



Annual Financial Statements of the Bank of Lithuania

2020

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VAT payer code LT108784411
Register of Legal Entities

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 2020, 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 financial statements give a true and fair view of the financial position of the Bank as at 31 December 2020 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)
2 April 2021

Balance Sheet of the Bank of Lithuania

EUR thousands

	Notes	31 December 2020	31 December 2019
ASSETS			
1. Gold and gold receivables	1	289,023	253,498
2. Claims on non-euro area residents denominated in foreign currency		4,399,994	5,010,639
Receivables from the IMF	2	262,471	226,506
Balances with banks and security investments, external loans and other external assets	3	4,137,523	4,784,132
3. Claims on euro area residents denominated in foreign currency	4	867	2,707
4. Claims on non-euro area residents denominated in euro		4	6
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	186,000	48,000
Main refinancing operations		–	–
Longer-term refinancing operations		186,000	48,000
Fine-tuning reverse operations		–	–
Structural reverse operations		–	–
Marginal lending facility		–	–
Credits related to margin calls		–	–
6. Other claims on euro area credit institutions denominated in euro	6	6,165	3,325
7. Securities of euro area residents denominated in euro		13,338,742	11,283,026
Securities held for monetary policy purposes	7	12,811,256	10,552,676
Other securities	8	527,486	730,350
8. General government debt denominated in euro		–	–
9. Intra-Eurosystem claims		8,143,075	2,957,053
Participating interest in the ECB	9	206,346	206,393
Claims equivalent to the transfer of foreign reserves	10	233,496	235,223
Net claims related to the allocation of euro banknotes within the Eurosystem	11	1,904,207	2,515,437
Other claims within the Eurosystem (net)	12	5,799,026	–
10. Items in course of settlement		–	–
11. Other assets		687,870	141,832
Tangible and intangible fixed assets	13	34,485	30,007
Other financial assets	14	493,809	11,431
Off-balance-sheet instruments revaluation differences	15	81,991	28,576
Accruals and prepaid expenses	16	76,401	70,449
Sundry	17	1,185	1,369
TOTAL ASSETS		27,051,741	19,700,085

Balance Sheet of the Bank of Lithuania

EUR thousands

	Notes	31 December 2020	31 December 2019
LIABILITIES			
1. Banknotes in circulation	18	7,638,776	6,935,561
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	19	12,156,300	7,214,771
Current accounts (covering the minimum reserve system)		12,156,300	7,214,771
Deposit facility		–	–
Fixed-term deposits		–	–
Fine-tuning reverse operations		–	–
Deposits related to margin calls		–	–
3. Other liabilities to euro area credit institutions denominated in euro		1,100	15,675
4. Debt certificates issued		–	–
5. Liabilities to other euro area residents denominated in euro	20	4,264,187	2,452,759
General government		2,727,667	2,019,092
Other liabilities		1,536,520	433,667
6. Liabilities to non-euro area residents denominated in euro	21	1,013,610	348,999
7. Liabilities to euro area residents denominated in foreign currency	22	269,572	215,983
8. Liabilities to non-euro area residents denominated in foreign currency		–	–
9. Counterpart of special drawing rights allocated by the IMF	2	161,750	169,339
10. Intra-Eurosystem liabilities		–	861,406
Net liabilities related to the allocation of euro banknotes within the Eurosystem		–	–
Other liabilities within the Eurosystem (net)	12	–	861,406
11. Items in course of settlement	23	5,800	250
12. Other liabilities		282,863	299,764
Off-balance-sheet instruments revaluation differences	15	23,089	46,742
Accruals and income collected in advance	24	11,825	16,402
Sundry	25	247,948	236,621
13. Provisions	26	351,556	291,239
14. Revaluation accounts	27	383,865	382,843
15. Capital	28	497,726	486,052
Authorised capital		60,000	60,000
Reserve capital		437,726	426,052
16. Profit for the year	39	24,636	25,445
TOTAL LIABILITIES		27,051,741	19,700,085

Profit and Loss Account of the Bank of Lithuania

EUR thousands

	Notes	2020	2019
Interest income		156,278	143,774
Interest expense		(29,005)	(46,556)
1. Net interest income	29	127,273	97,218
Realised gains (losses) arising from financial operations		126,385	101,167
Write-downs on financial assets and positions		(105,032)	(6,392)
Transfer to provisions for risks		(60,000)	(167,450)
2. Net result of financial operations, write-downs and risk provisions	30	(38,647)	(72,676)
Fees and commissions income		9,365	7,705
Fees and commissions expense		(2,709)	(2,189)
3. Net income from fees and commissions	31	6,656	5,516
4. Income from equity instruments	32	26,597	28,355
5. Net result of pooling of monetary income	33	(56,133)	823
6. Other income	34	3,438	3,252
TOTAL NET INCOME		69,185	62,489
7. Staff costs	35	(20,363)	(18,612)
8. Administrative expenses	36	(13,266)	(11,294)
9. Depreciation of tangible and intangible fixed assets	13	(6,656)	(4,036)
10. Banknote production services	37	(1,807)	(1,596)
11. Other expenses	38	(2,458)	(1,506)
PROFIT FOR THE YEAR	39	24,636	25,445

The Annual Financial Statements for 2020 of the Bank of Lithuania were approved on 1 April 2021 by Resolution No 03-50 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, mortgage-backed securities under TBA contracts (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.¹ 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.

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

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

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

2.2. FOREIGN CURRENCY

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

Foreign currency per EUR 1

Currency	Code	31 December 2020	31 December 2019	Change (%)
Czech koruna	CZK	26.2420	25.4080	3.3
British pound	GBP	0.89903	0.85080	5.7
US dollar	USD	1.22710	1.12340	9.2
Canadian dollar	CAD	1.56330	1.45980	7.1
Chinese yuan	CNY	8.02250	7.82050	2.6
Special Drawing Rights (SDR)	XDR	0.84846	0.81044	4.7
Swiss franc	CHF	1.08020	1.08540	-0.5

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 41 "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 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 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 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 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 (94% of the fair value as at 31 December 2020 and 99% – as at 31 December 2019) or on the basis of the relevant yield curve (6% of the fair value as at 31 December 2020 and 1% – as at 31 December 2019) prevailing on the last 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. In the case of mortgage-backed securities, realised gains or losses are calculated on the date when information on the change in the factor (indicating the percentage of the value of outstanding loans) was received, in consideration of the nominal value of the part of mortgage-backed securities' issue to be repaid and their average cost calculated on the same day.

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.

A coupon on the debt security is recognized as interest income on a daily basis from the settlement date of the purchase transaction to the maturity date or settlement date of the sale transaction.

The difference between the debt security acquisition cost and its par value – discount or premium – is recognised as interest 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 or premium 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 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 and the pandemic emergency 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 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. The change in the value of these transactions due to the market price is presented in the Balance Sheet at the end 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. TO BE ANNOUNCED (TBA) CONTRACTS

Mortgage-backed securities purchased or sold under TBA contracts are recognised in off-balance-sheet accounts from the trade date to the settlement date at the price of the transaction. The change in the value of these transactions due to the market price is presented in the Balance Sheet at the end of the financial year.

The average price of the issue of TBA contracts 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 the mortgage-backed securities under TBA contracts is calculated according to this new average cost.

On the settlement date of TBA contracts, the purchases or sales of the securities are recorded on the on-balance-sheet accounts at the purchase price specified in the transaction of these securities.

2.11. FUTURE CONTRACTS

A future contract is a standardised exchange-traded financial contract (interest rates, stock index, currencies, gold and commodities) that commits to buy or sell an agreed asset at the predetermined price and at the predetermined time. 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. Commissions related to futures are recognized as fees and commissions expense.

2.12. INTEREST RATE SWAPS

Interest rate swaps are recorded in off-balance-sheet accounts at contractual amount from the trade date to the closing or maturity date. The change in the value of these transactions due to the market price is presented in the Balance Sheet at the end 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.

2.13. 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, land, 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 has 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.

2.14. LEASES

Right-of-use assets and related lease liabilities are recognized on the Balance Sheet at the commencement date of the lease and included under “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.

Right-of-use assets are recorded as fixed assets if they comply with the recognition as tangible fixed assets criteria (see section 2.13 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 2020, useful lives of right-of-use assets are 2–5 years.

The cost of right-of-use assets includes the amount of discounted lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date, less any lease incentives received, and the estimated costs of restoring the asset to its original condition.

The lease liability is initially measured at the present value of the future lease payments, discounted at the interest rate implicit in the lease contract. If this rate is not set in the lease contract, the interest rate on the Eurosystem main refinancing operations is used.

2.15. BANKNOTES AND COINS IN CIRCULATION

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

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

² 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.

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

remunerated intra-Eurosystem balance.⁴ 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.⁵

The interest income or expense on this balance is disclosed in the Profit and Loss Account item 1 “Net interest income” (see Note 29 “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 terminated on 31 December 2020. As from 1 January 2021, the interest income is 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 25 “Sundry”).

The nominal value of litas⁶ 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.

2.16. 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 a 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.

2.17. POST-BALANCE SHEET EVENTS

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

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

⁴ 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.

⁵ The marginal interest rate used by the Eurosystem in its tenders for the main refinancing operations was 0% in 2019 and 2020.

⁶ The national currency used as legal tender until the adoption of the euro.

events in the period from 31 December 2020 until the date on which the Annual Financial Statements are approved by the Board of the Bank of Lithuania.

3. 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.

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 match the established requirements and controls compliance with the 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, unrelated 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 unrelated 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 €200 million (at the end of 2019, the risk budget was €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 is used for the calculation of value-at-risk and considers past patterns and the forecasted macroeconomic environment. As at 31 December 2020, the risk value of the investment portfolio amounted to €92 million and was €25 million lower than at the end of 2019.

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 2020, the maximum allowable reserve portfolio risk budget of \$40 million was set (in 2019 – \$25 million). At the end of 2020, its value stood at \$20 million (at the end of 2019 - \$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.

In order 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.

3.3. MANAGEMENT OF RISK RELATED TO COVID-19

In 2020, the Bank of Lithuania, together with the ECB and other euro area NCBs, implemented measures to enable all sectors of the economy to benefit from favourable financing conditions and withstand the shock of the COVID-19 outbreak and thus manage the high risks to the growth prospects of Lithuania and the euro area as a whole. In 2020, a new pandemic emergency purchase programme was launched, measures that allowed broadening the list of eligible assets in the corporate sector purchase programme and lowering standards for applying for collateral and temporary measures, which help release capital and liquidity requirements for banks, were introduced. More detailed descriptions of the Eurosystem-wide measures are presented in section 4.3 "Lending to euro area credit institutions denominated in euro" and in section 4.4 "Securities held for monetary policy purposes" of the Explanatory Notes and their impact on the Bank of Lithuania's assets is presented in Note 5 "Lending to euro area credit institutions related to monetary policy operations denominated in euro" and Note 7 "Securities held for monetary policy purposes".

Although the uncertainty and volatility related to the COVID-19 pandemic in the financial markets was extremely high at some points, it did not have a significant negative impact on the financial asset return. When managing financial risks in the context of the COVID-19 pandemic, the Bank of Lithuania applies a risk-based approach to strategic investment allocation. In 2020, the Bank of Lithuania increased currency diversification and investments in shares, started investing using quantitative strategies, created an external mandate for the investment of mortgage-backed securities and actively pursued the development of information systems supporting investment activities. These financial risk management solutions should help reduce the negative impact of financial risks on the financial asset return in the context of the COVID-19 pandemic.

COVID-19 had no material impact on the Bank of Lithuania's financial results, except for net interest income related to monetary policy operations (see Note 29 "Net interest income").

Operational risk related to COVID-19 in 2020 was managed in accordance with all the recommendations of the Government of the Republic of Lithuania, creating conditions for remote working for the Bank of Lithuania's employees. At the end of 2020, about 85 percent of the Bank of Lithuania's employees worked remotely. In addition, from December 2020 regular testing for antigens of employees working on the premises was launched. The restrictions applied in Lithuania in order to control the spread of the pandemic did not have a significant impact on the performance of Bank of Lithuania's functions and provision of services.

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, or whenever there is a change in the composition of the ESCB NCBs.

As a result of the departure of the United Kingdom from the EU on 31 January 2020 and consequent withdrawal of the Bank of England from the ESCB, the weightings 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:

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
Subtotal for euro area NCBs	81.3286	69.6176
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
Subtotal for non-euro area NCBs	18.6714	30.3824
Total	100.0000	100.0000

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 both the euro area NCBs and the remaining non-euro area NCBs.

The ECB's paid-up capital also remained unchanged at €7,659,444 thousand in 2020, as the remaining NCBs were required to cover the withdrawn Bank of England's paid-up capital of €58,201 thousand. As a result of

the adjustment to the capital key, the NCBs paid their first instalment to the ECB on 1 February 2020. Euro area NCBs will then be required to pay up in full their increased subscriptions to the ECB capital in two additional annual instalments⁷.

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

NCB	Capital key as at 31 December 2020, %	Paid-up capital as at 31 December 2020, EUR	Eurosystem capital key as at 31 December 2020, %
Nationale Bank van België / Banque Nationale de Belgique	2.9630	276,290,917	3.64324
Deutsche Bundesbank	21.4394	1,999,160,135	26.36145
Eesti Pank	0.2291	21,362,892	0.28170
Banc Ceannais na hÉireann / Central Bank of Ireland	1.3772	128,419,794	1.69338
Bank of Greece	2.0117	187,585,028	2.47355
Banco de España	9.6981	904,318,913	11.92459
Banque de France	16.6108	1,548,907,580	20.42430
Banca d'Italia	13.8165	1,288,347,435	16.98849
Central Bank of Cyprus	0.1750	16,318,228	0.21518
Latvijas Banka	0.3169	29,549,980	0.38965
Lietuvos bankas	0.4707	43,891,372	0.57876
Banque centrale du Luxembourg	0.2679	24,980,876	0.32940
Bank Ċentrali ta'Malta / Central Bank of Malta	0.0853	7,953,971	0.10488
De Nederlandsche Bank	4.7662	444,433,941	5.86042
Oesterreichische Nationalbank	2.3804	221,965,204	2.92689
Banco de Portugal	1.9035	177,495,700	2.34051
Banka Slovenije	0.3916	36,515,533	0.48150
Národná banka Slovenska	0.9314	86,850,273	1.14523
Suomen Pankki – Finlands Bank	1.4939	139,301,721	1.83687
Subtotal for euro area NCBs	81.3286	7,583,649,493	100.00000
Българска народна банка (Bulgarian National Bank)	0.9832	3,991,180	–
Česká národní banka	1.8794	7,629,194	–
Danmarks Nationalbank	1.7591	7,140,851	–
Hrvatska narodna banka	0.6595	2,677,160	–
Magyar Nemzeti Bank	1.5488	6,287,164	–
Narodowy Bank Polski	6.0335	24,492,255	–
Banca Națională a României	2.8289	11,483,573	–
Sveriges Riksbank	2.9790	12,092,886	–
Subtotal for non-euro area NCBs	18.6714	75,794,264	–
Total	100.0000	7,659,443,757	100.00000

The changes in the contribution of the Bank of Lithuania to the ECB capital is presented in Note 9 "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.

As at 31 December 2019, foreign reserve assets transferred by the NCBs comprise the amount of €40,344 million. 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

⁷ This will lead to an increase in the ECB's paid-up capital from €7,659 million in 2020 to €8,270 million in 2021 and €8,880 million in 2022.

ESCB on 31 January 2020 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 remains at the current level, the claim equivalent to this transfer was marginally adjusted and comprised €40,344 million as at 31 December 2020.

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 10 “Claims equivalent to the transfer of foreign reserves”).

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.⁸

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 interest rate steering, market liquidity management and signalling the monetary policy stance.

Longer-term refinancing operations. These operations aim to provide counterparties with additional longer-term refinancing. In 2020, 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 seven⁹ 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, and from September 2021 the repayment is possible one year after the settlement of each operation. According to the initial decisions taken by the Governing Council of the ECB, the final interest rate applicable to each TLTRO III operation could be as low as the average interest rate on the deposit facility prevailing over the life of the operation. Furthermore, in response to the COVID-19 shock, in 2020¹⁰ the Governing Council of the ECB decided that for the period between 24 June 2020 and 23 June 2022 – referred to as the special interest rate period – the interest rate applicable can be as low as 50 basis points below the average interest rate on the deposit facility prevailing over the same period, but in any case may not become less negative than -1%. Given that the actual interest rates will only be known at the maturity of each operation and that a reliable estimate is not possible until that time, the deposit facility rate minus 50 basis points, with a ceiling of -1%, is used for calculating the TLTRO III interest over the special interest rate period, and the deposit facility rate is used for calculating the TLTRO III interest over the rest of the life of an operation, as this was deemed a prudent approach.

Additionally, on 30 April 2020 the Governing Council of the ECB decided to conduct a new series of seven additional longer-term refinancing operations which mature in the third quarter of 2021, called pandemic emergency longer-term refinancing operations (PELTROs). These operations provide liquidity support to the euro area financial system and contribute to preserving the smooth functioning of money markets by providing an effective backstop after the expiry of the bridge longer-term refinancing operations that have been conducted since March 2020. The PELTROs are conducted as fixed rate tender procedures with full allotment. The interest rate is 25 basis points below the average rate applied in the Eurosystem’s main refinancing operations over the life of the respective PELTRO¹¹.

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.

⁸ The marginal interest rate used by the Eurosystem in its tenders for the main refinancing operations was 0% in 2019 and 2020.

⁹ On 10 December 2020, the Governing Council added three further operations to this series, which will be conducted between June and December 2021.

¹⁰ On 30 April 2020, the Governing Council decided that the special interest rate period will last from 24 June 2020 to 23 June 2021. On 10 December 2020, the Governing Council decided to extend this period by twelve months, to 23 June 2022.

¹¹ On 10 December 2020, the Governing Council also decided to offer four additional pandemic emergency longer-term refinancing operations in 2021.

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 2020, the total Eurosystem NCB's holding of monetary policy assets amounted to €1,793,194 million (as at 31 December 2019 – €624,233 million). The share of monetary policy assets held by the Bank of Lithuania is presented in Note 5 "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 2020, the securities held by the ECB and NCBs amounted to €3,694,642 million (as at 31 December 2019 – €2,632,056 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 programme¹², the corporate sector purchase programme and the pandemic emergency purchase programme¹³.

	Start date	End date	Decision	Universe of eligible securities*
Completed/terminated programmes				
First covered bond purchase programme	July 2009	June 2010	ECB/2009/16	Covered bonds of euro area residents
Second covered bond purchase programme	November 2011	October 2012	ECB/2011/17	Covered bonds of euro area residents
Securities Markets Programme	May 2010	September 2012	ECB/2010/5	Private and public debt securities issued in the euro area
Asset purchase programme				
Third covered bond purchase programme	October 2014	active	ECB/2020/8 (recast)	Covered bonds of euro area residents
Asset-backed securities purchase programme	November 2014	active	ECB/2014/45, as amended	Senior and guaranteed mezzanine tranches of asset-backed securities of euro area residents
Public sector purchase programme	March 2015	active	ECB/2020/9 (recast)	Bonds issued by euro-area central, regional or local government or recognised agencies as well as issued by international organisations and multilateral development banks located in the euro area
Corporate sector purchase programme	June 2016	active	ECB/2016/16, as amended	Bonds issued by non-bank corporations established in the euro area
Pandemic emergency purchase programme				
Pandemic emergency purchase programme	March 2020	active	ECB/2020/17	All asset categories eligible under the Asset purchase programme**

* Further eligibility criteria for the specific programmes can be found in the Governing Council's decisions.

** A waiver of the eligibility requirements was granted for securities issued by the Greek Government.

¹² 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.

¹³ Decision of the ECB of 24 March 2020 on a temporary pandemic emergency purchase programme (ECB/2020/17), OJ L 91, 25.3.2020, p. 1., as amended.

In 2020, the Eurosystem continued its net purchases of securities under the asset purchase programme¹⁴ at a monthly pace of €20 billion on average. In March 2020, a temporary envelope of additional net asset purchases of €120 billion was added until the end of the year. 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.

Additionally, in March 2020 the Eurosystem launched a temporary pandemic emergency purchase programme¹⁵, with an envelope of €750 billion, to ease the overall monetary policy stance and to counter the severe risks to the monetary policy transmission mechanism and the outlook for the euro area posed by the COVID-19 pandemic. Purchases include all the asset categories eligible under the asset purchase programme and were initially foreseen until the end of 2020. In June 2020, the Governing Council of the ECB increased the envelope for the pandemic emergency purchase programme by €600 billion, and in December 2020 by an additional €500 billion, bringing it to a total of €1,850 billion. The horizon for net purchases was also extended to at least the end of March 2022 and in any case, until the Governing Council of the ECB judges that the COVID-19 crisis phase is over. Furthermore, the Governing Council of the ECB intends to reinvest the principal payments from maturing securities purchased under the pandemic emergency purchase programme until at least the end of 2023. The future roll-off of the pandemic emergency purchase programme portfolio will be managed to avoid interference with the appropriate monetary policy stance. 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, the public sector purchase programme, except for government securities, and the pandemic emergency purchase programme, except for government securities (totalling €880,540 million as at 31 December 2020 and €695,824 million as at 31 December 2019), if they were to materialise, 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 government securities purchased under the public sector purchase programme and the pandemic emergency 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.

The value of securities holdings of the Bank of Lithuania is presented in Note 7 "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.

¹⁴ 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's website](#).

¹⁵ Further details on the pandemic emergency purchase programme can be found on the [ECB's website](#).

4.6. PARTICIPATION IN TARGET2

Cross-border payments in the EU settled in TARGET2¹⁶ 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 earn from the earmarkable assets held against their 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 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 operations¹⁷. 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/2020/9 on the implementation of a secondary markets public sector asset purchase programme or Decision ECB/2020/17 on a temporary pandemic emergency 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 33 "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 net financial assets, taking into consideration market conditions as well as investment opportunities and restrictions. The average amount of financial assets cannot be above the maximum amount of net financial assets set in accordance with the Agreement. In 2020, as in 2019, 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

¹⁶ The Trans-European Automated Real-time Gross Settlement Express Transfer system.

¹⁷ The marginal interest rate used by the Eurosystem in its tenders for main refinancing operations was 0% in 2019 and 2020.

securities acquired under securities programmes (the securities markets programme, the third covered bond purchase programme, the asset-backed securities purchase programme, the public sector asset purchase programme and the pandemic emergency purchase programme), by means of an interim distribution of profit in January of the following year.¹⁸ 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 32 "Income from equity instruments").

5. NOTES ON THE BALANCE SHEET

NOTE 1. GOLD AND GOLD RECEIVABLES

	31 December 2020	31 December 2019
Gold holdings in		
Troy ounces	187,205	187,207
Kilograms	5,823	5,823
Price per one Troy ounce, EUR	1,543.884	1,354.104
Value of gold, EUR thousands	289,023	253,498

The gold held by the Bank of Lithuania as at 31 December 2020, same as at 31 December 2019, was invested in gold swaps.

Compared to 2019, gold holdings in 2020 slightly decreased 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 2020.

NOTE 2. RECEIVABLES FROM THE IMF

EUR thousands

	31 December 2020	31 December 2019
Balance in the SDR account with the IMF	162,249	169,704
Reserve tranche position in the IMF	100,222	56,802
Lithuania's quota in the IMF	522,341	545,673
Balance in the IMF account No 1 with the Bank of Lithuania	(422,119)	(488,872)
Total	262,471	226,506

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 (€161,750 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 decrease in the euro equivalent value of the SDR balance in the SDR account with the IMF was mainly due to the appreciation of the euro against the SDR in 2020.

On behalf of the Republic of Lithuania, the Bank of Lithuania performs the fiscal agency function of the IMF. Lithuania's quota in the IMF determines its participation and voting power in the IMF. Lithuania's liabilities to the IMF are presented in the IMF account No 1 with the Bank of Lithuania. Since 2018, the Bank of Lithuania

¹⁸ 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.

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 2020, compared to 31 December 2019, was due to participation in the Financial Transactions Plan. Under this Plan, the Bank of Lithuania contributed additional financing in the amount of SDR 39 million in 2020 (SDR 18 million in 2019). The Bank of Lithuania receives interest on funds transferred under the Financial Transactions Plan.

In 2020, the Bank of Lithuania concluded the Bilateral Borrowing Agreement with the IMF, whereby the Bank of Lithuania could provide it with loans of up to €297 million. Under the agreement, such borrowing could be used by the IMF if available resources of the IMF would be insufficient to ensure the necessary lending capacity.

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, fixed-term deposits, investments in securities and reverse repurchase agreements of non-euro area residents denominated in foreign currency.

EUR thousands

	USD	CZK	CHF	GBP	CAD	Other	Total
31/12/2020							
Balances in current accounts	1,139	748,899	351,080	52,177	4,510	248,054	1,405,860
Fixed-term deposits	8,883	–	–	–	–	–	8,883
Debt securities	1,853,818	–	–	268,397	314,491	188,048	2,624,753
Marketable equity securities	45,953	–	–	–	–	–	45,953
Reverse repurchase agreements	52,074	–	–	–	–	–	52,074
Total	1,961,867	748,899	351,080	320,574	319,002	436,101	4,137,523
31/12/2019							
Balances in current accounts	576	744,790	273,856	1,482	1,203	1,479,894	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
Total	1,723,625	744,790	273,856	238,344	232,194	1,571,324	4,784,132

In 2020, the Bank of Lithuania restored its investments in US dollar-denominated debt securities, which were temporarily reduced in 2019, and started investing in mortgage-backed securities at the end of the year (as at 31 December 2020, the value of these securities was €202,254 thousand).

In 2020, investments in exchange traded fund units decreased as a result of the implementation of active investment management decisions.

In 2020, the decrease in the total value of this Balance Sheet item was determined by the depreciation of the US dollar against the euro.

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 2020	31 December 2019
USA	1,911,622	1,673,936
Non-euro area EU Member States	748,911	744,803
Switzerland	351,080	273,856
Canada	350,323	268,445
Great Britain	286,456	208,923
Japan	277,228	1,505,531
China	188,156	91,626
Other countries	23,747	17,014
Total	4,137,523	4,784,132

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

EUR thousands

	USD	CAD	Other	Total
31/12/2020				
Balances in current accounts	668	150	49	867
Total	668	150	49	867
31/12/2019				
Balances in current accounts	2,008	465	235	2,707
Total	2,008	465	235	2,707

NOTE 5. LENDING TO EURO AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS DENOMINATED IN EURO

EUR thousands

	31 December 2020	31 December 2019
Longer-term refinancing operations	186,000	48,000
Total	186,000	48,000

As at 31 December 2020, the Bank of Lithuania held €180,000 thousand of the TLTRO III and €6,000 thousand of the PELTRO (as at 31 December 2019 – €45,000 thousand of the TLTRO II and €3,000 thousand of other longer-term refinancing operations).

More detailed descriptions of these operations are presented in section 4.3 of the Explanatory Notes “Lending to euro area credit institutions denominated in euro”.

In 2020 and 2019, no impairment losses from these monetary policy operations were incurred by the Bank of Lithuania.

NOTE 6. 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 2020, the balances in current accounts amounted to €6,165 thousand (as at 31 December 2019 – €3,325 thousand), part of which (€5,900 thousand as at 31 December 2020 and €3,100 thousand as at 31 December 2019) 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 7. 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 and the Republic of Lithuania government securities acquired under the pandemic emergency purchase programme (see section 4.4. of the Explanatory Notes “Securities held for monetary policy purposes”).

EUR thousands

Public sector purchase programme	31 December 2020		31 December 2019	
	Amortised cost	Market value	Amortised cost	Market value
Public sector purchase programme	10,954,555	12,142,318	10,552,676	11,233,967
Supranational securities	7,873,688	8,890,319	8,194,878	8,792,363
The Republic of Lithuania government securities	3,080,867	3,251,999	2,357,798	2,441,604
Pandemic emergency purchase programme	1,856,701	1,903,501	–	–
The Republic of Lithuania government securities	1,856,701	1,903,501	–	–
Total	12,811,256	14,045,819	10,552,676	11,233,967

The market value of the securities presented in the table is provided for presentation purposes only and is not recorded on the Balance Sheet.

As a result of an impairment test conducted as at 31 December 2020 on securities purchased under the public sector purchase programme and the pandemic emergency 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 2020 (as in 2019).

NOTE 8. OTHER SECURITIES

The Bank of Lithuania's investments in marketable equity securities by euro area residents, presented in this item, were marked to market in 2020 and 2019. As at 31 December 2020, they amounted to €527,486 thousand (as at 31 December 2019 – €730,350 thousand).

As at 31 December 2020, holdings of marketable equity securities decreased as a result of the implementation of investment management decisions.

NOTE 9. PARTICIPATING INTEREST IN THE ECB

EUR thousands

	31 December 2020	31 December 2019
Contribution of the Bank of Lithuania to the ECB capital	43,891	43,939
Contribution of the Bank of Lithuania to the reserves of the ECB and to provisions, equivalent to reserves	162,454	162,454
Total	206,346	206,393

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 or whenever there is a change in the composition of the ESCB NCBs. As a result of the departure of the United Kingdom from the EU on 31 January 2020 and consequent withdrawal of the Bank of England from the ESCB, the capital key was adjusted, coming into effect from 1 February 2020. The share of the Bank of England in the ECB's subscribed capital was reallocated among both the euro area NCBs and the remaining non-euro area NCBs. As a result, the Bank of Lithuania's share in the subscribed capital of the ECB increased by 0.0648 percentage point and amounts to 0.4707% as of 1 February 2020.

The ECB's paid-up capital remained unchanged in 2020. As a result of the reallocation of the NCB's shares in the ECB's subscribed capital according to the new capital key, €47 thousand from the contribution to the ECB capital was repaid to the Bank of Lithuania in 2020. The share of the Bank of Lithuania in the subscribed and paid-up capital of the ECB comprises €43,891 thousand with effect from 1 February 2020. The Bank of Lithuania will pay up in full its increased subscription to the ECB capital in two additional annual instalments of €3,531 thousand in 2021 and 2022.

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 10. 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 €235,223 thousand until 31 January 2020. 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 on 31 January 2020 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 Bank of Lithuania's claims equivalent to the transfer of foreign reserves decreased by €1,727 thousand and comprised €233,496 thousand as from 1 February 2020.

NOTE 11. 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 2.15 of the Explanatory Notes "Banknotes and coins in circulation" and Note 18 "Banknotes in circulation"). As at 31 December 2020, compared to 31 December 2019, these net claims of the Bank of Lithuania decreased by €611,230 thousand or 24% due to a higher increase in the nominal value of the banknotes put into circulation by the Bank of Lithuania (30%) compared to the rise in the nominal value of banknotes in circulation in the entire Eurosystem (11%).

NOTE 12. OTHER CLAIMS (LIABILITIES) WITHIN THE EUROSYSTEM (NET)

EUR thousands

	31 December 2020	31 December 2019
Balance in TARGET2 account	5,848,390	(870,152)
Distribution of monetary income	(56,657)	403
Interim distribution of the ECB profit	7,293	8,343
Total other claims (liabilities) within the Eurosystem (net)	5,799,026	(861,406)

Other claims (liabilities) within the Eurosystem (net) 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 33 "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 32 "Income from equity instruments").

The increase of balance in the TARGET2 account was mainly caused by the increased current account balances of credit institutions (including the minimum reserve system), euro area residents (general government and participants of the payment system CENTROLINK of the Bank of Lithuania) and non-euro area residents (participants of the payment system CENTROLINK of the Bank of Lithuania and central banks) denominated in euro (see Note 19 "Liabilities to euro area credit institutions related to monetary policy operations denominated in euro", Note 20 "Other liabilities to euro area residents denominated in euro" and Note 21 "Liabilities to non-euro area residents denominated in euro").

NOTE 13. TANGIBLE AND INTANGIBLE FIXED ASSETS

EUR thousands

	Tangible assets				Intangible assets (including assets under construction)	Right-of-use assets	Total
	Land, 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 2019	35,899	5,890	12,854	8,082	14,129	1,590	78,444
Additions in 2020	3,475	2,792	731	315	2,349	1,517	11,181
Disposals in 2020	–	(55)	–	(214)	–	–	(270)
Acquisition cost as at 31 December 2020	39,375	8,627	13,585	8,183	16,478	3,108	89,355
Accumulated depreciation as at 31 December 2019	(18,587)	(5,287)	(10,927)	(6,221)	(7,002)	(412)	(48,437)
Depreciation in 2020	(3,400)	(137)	(936)	(147)	(1,405)	(678)	(6,703)
Depreciation of disposed assets in 2020	–	55	–	214	–	–	270
Accumulated depreciation as at 31 December 2020	(21,988)	(5,369)	(11,863)	(6,154)	(8,407)	(1,090)	(54,870)
Net carrying amount as at 31 December 2020	17,387	3,259	1,722	2,029	8,071	2,018	34,485
Net carrying amount as at 31 December 2019	17,312	603	1,927	1,861	7,126	1,178	30,007

The increase of tangible fixed assets in 2020 was caused by the acquisition of three plots of land on which the Bank of Lithuania's buildings stand (€3,174 thousand), the acquisition of the banknote processing systems and investments in their modernization (€2,754 thousand).

A significant impact on the increase (by €1,288 thousand) of intangible fixed assets in 2020 came from the recognition of three intangible asset items internally generated by way of projects. A part of this cost (€47 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 2020.

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 and it was planned to depreciate them before dismantling. These premises were fully depreciated during 2020, their depreciation amounted to €1,680 thousand.

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

EUR thousands

	31 December 2020	31 December 2019
Balances in current accounts	490,374	7,997
Bank for International Settlements shares	3,334	3,334
SWIFT shares	100	100
Total	493,809	11,431

The Bank of Lithuania's balance in current account represents the position of the Bank of Lithuania as an RT1⁴⁹ participant, which consists of the funds of the payment system CENTROLINK (operated by The Bank of Lithuania) participants - instant payment service users – intended for making payments in RT1. The increase in the balance of this current account was due to the increase in the number of CENTROLINK participants using instant payment services and the volume of payments made by them.

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. No dividend was received by the Bank of Lithuania for these BIS shares in 2020 (€321 thousand in 2019), as the BIS Annual General Meeting approved the proposal of the Board of Directors to retain all BIS profit for the period 2019/2020.

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 off-balance-sheet foreign exchange transactions due to changes in the market rates and the revaluation of non-deliverable foreign exchange forward transactions, transactions in securities and interest rate swaps due to market price movements. EUR thousands

	31 December 2020		31 December 2019	
	Positive differences	Negative differences	Positive differences	Negative differences
Foreign exchange transactions	70,099	15,101	21,324	42,458
Non-deliverable foreign exchange forwards	11,389	7,899	2,217	1,616
Transactions in securities	503	88	1	1
Interest rate swaps	–	–	5,034	2,667
Total	81,991	23,089	28,576	46,742

⁴⁹ RT1 is a payment system operated by EBA CLEARING S.A.S à capital variable (EBA Clearing).

NOTE 16. ACCRUALS AND PREPAID EXPENSES

EUR thousands

	31 December 2020	31 December 2019
Accrued interest income	72,292	64,998
On securities held for monetary policy purposes	56,277	47,930
On other securities	10,428	5,109
On accounts and deposits	3,260	1,606
On financial derivatives	2,328	10,353
Other accrued income	70	–
Debt securities coupon payment purchased	2,205	3,555
Prepaid expenses	1,834	1,896
Total	76,401	70,449

NOTE 17. SUNDRY

EUR thousands

	31 December 2020	31 December 2019
Short-term assets	650	646
Loans to the staff of the Bank of Lithuania	273	318
Advances and other receivables	261	404
Total	1,185	1,369

NOTE 18. BANKNOTES IN CIRCULATION

EUR thousands

	31 December 2020	31 December 2019
Euro banknotes issued by the Bank of Lithuania	5,734,570	4,420,124
Adjustment for banknote allocation in the Eurosystem	2,568,401	3,118,415
The ECB's share of euro banknotes in circulation	(664,194)	(602,979)
Total	7,638,776	6,935,561

This item consists of the Bank of Lithuania's share of total euro banknotes in circulation according to the banknote allocation key (see section 2.15 of the Explanatory Notes "Banknotes and coins in circulation"). As at 31 December 2020, the banknote allocation key was 0.5325% (as at 31 December 2019 – 0.5365%). The nominal value of euro banknotes actually issued by the Bank of Lithuania in 2020 increased by 30%. As this was less than the allocated amount, the difference of €1,904,207 thousand (compared to €2,515,437 thousand as at 31 December 2019) is shown under the Balance Sheet asset sub-item "Net claims related to the allocation of euro banknotes within the Eurosystem" (see Note 11).

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

This item presents the current account balances (including the minimum reserve system) of the euro area credit institutions, which amounted to €12,156,300 thousand as at 31 December 2020 (as at 31 December 2019 – €7,214,771 thousand). The increase in current account balances was caused by the increased liquidity in the markets.

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.²⁰ 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 6²¹

²⁰ The marginal interest rate used by the Eurosystem in its tenders for the main refinancing operations was 0% in 2019 and 2020.

²¹ The multiplier may be adjusted by the Governing Council of the ECB over time in line with changing levels of excess liquidity.

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. 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 2020	31 December 2019
Liabilities to the general government	2,727,667	2,019,092
Other liabilities	1,536,520	433,667
Total	4,264,187	2,452,759

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) and in their current account balances.

NOTE 21. 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 2020	31 December 2019
Balances in current accounts	1,006,410	345,299
Other liabilities	7,200	3,700
Total	1,013,610	348,999

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) and in their current account balances, as well as to the new customers (non-euro area NCBs and international organisations), for whom the service of the management of accounts denominated in euro was launched in 2019.

NOTE 22. 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	Other	Total
31/12/2020			
Liabilities to the financial sector	268,378	–	268,378
Liabilities to the general government	1,193	2	1,194
Total	269,570	2	269,572
31/12/2019			
Liabilities to the financial sector	215,721	–	215,721
Liabilities to the general government	157	105	261
Total	215,878	105	215,983

NOTE 23. ITEMS IN COURSE OF SETTLEMENT

As at 31 December 2020, year on year, this item consisted of cash management operations with commercial banks in the course of settlement (respectively €5,800 thousand and €250 thousand).

NOTE 24. ACCRUALS AND INCOME COLLECTED IN ADVANCE

EUR thousands

	31 December 2020	31 December 2019
Accrued interest expenses	11,051	14,699
On financial derivatives	10,093	14,205
On monetary policy operations	958	494
Other accrued expenses	736	1,664
Income collected in advance	38	38
Total	11,825	16,402

The largest part of the accrued interest expenses on financial derivatives consisted of the accrued interest expenses on foreign exchange forward and swap transactions (as at 31 December 2020, the balance of these items amounted to €9,375 thousand, as at 31 December 2019 – €8,116 thousand).

NOTE 25. SUNDRY

EUR thousands

	31 December 2020	31 December 2019
Euro coins in circulation	130,407	118,336
Litas banknotes in circulation	82,324	84,459
Litas coins in circulation	31,958	32,000
Sundry	3,260	1,826
Total	247,948	236,621

As at 31 December 2020, the sundry item included a lease liability of €2,004 thousand (as at 31 December 2019 – €1,164 thousand) (see section 2.14 of the Explanatory Notes “Leases”).

NOTE 26. PROVISIONS

EUR thousands

	31 December 2020	31 December 2019
Provisions for risks (see the Explanatory Notes, section 2.16 “Provisions for covering financial risks and liabilities”)	345,870	285,870
Provisions for unrealised impairment loss of monetary policy operations established by the ECB	–	525
Provisions for liabilities related to	5,686	4,843
Wages and salaries payable for annual leave	2,654	2,223
Termination benefits, payable to staff who will qualify for the state social insurance pension while working at the Bank of Lithuania	1,395	2,015
Termination benefits to the members of the Board as provided in the Law on the Bank of Lithuania	251	211
Provisions for exchanging derecognised litas banknotes and coins	332	355
Provisions for other liabilities	1,055	39
Total	351,556	291,239

In 2020, the Board of the Bank of Lithuania, based on a risk assessment performed at the Eurosystem level, made a decision to form additional risk provisions amounting to €60,000 thousand (€167,450 thousand additional provisions for risks were formed in 2019). According to the ESCB’s risk assessment performed as of 30 June 2020, the accounting risk of the Bank of Lithuania amounts to €572 million.

With respect to the provisions initially established in 2018 and adjusted in 2019 by all the NCBs of participating Member States with regard to credit risks in monetary policy operations, an amount of €63,604 thousand was used to cover the loss realised after the sale in 2020 of the impaired securities held by one of the Eurosystem NCBs under the corporate sector purchase programme. Out of this amount, €373 thousand were covered by the provision established in 2019 by the Bank of Lithuania. The residual amount of the provisions established by the NCBs of participating Member States after the coverage of the realised loss resulted in a cumulative unused balance of €25,785 thousand which is reflected in the profit and loss accounts of the NCBs of participating Member States in proportion to their subscribed capital key shares in the ECB prevailing in 2018, i.e. in the year when the initial impairment occurred. The Bank of Lithuania’s share of this unused provision was €151 thousand. The share of this unused provision as well as the share of the provision

used to cover the realised loss are presented as part of pooling of monetary income (see Note 33 “Net result of pooling of monetary income”).

The decrease in the provisions for termination benefits, payable to staff who will qualify for the state social insurance pension while working at the Bank of Lithuania, was mainly caused by the decrease in the employee change dynamics and the the Republic of Lithuania’s long-term lending interest rates, used to calculate provisions.. 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 35 “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 2020, the same amount as in 2019.

As at 31 December 2020, there were six legal proceedings related to financial market supervision, in which the Bank of Lithuania was a defendant or co-defendant, and one situation when under the valid agreement the Bank of Lithuania was obliged to cover legal costs related to the above-mentioned supervision. Pursuant to the specified agreement, the Bank of Lithuania accepted a commitment to reimburse legal costs. As a result, appropriate provision was formed at the end of 2020. The probability of settlement of claims in other legal proceedings brought against the Bank of Lithuania is assessed as unlikely or provisions have already been formed for them in previous years.

NOTE 27. REVALUATION ACCOUNTS

Revaluation accounts represent unrealised revaluation gains of gold, debt and marketable equity securities, off-balance-sheet financial instruments, as well as foreign currency. 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 2020	31 December 2019
Revaluation accounts		
Pre-system unrealised gains	164,456	164,456
Gold	106,818	71,291
Equity securities	62,512	68,814
Debt securities	38,183	17,118
Financial derivatives	11,879	7,251
Foreign currency	17	53,913
Total	383,865	382,843

Unrealised revaluation losses, recognised as expenses at the end of 2020 are presented in Note 30 “Net result of financial operations, write-downs and risk provisions”.

NOTE 28. CAPITAL

Statement of changes in equity for 2020

EUR thousands

	31 December 2020	2019 profit distribution	31 December 2019
Capital			
Authorised capital	60,000	–	60,000
Reserve capital	437,726	11,674	426,052
Total	497,726	11,674	486,052

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.

6. NOTES ON THE PROFIT AND LOSS ACCOUNT

NOTE 29. NET INTEREST INCOME

EUR thousands

	2020		2019	
	Interest income	Interest expense	Interest income	Interest expense
Monetary policy operations	99,007	(1,054)	79,047	(339)
Securities held for monetary policy purposes	62,078	–	57,149	–
Current accounts (covering the minimum reserve system)	36,928	–	21,892	–
Deposits related to margin calls	–	–	5	–
Marginal lending facility	–	–	1	–
Longer-term refinancing operations	–	(1,054)	–	(339)
Debt securities	31,133	–	51,942	–
Balances in current accounts with the Bank of Lithuania	25,353	–	10,736	–
Reverse repurchase agreements	638	–	1,660	–
Interest rate swaps	142	–	389	–
Repurchase agreements	–	(157)	–	(2,336)
The Bank of Lithuania's balances in current accounts	–	(1,096)	–	(553)
Gold swaps	–	(1,272)	–	(5,943)
Foreign exchange transactions	–	(25,425)	–	(37,383)
Other	6	–	–	(1)
Total interest income (expense)	156,278	(29,005)	143,774	(46,556)
Net interest income	127,273		97,218	

In 2020, the net interest income increased by €30,055 thousand, compared to 2019, mainly due to the growth in net interest income from monetary policy operations and balances in current accounts with the Bank of Lithuania as well as the decrease in interest expense on foreign exchange transactions. The growth in interest income from securities held for monetary policy purposes was caused by the purchase of securities under the public sector purchase programme and the pandemic emergency purchase programme in 2020 (see Note 7 "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 current account balances of the participants in the Bank of Lithuania's payment system CENTROLINK) and a negative deposit facility rate (–0.5%).

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

NOTE 30. 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 2020 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

	2020	2019
Net realised gains (losses) arising from	126,385	101,167
Transactions in securities	120,149	80,744
Transactions in foreign currency	9,024	35,365
Interest rate derivatives	(2,788)	(14,943)
Write-downs on financial items	(105,032)	(6,392)
Foreign currency	(95,234)	(108)
Financial derivatives	(7,987)	(4,271)
Securities	(1,811)	(2,014)
Transfers to provisions for risks	(60,000)	(167,450)
Net result of financial operations, write-downs and risk provisions	(38,647)	(72,676)

Net realised gains on securities transactions increased, while net realised gains on foreign currency transactions decreased mainly due to realised securities price gains and exchange rate losses generated in the US dollar portfolio.

The write-downs on foreign currency were mainly related to the depreciation of the US dollar against the euro.

NOTE 31. NET INCOME FROM FEES AND COMMISSIONS

EUR thousands

	2020	2019
Fees and commissions income	9,365	7,705
Contributions of supervised financial market participants	6,455	6,021
Settlement services	2,238	1,131
Security lending	260	235
Other services	411	319
Fees and commissions expense	(2,709)	(2,189)
Financial instruments	(2,301)	(1,950)
Other	(408)	(239)
Net income from fees and commissions	6,656	5,516

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 2020, the Bank of Lithuania collected contributions amounting to €6,131 thousand to cover the costs of financial market supervision (in 2019 – €5,648 thousand) and contributions of financial market participants amounting to €324 thousand to finance the activity of the financial sector resolution authority (in 2019 – €373 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.

NOTE 32. INCOME FROM EQUITY INSTRUMENTS

EUR thousands

	2020	2019
Dividend income from marketable equity securities	13,853	17,436
Income from distribution of the ECB profit	12,744	10,597
Dividend income from non-marketable equity securities (see Note 14)	–	321
Total	26,597	28,355

In 2020, income from equity instruments decreased due to the lower average holdings of marketable equity securities and a decrease in dividend yields.

Following a decision of the Governing Council of the ECB, the amount due to the euro area NCBs in 2020, with respect to the ECB's interim profit distribution, was €1,260,178 thousand. The amount due to the Bank of Lithuania (€7,293 thousand) was recognised as income of 2020. The result from the ECB final profit distribution of 2019 was also recognised as income of 2020 (see section 4.9 of the Explanatory Notes "Distribution of the ECB profit").

NOTE 33. NET RESULT OF POOLING OF MONETARY INCOME

EUR thousands

	2020	2019
Net monetary income pooled by the Bank of Lithuania	(81,351)	(65,393)
Net monetary income reallocated to the Bank of Lithuania	25,055	65,889
Adjustment for the monetary income of previous years	(361)	(94)
Reversal of income of the Bank of Lithuania's share in the provisions against losses in monetary policy operations of previous years (see Note 26 "Provisions")	525	421
Net result of pooling of monetary income	(56,133)	823

In 2020, the actual net monetary income of the Bank of Lithuania was higher than it should be according to the capital key. This was mainly due to the relatively low volume of longer-term refinancing operations conducted by the Bank of Lithuania, which resulted in lower interest expense for the Bank of Lithuania, compared to the Eurosystem, as well as the relatively high net interest income on supranational securities purchased under the public sector purchase programme. After pooling of the monetary income of the

Eurosystem for 2020 and reallocation to NCBs in proportion to their subscribed capital keys, the net result arising from the reallocation of monetary income for the Bank of Lithuania – expense – was settled via TARGET2 (see section 4.7 of Explanatory Notes “Allocation of monetary income” and Note 12 “Other claims (liabilities) within the Eurosystem (net)”).

NOTE 34. OTHER INCOME

EUR thousands

	2020	2019
Income from sale of collector coins and other numismatic items	1,423	1,606
Other miscellaneous income	2,015	1,646
Total	3,438	3,252

Most of the other miscellaneous income in 2020 (€1,689 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 adjustments as from 1 February 2020, as a result of withdrawal of the Bank of England from the ESCB (see Note 9 “Participating interest in the ECB”).

NOTE 35. STAFF COSTS

EUR thousands

	2020	2019
Expenses on salaries	19,593	17,287
To the members of the Board	603	610
To the heads of structural divisions	1,503	1,333
To other staff of the Bank of Lithuania	17,486	15,344
Other emoluments	617	425
Contributions to the State Social Insurance Fund	298	262
Expenses on (income from) provisions related to liabilities to the staff	(144)	638
Total	20,363	18,612

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 2020, four Services, five autonomous Departments and four autonomous Divisions operated in the Bank of Lithuania. As at 31 December 2020, the Bank of Lithuania employed 629 staff members (at the end of 2019 – 617) of which 45 (at the end of 2019 – 42) worked under a fixed-term labour contract. In addition, 30 employees were on parental leave or unpaid leave for the term of their contracts with other institutions (at the end of 2019 – 25). In 2020, the average number of employees, expressed in full-time equivalents, amounted to 650 (in 2019 – 622).

In 2020, an increase in expenses on salaries was caused by the growth in the number of staff and higher salaries.

In 2020, the part of staff costs that amounted to €169 thousand (in 2019 – €241 thousand) was included in the initial costs of the intangible asset items internally generated by the way of projects (see section 2.13 of the Explanatory Notes and Note 13 “Tangible and intangible fixed assets”) and are not presented in this item.

NOTE 36. ADMINISTRATIVE EXPENSES

EUR thousands

	2020	2019
Administrative expenses		
Information system maintenance and information acquisition	5,883	4,028
Tangible assets maintenance	2,533	1,846
Participation in international organisations fees	1,455	1,370
Mail and telecommunication	602	650
Equipment and office supply	478	580
Communication	251	191
Training of the staff	179	472
Business trips	149	992
Other	1,736	1,165
Total	13,266	11,294

In 2020, information system maintenance and information acquisition expenses increased mainly due to the information systems programming and maintenance works.

NOTE 37. 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 2020, the Bank of Lithuania incurred euro banknote production expenses (amounting to €1,807 thousand) that were necessary to supplement the Eurosystem's strategic reserve (in 2019 – €1,596 thousand).

NOTE 38. OTHER EXPENSES

EUR thousands

	2020	2019
Euro circulation coin minting expenses	1,508	53
Collector and commemorative coin minting expenses	906	1,328
Cash circulation expenses	42	85
Other miscellaneous expenses	1	40
Total	2,458	1,506

NOTE 39. 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

	2020	2019	2018
Profit distribution			
Allocation to the reserve capital of the Bank of Lithuania	8,010,382	11,673,823	20,905,554
Transfer to the state budget	16,625,836	13,770,983	12,704,656
Total	24,636,218	25,444,807	33,610,210

7. OTHER NOTES

NOTE 40. DERIVATIVES

As at 31 December 2020, the Bank of Lithuania had outstanding foreign exchange swaps, foreign exchange forwards, non-deliverable foreign exchange forwards, future contracts, forward transactions in securities and TBA contracts. 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 2020	31 December 2019
Claims	5,631,581	7,912,418
Liabilities	5,631,581	7,912,418

Non-deliverable foreign exchange forwards

EUR thousands

	31 December 2020	31 December 2019
Notional claims	365,450	286,507
Notional liabilities	363,231	285,476

Future contracts

EUR thousands

	31 December 2020	31 December 2019
Notional claims	10,958,488	5,794,133
Notional liabilities	11,720,644	6,327,580

As at 31 December 2020, futures claims and liabilities increased as a result of the implementation of active investment management decisions.

Interest rate swaps

As at 31 December 2020, the Bank of Lithuania had no outstanding interest rate swaps (as at 31 December 2019, the contractual amount of these contracts amounted to €324,509 thousand).

Forward transactions in securities

EUR thousands

	2020	2019
Receivable securities	2,038	1,278
Payable amounts	2,038	1,278

TBA contracts

EUR thousands

	2020	2019
Receivable mortgage-backed securities	53,618	–
Payable amounts	53,618	–

NOTE 41. ASSETS AND LIABILITIES OF THE BANK OF LITHUANIA BY FOREIGN CURRENCY

EUR thousands

	USD	GBP	CAD	CNY	XDR	CZK	Other
31/12/2020							
On-balance sheet assets	2,011,449	321,099	319,507	200,558	262,484	748,908	632,217
On-balance sheet liabilities	322,643	2,991	3,609	1,725	161,750	14,148	902
NET ON-BALANCE SHEET ASSETS (LIABILITIES)	1,688,806	318,108	315,898	198,833	100,735	734,760	631,315
Net off-balance sheet assets (liabilities) included into currency position	(494,571)	(90,934)	(89,675)	(89,154)	–	(732,680)	(634,435)
NET ASSETS (LIABILITIES)	1,194,235	227,174	226,222	109,679	100,735	2,080	(3,121)
31/12/2019							
On-balance sheet assets	1,760,635	240,216	233,126	98,523	226,563	744,864	1,755,773
On-balance sheet liabilities	257,536	3,096	1,932	1,185	169,339	3,711	39,320
NET ON-BALANCE SHEET ASSETS (LIABILITIES)	1,503,099	237,120	231,193	97,338	57,224	741,152	1,716,452
Net off-balance sheet assets (liabilities) included into currency position	(285,076)	(239,502)	(230,709)	(212,927)	–	(742,395)	(1,718,797)
NET ASSETS (LIABILITIES)	1,218,023	(2,382)	484	(115,588)	57,224	(1,243)	(2,345)