	357	99	2,438	1,590	4,533
Disposals in 2019	-	-	(26)	(374)	(9)	-	(410)
Reclassification in 2019	(455)	-	-	455	-	-	-
Acquisition cost as at 31 December 2019	35,899	5,890	12,854	8,082	14,129	1,590	78,444
Accumulated depreciation as at 31 December 2018	(17,406)	(5,124)	(9,926)	(6,296)	(5,900)	-	(44,652)
Depreciation in 2019	(1,372)	(163)	(1,027)	(107)	(1,103)	(412)	(4,184)
Depreciation of disposed assets in 2019	-	-	26	374	0	-	400
Reclassification of depreciation in 2019	191	-	-	(191)	-	-	-
Accumulated depreciation as at 31 December 2019	(18,587)	(5,287)	(10,927)	(6,221)	(7,002)	(412)	(48,437)
<b>Net carrying amount as at 31 December 2019</b>	<b>17,312</b>	<b>603</b>	<b>1,927</b>	<b>1,861</b>	<b>7,126</b>	<b>1,178</b>	<b>30,007</b>
<b>Net carrying amount as at 31 December 2018</b>	<b>18,924</b>	<b>741</b>	<b>2,597</b>	<b>1,605</b>	<b>5,800</b>	<b>-</b>	<b>29,668</b>

A significant impact on the increase (by €2,309 thousand) of intangible fixed assets in 2019 came from the recognition of two intangible asset items internally generated by way of projects. A part of this cost (€149 thousand) was comprised of the depreciation of the assets used for these projects; therefore, depreciation of tangible and intangible fixed assets presented in the Profit and Loss Account is lower than depreciation accumulated during 2019.

As at 1 January 2019, two objects under rental contracts were recognised as right-of-use assets (see section 2.12 of the Explanatory Notes "Leases"). In 2019, two other rental contracts were conducted, under which the acquisition cost of right-of-use assets amounted to €907 thousand.

In 2017, the Board of the Bank of Lithuania made a decision to implement the renovation project of the Bank of Lithuania's premises situated in Vilnius, at Žirmūnų g. 151. During the implementation of this project, in fall 2019 part of the premises were recognised as unusable due to functional (technological) depreciation and impediment to the reconstruction of existing buildings and territories. They are planned to be dismantled in 2020. Part of the assets contained in the buildings to be dismantled was reclassified as separate items of other tangible assets. The Bank of Lithuania has not concluded any transactions with the mortgage of tangible assets of the Bank of Lithuania.

### NOTE 14. OTHER FINANCIAL ASSETS

This item presents the Bank of Lithuania's investments in non-marketable equity instruments, the price of which is not quoted in the market, as well as the Bank of Lithuania's balances in current accounts with euro area residents (non-credit institutions) denominated in euro.

EUR thousands

	31 December 2019	31 December 2018
Balances in current accounts	7,997	934
Bank for International Settlements shares	3,334	3,334
SWIFT shares	100	100
<b>Total</b>	<b>11,431</b>	<b>4,368</b>

The Bank of Lithuania is a member of the Bank for International Settlements (BIS), with 1,070 shares, the acquisition cost of which is €3,334 thousand and the nominal value per share is SDR 5,000. The Bank of Lithuania received €321 thousand in dividends for these BIS shares in 2019 (€304 thousand in 2018).

The Bank of Lithuania holds 24 SWIFT shares with the acquisition cost of €100 thousand. Dividends are not paid for these shares.

#### NOTE 15. OFF-BALANCE-SHEET INSTRUMENTS REVALUATION DIFFERENCES

These items represent the revaluation of foreign currency to be paid and received under foreign exchange transactions due to changes in the market rates and the revaluation of non-deliverable foreign exchange forward transactions, interest rate swaps and forward transactions in securities due to market price movements.

EUR thousands

	31 December 2019		31 December 2018	
	Positive differences	Negative differences	Positive differences	Negative differences
Foreign exchange transactions	21,324	42,458	54,012	75,733
Interest rate swaps	5,034	2,667	348	526
Non-deliverable foreign exchange forwards	2,217	1,616	959	2,010
Forward transactions in securities	1	1	3	5
<b>Total</b>	<b>28,576</b>	<b>46,742</b>	<b>55,324</b>	<b>78,275</b>

#### NOTE 16. ACCRUALS AND PREPAID EXPENSES

EUR thousands

	31 December 2019	31 December 2018
Accrued interest income	64,998	61,855
On securities held for monetary policy purposes	47,930	44,320
On financial derivatives	10,353	8,548
On other securities	5,109	7,910
On accounts and deposits	1,606	1,075
Other accrued interest	0	3
Debt securities coupon payment purchased	3,555	7,083
Prepaid expenses	1,896	1,261
<b>Total</b>	<b>70,449</b>	<b>70,200</b>

#### NOTE 17. SUNDRY

EUR thousands

	31 December 2019	31 December 2018
Short-term assets	646	540
Advances and other receivables	404	76
Loans to the staff of the Bank of Lithuania	318	370
Dividends receivable	-	1,395
<b>Total</b>	<b>1,369</b>	<b>2,380</b>

Dividends receivable are dividends of marketable equity securities that are recognised as income on their announcement day but not received yet.

**NOTE 18. BANKNOTES IN CIRCULATION**

EUR thousands

	31 December 2019	31 December 2018
Euro banknotes issued by the Bank of Lithuania	4,420,124	3,647,815
Adjustment for banknote allocation in the Eurosystem	3,118,415	3,578,452
The ECB's share of euro banknotes in circulation	(602,979)	(578,143)
<b>Total</b>	<b>6,935,561</b>	<b>6,648,124</b>

This item consists of the Bank of Lithuania's share of total euro banknotes in circulation according to the banknote allocation key (see section 2.13 of the Explanatory Notes "Banknotes and coins in circulation"). As at 31 December 2019, the banknote allocation key was 0.5365% (until 31 December 2018 – 0.54%). The nominal value of euro banknotes actually issued by the Bank of Lithuania in 2019 increased by 21%. As this was less than the allocated amount, the difference of €2,515,437 thousand (compared to €3,000,309 thousand as at 31 December 2018) is shown under the Balance Sheet asset sub-item "Net claims related to the allocation of euro banknotes within the Eurosystem" (see Note 12).

**NOTE 19. LIABILITIES TO EURO AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS DENOMINATED IN EURO**

EUR thousands

	31 December 2019	31 December 2018
Current accounts (covering the minimum reserve system)	7,214,771	5,997,113
Deposits related to margin calls	-	19,000
<b>Total</b>	<b>7,214,771</b>	<b>6,016,113</b>

The minimum reserve balances have been remunerated at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations.<sup>13</sup> The reserves held in excess of the minimum requirements are remunerated at a lower rate of either 0% or the deposit facility rate. Starting on 30 October 2019, the Governing Council of the ECB introduced a two-tier system for reserve remuneration, which exempts part of credit institutions' excess liquidity holdings (i.e. reserve holdings in excess of minimum reserve requirements) from negative remuneration at the rate applicable on the deposit facility. This part is remunerated at the annual rate of 0%. The volume of reserve holdings in excess of minimum reserve requirements that was exempt at year-end from the deposit facility rate was determined as a multiple of 6<sup>14</sup> on an institution's minimum reserve requirements. The non-exempt tier of excess liquidity holdings continues to be remunerated at the lower rate of either 0% or the deposit facility rate. Descriptions of 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 20. OTHER LIABILITIES TO EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO**

As at 31 December 2019, this item presented the balances on the current accounts of credit institutions with the Bank of Lithuania denominated in euro, amounting to €15,675 thousand. As at 31 December 2018, the Bank of Lithuania had no such liabilities.

**NOTE 21. LIABILITIES TO OTHER EURO AREA RESIDENTS DENOMINATED IN EURO**

This item contains the balances on the current accounts of euro area residents with the Bank of Lithuania denominated in euro.

EUR thousands

	31 December 2019	31 December 2018
Liabilities to the general government	2,019,092	893,165
Other liabilities	433,667	118,425
<b>Total</b>	<b>2,452,759</b>	<b>1,011,590</b>

The increase of other liabilities is related to the rise in the number of non-credit institution sector participants in the payment system CENTROLink operated by the Bank of Lithuania (i.e. payment and e-money institutions).

<sup>13</sup> The marginal interest rate used by the Eurosystem in its tenders for the main refinancing operations was 0% in 2018 and 2019.

<sup>14</sup> The multiplier may be adjusted by the Governing Council of the ECB over time in line with changing levels of excess liquidity.

**NOTE 22. LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN EURO**

This item presents balances in current accounts of the non-euro area participants of the payment system CENTROlink operated by the Bank of Lithuania (i.e. payment and e-money institutions), non-euro area NCBs and international institutions with the Bank of Lithuania denominated in euro.

EUR thousands

	31 December 2019	31 December 2018
Balances in current accounts	345,299	122,274
Other liabilities	3,700	800
<b>Total</b>	<b>348,999</b>	<b>123,074</b>

The increase of balances in current accounts is related to the rise in the number of the non-credit institution sector participants in the payment system CENTROlink operated by the Bank of Lithuania (i.e. payment and e-money institutions), as well as to the new customers (non-euro area NCBs and international organisations), for whom service for the management of accounts denominated in euro was launched in 2019.

**NOTE 23. LIABILITIES TO EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY**

This item shows gold swaps in foreign currency 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	GBP	Total
<b>31/12/2019</b>			
Liabilities to the financial sector	215,721	-	215,721
Liabilities to the general government	157	105	261
<b>Total</b>	<b>215,878</b>	<b>105</b>	<b>215,983</b>
<b>31/12/2018</b>			
Liabilities to the financial sector	216,062	-	216,062
Liabilities to the general government	184	-	184
<b>Total</b>	<b>216,245</b>	<b>-</b>	<b>216,245</b>

**NOTE 24. LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY**

As at 31 December 2019, the Bank of Lithuania had no liabilities to non-euro area residents denominated in foreign currency. As at 31 December 2018, this item presents repurchase agreements concluded by the Bank of Lithuania with non-euro area residents and other liabilities in foreign currency with a total value of €47,475 thousand.

**NOTE 25. OTHER LIABILITIES WITHIN THE EUROSISTEM (NET)**

EUR thousands

	31 December 2019	31 December 2018
Balance in TARGET2 account	870,152	5,760,679
Interim distribution of the ECB profit	(8,343)	(6,993)
Distribution of monetary income	(403)	(25,548)
<b>Total</b>	<b>861,406</b>	<b>5,728,138</b>

Other liabilities within the Eurosystem include (1) the intra-Eurosystem balance (net) of the Bank of Lithuania *vis-à-vis* the ECB in respect of the transfers through TARGET2 by the ESCB NCBs and the ECB; (2) the position *vis-à-vis* the ECB in respect of monetary income redistribution's amount receivable (see Note 36 "Net result of pooling of monetary income"); (3) the Bank of Lithuania's position *vis-à-vis* the ECB in respect of any amounts receivable or refundable, including the amount due to the Bank of Lithuania in respect of the ECB's interim profit distribution (see Note 35 "Income from equity instruments").

**NOTE 26. ITEMS IN COURSE OF SETTLEMENT**

As at 31 December 2019, year on year, this item consisted of cash management operations with commercial banks in the course of settlement (respectively €250 thousand and €3,691 thousand).

**NOTE 27. ACCRUALS AND INCOME COLLECTED IN ADVANCE**

EUR thousands

	31 December 2019	31 December 2018
Accrued interest expenses	14,699	16,292
On financial derivatives	14,205	14,922
On monetary policy operations	494	1,359
Other accrued interest expenses	-	10
Other accrued expenses	1,664	1,074
Income collected in advance	38	43
<b>Total</b>	<b>16,402</b>	<b>17,409</b>

The increase in accrued interest expenses on financial derivatives resulted due to the increased accrued interest expenses on foreign exchange forward and swap transactions (as at 31 December 2019, the balance of these items amounted to €8,116 thousand, as at 31 December 2018 – €9,961 thousand).

Accrued interest on monetary policy operations decreased due to repayment of a significant part of the amount borrowed under TLTRO II (see Note 6 "Lending to euro area credit institutions related to monetary policy operations denominated in euro").

**NOTE 28. SUNDRY**

EUR thousands

	31 December 2019	31 December 2018
Euro coins in circulation	118,336	103,397
Litas banknotes in circulation	84,459	87,443
Litas coins in circulation	32,000	32,095
Sundry	1,826	537
<b>Total</b>	<b>236,621</b>	<b>223,472</b>

As at 31 December 2019, the sundry item included a lease liability of €1,164 thousand (see section 2.12 of the Explanatory Notes "Leases").

**NOTE 29. PROVISIONS**

EUR thousands

	31 December 2019	31 December 2018
Provisions for risks (see the Explanatory Notes, section 2.14 "Provisions for covering financial risks and liabilities")	285,870	118,420
Provisions for unrealised impairment loss of monetary policy operations established by the ECB	525	946
Provisions for liabilities related to	4,843	4,188
Termination benefits, payable to staff who will qualify for the state social insurance pension while working at the Bank of Lithuania	2,015	1,726
Wages and salaries payable for annual leave	2,223	1,914
Termination benefits to the members of the Board as provided in the Law on the Bank of Lithuania	211	172
Provisions for exchanging derecognised litas banknotes and coins	355	376
Provisions for other liabilities	39	-
<b>Total</b>	<b>291,239</b>	<b>123,554</b>

In 2019, the Board of the Bank of Lithuania, based on a risk assessment, made a decision to form additional risk provisions amounting to €167,450 thousand (€16,000 thousand additional provisions for risks were formed in 2018).

In accordance with the decision of the Governing Council of the ECB taken under Article 32.4 of the Statute of the ESCB and the ECB, the provision against credit risks in monetary policy operations is allocated between the NCBs in proportion to their subscribed capital key shares in the ECB prevailing in the year when the initial impairment occurred. As a result of the annual impairment test of the corporate sector purchase programme portfolio, the Governing Council of the ECB has reviewed the appropriateness of the volume of the provision against credit risks established in 2018 and decided to reduce this provision from a total amount of €161,075

thousand as at 31 December 2018 to an amount of €89,388 thousand as at 31 December 2019. The Bank of Lithuania's share in this provision decreased respectively from an amount of €946 thousand to an amount of €525 thousand. The respective decrease in this provision, amounting to €421 thousand, is recognised as income and is presented as part of pooling of monetary income (see Note 36 "Net result of pooling of monetary income").

Provisions for termination benefits, payable to staff who will qualify for the state social insurance pension while working at the Bank of Lithuania, increase mainly due to the growth in the number of staff and wages and salaries. Provisions for wages and salaries payable for annual leave increased mainly due to the increase in the number of unused annual leave days. The change in these provisions is presented as expenses in Note 39 "Staff costs".

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. A share of these provisions, amounting to €22 thousand, was used in 2019 (compared to €40 thousand in 2018).

As at 31 December 2019, the Bank of Lithuania was a defendant or co-respondent in five legal proceedings related to financial market supervision performed by the Bank of Lithuania. As at the end of 2019, the probability of settlement of the claims in one lawsuit was assessed as high. As a result, provision for the expected liabilities under this case, amounting to €39 thousand, was formed. The probability of settlement of other claims brought against the Bank of Lithuania is assessed as unlikely or insignificant.

### NOTE 30. REVALUATION ACCOUNTS

Revaluation accounts represent unrealised revaluation gains of foreign currency, debt and marketable 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 2019	31 December 2018
Revaluation accounts		
Pre-system unrealised gains	164,456	164,456
Gold	71,291	27,647
Equity securities	68,814	8,808
Foreign currency	53,913	67,135
Debt securities	17,118	12,249
Financial derivatives	7,251	1,311
<b>Total</b>	<b>382,843</b>	<b>281,606</b>

Unrealised revaluation losses, recognised as expenses at the end of 2019 are presented in Note 33 "Net result of financial operations, write-downs and risk provisions".

### NOTE 31. CAPITAL

#### Statement of changes in equity for 2019

EUR thousands

	31 December 2019	2018 profit distribution	31 December 2018
Capital			
Authorised capital	60,000	-	60,000
Reserve capital	426,052	20,906	405,146
<b>Total</b>	<b>486,052</b>	<b>20,906</b>	<b>465,146</b>

The authorised capital of the Bank of Lithuania amounts to €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.

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

## 7. NOTES ON THE PROFIT AND LOSS ACCOUNT

### NOTE 32. NET INTEREST INCOME

EUR thousands

	2019		2018	
	Interest income	Interest expense	Interest income	Interest expense
Monetary policy operations	79,047	(339)	57,927	(332)
Securities held for monetary policy purposes	57,149	-	41,901	-
Current accounts (covering the minimum reserve system)	21,892	-	15,992	-
Deposits related to margin calls	5	-	34	-
Marginal lending facility	1	-	-	-
Longer-term refinancing operations	-	(339)	-	(332)
Debt securities	51,942	-	56,328	-
Balances in current accounts with the Bank of Lithuania	10,736	-	5,676	-
Reverse repurchase agreements	1,660	-	93	-
Interest rate swaps	389	-	483	-
The Bank of Lithuania's balances in current accounts	-	(553)	-	(3,268)
Repurchase agreements	-	(2,336)	-	(3,050)
Gold swaps	-	(5,943)	-	(4,501)
Foreign exchange transactions	-	(37,383)	-	(29,192)
Other	-	(1)	6	-
Total interest income (expense)	143,774	(46,556)	120,513	(40,343)
<b>Net interest income</b>	<b>97,218</b>		<b>80,171</b>	

In 2019, the net interest income increased by €17,048 thousand, compared to 2018, mainly due to the growth in net interest income from monetary policy operations and balances in current accounts with the Bank of Lithuania. The growth in interest income from securities held for monetary policy purposes was caused in 2019 by redeemed short-term securities with relatively lower yields, which in previous periods reduced the result of the entire public sector purchase programme portfolio (see Note 8 "Securities held for monetary policy purposes"). Interest income also increased due to higher balances in current accounts with the Bank of Lithuania (mainly excess reserve holdings) and a negative deposit facility rate (-0.5%).

The decrease in the net interest income was caused by the interest expense on foreign exchange transactions resulting from the increased volume of these foreign exchange currency risk hedging transactions related to active investment management.

### NOTE 33. 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 consist of unrealised revaluation loss as a result of the decline in market prices and rates on 31 December 2019 as compared to the average prices and rates of these items; and (c) additional provisions for financial risks, formed, by a decision of the Board of the Bank of Lithuania, based on the assessment of the level of accounting risk assumed.

EUR thousands

	2019	2018
<b>Net realised gains (losses) arising from</b>	<b>101,167</b>	<b>(25,544)</b>
Transactions in securities	80,744	(18,525)
Transactions in foreign currency	35,365	(8,348)
Interest rate derivatives	(14,943)	1,329
<b>Write-downs on financial items</b>	<b>(6,392)</b>	<b>(23,527)</b>
Financial derivatives	(4,271)	(2,542)
Securities	(2,014)	(20,969)
Foreign currency	(108)	(16)
<b>Transfers to provisions for risks</b>	<b>(167,450)</b>	<b>(16,000)</b>
<b>Net result of financial operations, write-downs and risk provisions</b>	<b>(72,676)</b>	<b>(65,071)</b>

The increase in net realised gains was mainly due to realised price and exchange rate gains generated in the US dollar portfolio.

#### NOTE 34. NET INCOME FROM FEES AND COMMISSIONS

EUR thousands

	2019	2018
Fees and commissions income	7,705	7,426
Contributions of supervised financial market participants	6,021	5,922
Settlement services	1,131	705
Security lending	235	451
Other services	319	348
Fees and commissions expense	(2,189)	(3,049)
Financial instruments	(1,950)	(2,761)
Other	(239)	(288)
<b>Net income from fees and commissions</b>	<b>5,516</b>	<b>4,377</b>

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. In 2019, the Bank of Lithuania collected contributions amounting to €5,648 thousand to cover the costs of financial market supervision (in 2018 – €5,617 thousand) and contributions of financial market participants amounting to €373 thousand to finance the activity of the financial sector resolution authority (in 2018 – €305 thousand).

Income from settlement services increased due to the rise in the number of participants in the payment system CENTROLink operated by the Bank of Lithuania and their payments.

In 2019, fees and commissions expenses decreased mainly due to less fees paid in relation to interest rate futures.

#### NOTE 35. INCOME FROM EQUITY INSTRUMENTS

EUR thousands

	2019	2018
Dividend income from marketable equity securities	17,436	11,703
Income from distribution of the ECB profit	10,597	8,678
Dividend income from non-marketable equity securities	321	304
<b>Total</b>	<b>28,355</b>	<b>20,685</b>

In 2019, income from equity instruments increased due to the higher average holdings of marketable equity securities.

Following a decision of the Governing Council of the ECB, the amount due to the euro area NCBs in 2019, with respect to the ECB's interim profit distribution, was €1,430,935 thousand. The amount due to the Bank of Lithuania (€8,343 thousand) was recognised as income of 2019. The result from the ECB final profit distribution of 2018 was also recognised as income of 2019 (see section 4.9 of the Explanatory Notes "Distribution of the ECB profit").

#### NOTE 36. NET RESULT OF POOLING OF MONETARY INCOME

EUR thousands

	2019	2018
Net monetary income pooled by the Bank of Lithuania	(65,393)	(47,753)
Net monetary income reallocated to the Bank of Lithuania (see section 4.7 of Explanatory Notes "Allocation of monetary income")	65,889	71,653
Adjustment for the monetary income of previous years	(94)	1,649
Reversal of income of the Bank of Lithuania's share in the provisions against losses in monetary policy operations of previous years (see Note 29 "Provisions")	421	404
The Bank of Lithuania's share in the provision against losses in monetary policy operations (see Note 29 "Provisions").	-	(946)
<b>Net result of pooling of monetary income</b>	<b>823</b>	<b>25,007</b>



**NOTE 37. OTHER INCOME**

EUR thousands

	2019	2018
Income from sale of collector coins and other numismatic items	1,606	2,820
Other miscellaneous income	1,646	258
<b>Total</b>	<b>3,252</b>	<b>3,078</b>

Most of the other miscellaneous income in 2019 (€1,289 thousand) consisted of the decrease in the relative share of the Bank of Lithuania in the reserves of the ECB and provisions, equivalent to reserves, due to the capital key changes as at 1 January 2019 (see Note 10 "Participating interest in the ECB").

In 2019, a decrease in income from sale of collector coins and other numismatic items was caused by the decreased issue of collector coins.

**NOTE 38. STAFF COSTS**

EUR thousands

	2019	2018
Expenses on salaries	17,287	12,151
To the members of the Board	610	383
To the heads of structural divisions	1,333	1,013
To other staff of the Bank of Lithuania	15,344	10,755
Other emoluments	425	306
Contributions to the State Social Insurance Fund	262	3,787
Expenses on (income from) provisions related to liabilities to the staff	638	158
<b>Total</b>	<b>18,612</b>	<b>16,403</b>

Pursuant to the Law on the Bank of Lithuania, the Board of the Bank of Lithuania consists of: the Chair, two Deputy Chairs, and two Members.

As at 31 December 2019, four Services, five autonomous Departments and four autonomous Divisions operated in the Bank of Lithuania. As at 31 December 2019, the Bank of Lithuania employed 617 staff members (at the end of 2018 – 583) of which 42 (at the end of 2018 – 40) worked under a fixed-term labour contract. In addition, 25 employees were on parental leave or unpaid leave for the term of their contracts with the ECB and the IMF (at the end of 2018 – 28). In 2019, there were 622 full-time equivalent employees at the Bank of Lithuania (in 2018 – 613).

In 2019, an increase in expenses on salaries was caused by the growth in the number of staff and salaries. In addition, amendments to the tax laws came into force as of 1 January 2019, according to which contributions to the State Social Insurance Fund paid by the employer and the employee were combined and, as a result, the gross salaries of the Bank of Lithuania's employees increased by 1,289 times starting from 2019 (net salaries remained unchanged). The Bank of Lithuania's expenses on contributions to the State Social Insurance Fund decreased on average from 30.98% to 1.45%.

In 2019, the part of staff costs that amounted to €241 thousand (in 2018 – €353 thousand) were included in the initial costs of the intangible asset items internally generated by the way of projects (see section 2.11 of the Explanatory Notes and Note 13 "Tangible and intangible fixed assets") and are not presented in this item.

**NOTE 39. ADMINISTRATIVE EXPENSES**

EUR thousands

	2019	2018
Administrative expenses		
Information system maintenance and information acquisition	4,028	4,070
Tangible assets maintenance	1,846	1,030
Participation in international organisations fees	1,370	1,275
Business trips	992	846
Mail and telecommunication	650	343
Equipment and office supply	580	684
Training of the staff	472	444
Communication	191	283
Other	1,165	878
<b>Total</b>	<b>11,294</b>	<b>9,853</b>

Tangible asset maintenance expenses increased in 2019 mainly due to the preparatory construction works carried out in relation to the implementation of the renovation project of the Bank of Lithuania's premises situated in Vilnius, at Žirmūnų g. 151.

An increase in other administrative expenses in 2019 was caused by an increase in representation expenses for international events and expenses on research activities.

Seeking to improve the disclosure of administrative expenses' breakdown by purpose, in the Annual Financial Statements for 2019 the costs of information system programming and maintenance, included in the Profit and Loss Account item "Administrative expenses" as a part of tangible assets maintenance expenses, were reclassified to information system maintenance expenses. Accordingly, the comparative information for 2018, amounting to €1,982 thousand, was reclassified.

#### NOTE 40. BANKNOTE PRODUCTION SERVICES

The Bank of Lithuania participates in the production of euro banknotes together with other NCBs of the euro area. The Governing Council of the ECB sets the denominations of euro banknotes and their quantities that must be produced each year from euro area NCBs funds. In 2019, the Bank of Lithuania incurred euro banknote production expenses (amounting to €1,596 thousand) that were necessary to supplement the Eurosystem's strategic reserve (in 2018 – €1,837 thousand).

#### NOTE 41. OTHER EXPENSES

EUR thousands

	2019	2018
Collector and commemorative coin minting expenses	1,328	2,084
Euro circulation coin minting expenses	53	120
Cash circulation expenses	85	53
Other miscellaneous expenses	40	7
<b>Total</b>	<b>1,506</b>	<b>2,264</b>

#### NOTE 42. PROFIT DISTRIBUTION

Pursuant to Article 23 of the Law on the Bank of Lithuania, profit (loss) is distributable (coverable) as follows:

- 1) 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) net distributable loss shall be covered from the reserve capital of the Bank of Lithuania. When the reserve capital is not sufficient to cover the net distributable loss, the remaining uncovered losses are carried forward to be covered by the distributable profit of the succeeding financial years;
- 3) 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 the 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% 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 allocation shall be carried forward as undistributed profit and shall be distributed in subsequent financial years.

#### Profit distribution

EUR

	2019	2018	2017
Profit distribution			
Allocation to the reserve capital of the Bank of Lithuania	11,673,823	20,905,554	20,757,026
Transfer to the state budget	13,770,983	12,704,656	11,169,059
<b>Total</b>	<b>25,444,807</b>	<b>33,610,210</b>	<b>31,926,085</b>

## 8. OTHER NOTES

### NOTE 43. DERIVATIVES

As at 31 December 2019, the Bank of Lithuania had outstanding foreign exchange swaps, foreign exchange forwards, non-deliverable foreign exchange forwards, interest rate futures, 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 (excluding monetary policy operations) and are presented in the off-balance sheet accounts.

#### Foreign exchange swaps and foreign exchange forwards

EUR thousands

	31 December 2019	31 December 2018
Claims	7,912,418	8,226,540
Liabilities	7,912,418	8,226,540

#### Non-deliverable foreign exchange forwards

EUR thousands

	31 December 2019	31 December 2018
Notional claims	286,507	337,792
Notional liabilities	285,476	338,357

#### Interest rate futures

EUR thousands

	31 December 2019	31 December 2018
Notional claims	5,794,133	12,302,559
Notional liabilities	6,327,580	9,070,379

#### Interest rate swaps

As at 31 December 2019, the contractual amount of interest rate swaps amounted to €324,509 thousand (as at 31 December 2018 – €341,419 thousand).

#### Forward transactions in securities

EUR thousands

	2019	2018
Claims	1,278	10,027
Receivable amounts	-	4,191
Receivable securities	1,278	5,836
Liabilities	1,278	10,027
Payable amounts	1,278	5,836
Payable securities	-	4,191

### NOTE 44. ASSETS AND LIABILITIES OF THE BANK OF LITHUANIA BY FOREIGN CURRENCY

EUR thousands

	USD	CNY	XDR	GBP	CHF	CZK	Other
<b>31/12/2019</b>							
On-balance sheet assets	1,760,635	98,523	226,563	240,216	275,300	744,864	1,713,599
On-balance sheet liabilities	257,536	1,185	169,339	3,096	14,239	3,711	27,014
<b>NET ON-BALANCE SHEET ASSETS (LIABILITIES)</b>	<b>1,503,099</b>	<b>97,338</b>	<b>57,224</b>	<b>237,120</b>	<b>261,061</b>	<b>741,152</b>	<b>1,686,584</b>
Net off-balance sheet assets (liabilities) included into currency position	(285,076)	(212,927)	-	(239,502)	(263,139)	(742,395)	(1,686,367)
<b>NET ASSETS</b>	<b>1,218,023</b>	<b>(115,588)</b>	<b>57,224</b>	<b>(2,382)</b>	<b>(2,078)</b>	<b>(1,243)</b>	<b>218</b>

**(LIABILITIES)****31/12/2018**

On-balance sheet assets	2,499,438	97,451	200,968	195,142	321,645	644,217	1,650,654
On-balance sheet liabilities	233,502	3,456	166,800	48,806	9,854	1,846	68,311
NET ON-BALANCE SHEET ASSETS (LIABILITIES)	2,265,936	93,995	34,168	146,336	311,791	642,372	1,582,343
Net off-balance sheet assets (liabilities) included into currency position	(888,418)	(379,058)	-	(143,357)	(313,158)	(641,686)	(1,582,551)
<b>NET ASSETS (LIABILITIES)</b>	<b>1,377,518</b>	<b>(285,063)</b>	<b>34,168</b>	<b>2,979</b>	<b>(1,367)</b>	<b>685</b>	<b>(208)</b>