



Annual Financial Statements of the Bank of Lithuania

2022

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INDEPENDENT AUDITOR'S REPORT

To the Parliament of the Republic of Lithuania:

Opinion

We have audited the annual financial statements of the Bank of Lithuania (the Bank), which comprise the balance sheet as at 31 December 2022, and the profit and loss account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance for the year then ended in accordance with the 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), as amended, adopted by the Governing Council of the ECB, the Law on the Bank of Lithuania and the Accounting Policy 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 Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of the Financial Statements of the Republic of Lithuania that are relevant to 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.

Other Matter

The annual financial statements of the Bank for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 31 March 2022.

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 the 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), as amended, adopted by the Governing Council of the ECB, the Law on the Bank of Lithuania and the Accounting Policy 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 scepticism 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 Banks'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 Banks'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.

Auditor Romanas Skrebnevskis
Auditor's Certificate No. 000471

ROSK Consulting UAB
Company's audit certificate No. 001514

Vilnius, Lithuania
31 March 2023

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report.

Balance Sheet of the Bank of Lithuania

EUR thousands

	Notes	31 December 2022	31 December 2021
ASSETS			
1. Gold and gold receivables	1	319,752	301,628
2. Claims on non-euro area residents denominated in foreign currency		4,812,029	5,529,482
Receivables from the IMF	2	852,186	851,182
Balances with banks and security investments, external loans and other external assets	3	3,959,843	4,678,300
3. Claims on euro area residents denominated in foreign currency	4	2,768	1,616
4. Claims on non-euro area residents denominated in euro	5	92,405	19,695
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	6	1,628,810	1,628,810
Main refinancing operations		–	–
Longer-term refinancing operations		1,628,810	1,628,810
Fine-tuning reverse operations		–	–
Structural reverse operations		–	–
Marginal lending facility		–	–
Credits related to margin calls		–	–
6. Other claims on euro area credit institutions denominated in euro	7	1,606	904
7. Securities of euro area residents denominated in euro		13,350,617	13,295,289
Securities held for monetary policy purposes	8	12,985,330	12,992,282
Other securities	9	365,286	303,007
8. General government debt denominated in euro		–	–
9. Intra-Eurosystem claims		8,508,496	16,830,959
Participating interest in the ECB	10	213,408	209,877
Claims equivalent to the transfer of foreign reserves	11	233,496	233,496
Net claims related to the allocation of euro banknotes within the Eurosystem	12	1,040,765	1,544,825
Other claims within the Eurosystem (net)	13	7,020,828	14,842,762
10. Items in course of settlement		–	60
11. Other assets		627,821	533,294
Tangible and intangible fixed assets	14	39,359	36,127
Other financial assets	15	456,534	412,877
Off-balance-sheet instruments revaluation differences	16	40,186	21,513
Accruals and prepaid expenses	17	90,656	61,513
Sundry	18	1,086	1,264
TOTAL ASSETS		29,344,303	38,141,736

Balance Sheet of the Bank of Lithuania

EUR thousands

	Notes	31 December 2022	31 December 2021
LIABILITIES			
1. Banknotes in circulation	19	8,371,076	8,223,855
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	20	12,443,493	15,591,795
Current accounts (covering the minimum reserve system)		1,091,337	15,591,795
Deposit facility		11,352,156	-
Fixed-term deposits		-	-
Fine-tuning reverse operations		-	-
Deposits related to margin calls		-	-
3. Other liabilities to euro area credit institutions denominated in euro		9,900	-
4. Debt certificates issued		-	-
5. Liabilities to other euro area residents denominated in euro	21	4,546,049	8,997,229
General government		2,002,516	4,126,552
Other liabilities		2,543,532	4,870,677
6. Liabilities to non-euro area residents denominated in euro	22	1,331,286	2,519,591
7. Liabilities to euro area residents denominated in foreign currency	23	303,004	279,703
8. Liabilities to non-euro area residents denominated in foreign currency	24	-	14,461
9. Counterpart of special drawing rights allocated by the IMF	2	701,568	692,713
10. Intra-Eurosystem liabilities		-	-
Net liabilities related to the allocation of euro banknotes within the Eurosystem		-	-
Other liabilities within the Eurosystem (net)	13	-	-
11. Items in course of settlement		8,100	2
12. Other liabilities		301,564	304,653
Off-balance-sheet instruments revaluation differences	16	9,310	36,385
Accruals and income collected in advance	25	29,270	13,955
Sundry	26	262,985	254,313
13. Provisions	27	297,778	461,846
14. Revaluation accounts	28	507,144	512,164
15. Capital	29	523,343	505,736
Authorised capital		60,000	60,000
Reserve capital		463,343	445,736
16. Profit for the year	40	-	37,989
TOTAL LIABILITIES		29,344,303	38,141,736

Profit and Loss Account of the Bank of Lithuania

EUR thousands

	Notes	2022	2021
Interest income		244,350	193,522
Interest expense		(55,985)	(20,391)
1. Net interest income	30	188,365	173,131
Realised gains (losses) arising from financial operations		(73,656)	106,585
Write-downs on financial assets and positions		(185,330)	(21,929)
Transfer to provisions for risks		163,989	(111,000)
2. Net result of financial operations, write-downs and risk provisions	31	(94,997)	(26,345)
Fees and commissions income		15,237	11,802
Fees and commissions expense		(3,819)	(3,231)
3. Net income from fees and commissions	32	11,418	8,571
4. Income from equity instruments	33	12,602	11,286
5. Net result of pooling of monetary income	34	(69,953)	(87,176)
6. Other income	35	6,502	1,731
TOTAL NET INCOME		53,937	81,198
7. Staff costs	36	(24,166)	(22,059)
8. Administrative expenses	37	(18,405)	(13,782)
9. Depreciation and amortisation of tangible and intangible fixed assets	14	(4,629)	(4,320)
10. Banknote production services	38	(2,900)	(2,005)
11. Other expenses	39	(3,836)	(1,043)
PROFIT FOR THE YEAR	40	-	37,989

The Annual Financial Statements for 2022 of the Bank of Lithuania were approved on 28 March 2023 by Resolution No 03-65 of the Board of the Bank of Lithuania.

Chairman of the Board

Gediminas Šimkus
(signed electronically)

Director of the
Corporate Services Department

Jurgita Šaučiūnienė
(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), as amended, adopted by the Governing Council of the ECB (hereinafter – the 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 (subsequent 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 To Be Announced (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.

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.

¹ "Market rate" means euro and foreign currency reference rate, based on the daily concertation procedure between central banks within and outside the European System of Central Banks (hereinafter – ESCB), published by the ECB.

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

2.2. FOREIGN CURRENCY

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

Foreign currency/EUR 1

Currency	Code	31 December 2022	31 December 2021	Change (%)
Czech koruna	CZK	24.1160	24.8580	-3.0
British pound	GBP	0.88693	0.84028	5.6
Japanese yen	JPY	140.660	130.380	7.9
US dollar	USD	1.06660	1.13260	-5.8
Canadian dollar	CAD	1.44400	1.43930	0.3
Chinese yuan	CNY	7.35820	7.19470	2.3
Special Drawing Rights (SDR)	XDR	0.79891	0.80913	-1.3

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 long foreign currency position decreases (short foreign currency position increases) – the realised result is calculated.

The allocation of the Bank of Lithuania's net assets (liabilities) by foreign currency is disclosed in Note 42 "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 (88% of the fair value as at 31 December 2022 and 99.6% as at 31 December 2021) or on the basis of the relevant yield curve (12% of the fair value as at 31 December 2022 and 0.4% as at 31 December 2021) 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 item of the balance sheet 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 recognised 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 not publicly traded and quoted on the market. Such investments 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 for 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 fails 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. 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 as off-balance-sheet instruments revaluation difference. Unrealised revaluation loss arising at the end of the financial year is recognised as expense in the Profit and Loss Account and is presented on the Balance Sheet liabilities side. Unrealised revaluation gain is presented in the Balance Sheet revaluation accounts. 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 recognised as fees and commissions expense.

2.12. INTEREST RATE TRANSACTIONS

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

Interest rate swaps are recorded in off-balance-sheet accounts at contractual amount from the trade date to the closing or maturity date. 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 as off-balance-sheet instruments revaluation difference. Unrealised revaluation loss arising at the end of the financial year is recognised as expense in the Profit and Loss Account and is presented on the Balance Sheet liabilities side and is subject to straight-line amortisation till the maturity date of the transaction. Unrealised revaluation gain is presented in the Balance Sheet revaluation accounts. 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 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	3–10

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 recognised 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 “Tangible and intangible fixed assets” of the Explanatory Notes). 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 2022, useful lives of right-of-use assets are 3–5 years.

The cost of right-of-use assets includes the amount of discounted lease liabilities recognised, 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. When there is a change in future lease payments arising from a change in an index or other reassessment of the existing contract, the lease liability is remeasured. Any such remeasurement results in a corresponding adjustment to the carrying amount of the right-of-use asset.

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. The unofficial consolidated text with the list of amendments can be found [here](#).

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 30 "Net interest income").

To avoid significant fluctuations in NCBs' relative 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 from the new entrant's euro adoption year and gradually reduced over the following five years. Due to the accession of Hrvatska narodna banka to the Eurosystem, the period for which the above-mentioned adjustments are applicable will last from 1 January 2023 until 31 December 2027.

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 26 "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 accounting 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). The expenses to be covered cannot exceed the amount equal to the negative financial result of the reporting year, calculated before the use of risk provisions.

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

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 (ECB/2016/36) (recast), OJ L 347, 20.12.2016, p. 26. The unofficial consolidated text with the list of amendments can be found [here](#).

⁵ The marginal interest rate used by the Eurosystem in its tenders for the main refinancing operations was 0% in 2021 and 2.5% at the end of 2022.

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

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.

3. FINANCIAL RISK MANAGEMENT

3.1. MANAGEMENT OF FINANCIAL RISK RELATED TO MONETARY POLICY OPERATIONS

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

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

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

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 €250 million (remained unchanged, compared to the end of 2021). 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 2022, the risk value of the investment portfolio amounted to €93 million and was by €97 million lower than at the end of 2021.

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 2022, as in 2021, the maximum allowable reserve portfolio risk budget of \$40 million was set. At the end of 2022, its value stood at \$19 million (\$28 million at the end of 2021).

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.

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 subject to adjustment, in accordance with Article 29 of the Statute of the ESCB and of the ECB, every five years or whenever there is a change in the composition of the ESCB NCBs.

The subscribed capital of the ECB is €10,825,007 thousand. After the Bank of England's withdrawal from the ESCB on 31 January 2020, the ECB kept its subscribed capital unchanged, and 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.

The ECB's paid-up capital also remained unchanged at €7,659,444 thousand in 2020, as the remaining NCBs covered the withdrawn Bank of England's paid-up capital of €58,201 thousand. In addition, the Governing Council of the ECB decided that the euro area NCBs would pay up in full their increased subscriptions in two annual instalments in 2021 and 2022.⁷ The euro area NCBs transferred their first instalment on 29 December 2021, increasing the ECB's paid-up capital to €8,269,532 thousand, and after the payment of the second instalment on 28 December 2022, it increased to €8,879,621 thousand.

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

NCB	Capital key as at 31 December 2022, %	Paid-up capital as at 31 December 2022, EUR	Eurosystem capital key as at 31 December 2022, %
Nationale Bank van België/ Banque Nationale de Belgique	2.9630	320,744,959	3.64324
Deutsche Bundesbank	21.4394	2,320,816,566	26.36145
Eesti Pank	0.2291	24,800,091	0.28170
Banc Ceannais na hÉireann/ Central Bank of Ireland	1.3772	149,081,997	1.69338
Bank of Greece	2.0117	217,766,667	2.47355
Banco de España	9.6981	1,049,820,011	11.92459
Banque de France	16.6108	1,798,120,274	20.42430
Banca d'Italia	13.8165	1,495,637,102	16.98849
Central Bank of Cyprus	0.1750	18,943,762	0.21518
Latvijas Banka	0.3169	34,304,447	0.38965
Lietuvos bankas	0.4707	50,953,308	0.57876
Banque centrale du Luxembourg	0.2679	29,000,194	0.32940

⁷ Decision (EU) 2020/138 of the ECB of 22 January 2020 on the paying-up of the European Central Bank's capital by the national central banks of Member States whose currency is the euro and repealing Decision (EU) 2019/44 (ECB/2020/4), OJ L 271, 1.2.2020, p. 6-8; Decision (EU) 2020/136 of the ECB of 22 January 2020 on the paying-up of the European Central Bank's capital by the non-euro area national central banks and repealing Decision (EU) 2019/48 (ECB/2020/2), OJ L 271, 1.2.2020, p. 1-3 and Decision (EU) 2020/139 of the ECB of 22 January 2020 laying down the terms and conditions for transfers of the European Central Bank's capital shares between the national central banks and for the adjustment of the paid-up capital and repealing Decision (EU) 2019/45 (ECB/2020/5), OJ L 271, 1.2.2020, p. 9-14.

NCB	Capital key as at 31 December 2022, %	Paid-up capital as at 31 December 2022, EUR	Eurosystem capital key as at 31 December 2022, %
Bank Ċentrali ta' Malta/Central Bank of Malta	0.0853	9,233,731	0.10488
De Nederlandsche Bank	4.7662	515,941,487	5.86042
Oesterreichische Nationalbank	2.3804	257,678,468	2.92689
Banco de Portugal	1.9035	206,054,010	2.34051
Banka Slovenije	0.3916	42,390,728	0.48150
Národná banka Slovenska	0.9314	100,824,116	1.14523
Suomen Pankki – Finlands Bank	1.4939	161,714,781	1.83687
Subtotal for euro area NCBs	81.3286	8,803,826,700	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	8,879,620,963	100.00000

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

4.2. FOREIGN RESERVES TRANSFERRED TO THE ECB

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

As at 31 December 2022, foreign reserve assets transferred by the NCBs comprise the amount of €40,344 million.

The share of foreign reserve assets transferred to the ECB by the Bank of Lithuania is disclosed in Note 11 "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 addition to the series of seven quarterly targeted longer-term refinancing operations (TLTRO III) introduced in 2019, the Governing Council of the ECB added three further operations to this series in December 2020, which were conducted between June and December 2021. These operations have a three-year maturity. For the first seven TLTROs III, from September 2021, starting 12 months after the settlement of each TLTRO III, participants have an option, on a quarterly basis, to terminate or reduce the amount of TLTRO III concerned before maturity. For the subsequent three TLTROs III this option is open starting from June 2022. According to the initial decisions taken by the Governing Council of the ECB, the final interest rate applicable to each TLTRO

⁸ The marginal interest rate used by the Eurosystem in its tenders for the main refinancing operations was 0% in 2021 and 2.5% in the end of 2022.

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 2020⁹, the Governing Council of the ECB decided that for the period between 24 June 2020 and 23 June 2021 and the period between 24 June 2021 and 23 June 2022 – referred to as the special interest rate period and the additional special interest rate period respectively – 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%. Additionally, on 27 October 2022 the Governing Council of the ECB decided that, from 23 November 2022 until the maturity date or early repayment date of each respective outstanding TLTRO III operation, the interest rate on TLTRO III operations will be indexed to the average applicable key ECB interest rates over this period. On the same day, the Governing Council of the ECB decided that three additional voluntary early repayment dates are introduced to provide TLTRO III participants with additional opportunities to partly, or fully, repay their respective TLTRO III borrowings before their maturity. The actual interest rates applied to such operations can only be known at the maturity or early repayment of each operation, and before that a reliable estimate is only possible as far as the interest rate related data regarding the special interest rate period and the additional special interest rate period have already been communicated to the counterparties. It means that for the annual accounts 2022, the following approach was applied for calculating the TLTRO III interest accruals: (i) until 23 June 2022, the interest rates over the additional special interest rate period, for which the data related to interest rates was communicated to the counterparties on 10 June 2022, (ii) for the period from 24 June 2022 until 22 November 2022, the interest rate was linked to the average applicable key ECB interest rate from the settlement date until 22 November 2022, and (iii) for the period from 23 November 2022 until 31 December 2022, the interest rate was indexed to the average applicable key ECB interest rate over this period. Furthermore, the impact of policy rate changes in 2022 on interest of the pre-special interest rate period is also considered in 2022.

Furthermore, of the four additional pandemic emergency longer-term refinancing operations (PELTROs) allotted in 2021 on a quarterly basis, each with a tenor of approximately one year, three matured in the course of 2022. These operations provided a liquidity backstop to the euro area banking system and contribute to preserving the smooth functioning of the money market during the extended pandemic period. The PELTROs were 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 PELTRO.

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

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

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

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

As at 31 December 2022, the total Eurosystem NCB's holding of monetary policy assets amounted to €1,324,347 million (as at 31 December 2021 – €2,201,882 million). The share of monetary policy assets held by the Bank of Lithuania is presented in Note 6 "Lending to euro area credit institutions related to monetary policy operations denominated in euro".

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

4.4. SECURITIES HELD FOR MONETARY POLICY PURPOSES

As at 31 December 2022, the securities held by the ECB and NCBs were acquired within the scope of the Securities Markets Programme (SMP), the third covered bond purchase programme (CBPP3), the asset-backed securities purchase programme (ABSPP), the public sector purchase programme (PSPP)¹⁰, the corporate sector purchase programme (CSPP) and the pandemic emergency purchase programme (PEPP).¹¹

⁹ Decisions of the Governing Council of the ECB of 30 April 2020 and 10 December 2020.

¹⁰ Decision of the ECB of 3 February 2020 on a secondary markets public sector asset purchase programme (recast) (ECB/2020/9), OJ L 39, 12.2.2020, p. 12.

¹¹ 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.

	Start date	End date	Decision	Universe of eligible securities*
Completed/terminated programmes				
CBPP1	July 2009	June 2010	ECB/2009/16	Covered bonds of euro area residents
CBPP2	November 2011	October 2012	ECB/2011/17	Covered bonds of euro area residents
SMP	May 2010	September 2012	ECB/2010/5	Public and private debt securities issued in the euro area**
Asset purchase programme (APP)				
CBPP3	October 2014	active	ECB/2020/8 as amended	Covered bonds of euro area residents
ABSPP	November 2014	active	ECB/2014/45, as amended	Senior and guaranteed mezzanine tranches of asset-backed securities of euro area residents
PSPP	March 2015	active	ECB/2020/9 (recast)	Bonds issued by euro-area central, regional or local governments or recognised agencies as well as by international organisations and multilateral development banks located in the euro area
CSPP	June 2016	active	ECB/2016/16, as amended	Bonds and commercial paper issued by non-bank corporations established in the euro area
Pandemic emergency purchase programme (PEPP)				
PEPP	March 2020	active	ECB/2020/17 as amended	All asset categories eligible under the APP***

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

** Only public debt securities issued by five euro area treasuries were purchased under the SMP.

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

During the first quarter of 2022, the Eurosystem continued its net purchases of securities under the APP¹² at a monthly pace of €20 billion on average. In March 2022, the Governing Council of the ECB decided¹³ to revise the net purchase amounts to €40 billion in April, €30 billion in May and €20 billion in June, and in June 2022, the Council adopted a decision¹⁴ to end net asset purchases under the APP as of 1 July 2022. The Governing Council of the ECB intends to continue reinvesting, in full, the principal payments from maturing securities until the end of February 2023. Subsequently, the APP portfolio will be reduced at a measured and predictable pace, as the Eurosystem will not reinvest all of the principal payments from maturing securities. The decline will amount to €15 billion per month on average until the end of the second quarter of 2023, and its subsequent pace will be determined over time. The Governing Council of the ECB will regularly reassess the pace of the APP portfolio reduction to ensure it remains consistent with the overall monetary policy strategy and stance, to preserve market functioning and to maintain firm control over short-term money market conditions.

In addition, during the first quarter of 2022, the Eurosystem continued its net asset purchases under the PEPP¹⁵, although at a slower pace than in the previous quarter, following the decision of the Governing Council of the ECB of December 2021.¹⁶ Based on the same decision, the net purchases under the PEPP were discontinued at the end of March 2022. The Governing Council of the ECB intends to reinvest the principal payments from maturing securities purchased under the PEPP at least until the end of 2024. The Governing Council of the ECB will continue reinvestments can be adjusted flexibly across time, asset classes and jurisdictions at any time. The future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.

¹² Further details on the APP can be found on the [ECB's website](#).

¹³ See the press release of 10 March 2022 on the Governing Council's decisions.

¹⁴ See the press release of 9 June 2022 of the Governing Council's decisions.

¹⁵ Further details on the PEPP can be found on the [ECB's website](#).

¹⁶ See the press release of 16 December 2021 of the Governing Council's decisions.

The value of the securities held by the Eurosystem as at 31 December 2022

EUR
thousands

	31 December 2022	31 December 2021
Completed/terminated programmes	2,860,114	9,356,525
CBPP1	-	428,897
CBPP2	-	2,406,061
SMP	2,860,114	6,521,567
APP	3,253,653,296	3,123,381,560
CBPP3	301,973,050	298,167,380
ABSPP	22,894,683	28,402,721
PSPP – government/agency securities	2,309,438,192	2,222,598,917
PSPP – supranational securities	275,228,136	264,536,991
CSPP	344,119,235	309,675,550
PEPP	1,680,665,751	1,580,665,411
Covered bonds	6,051,662	6,072,868
Government/agency securities	1,482,853,119	1,400,220,469
Supranational securities	145,687,092	130,590,451
Corporate sector securities	46,073,878	43,781,623
Total	4,937,179,162	4,713,403,496

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 CBPP3, the SMP and the CSPP, the PSPP, except for government securities, and the PEPP, except for government securities (totalling €1,095,390 million as at 31 December 2022 and €1,032,681 million as at 31 December 2021), 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 CBPP1 and the CBPP2, as well as government securities purchased under the PSPP and the PEPP 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 separately for each programme. In cases where impairment indicators are observed, further analysis is performed to confirm that the cash flows of the underlying securities have not been affected by an impairment event. 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 8 "Securities held for monetary policy purposes".

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

Current accounts (covering the minimum reserve system). These are the balances on the current accounts of credit institutions with NCBs that are required to hold minimum reserves, excluding funds of credit institutions that are not freely disposable and accounts of credit institutions exempt from minimum reserve requirements, which are disclosed separately under Liability item 3 "Other liabilities to euro area credit institutions denominated in euro".

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

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

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

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

4.6. PARTICIPATION IN TARGET2

Cross-border payments in the EU settled in TARGET2¹⁷ 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)". The remuneration of these balances is calculated at the latest available marginal interest rate used by the Eurosystem in its tenders for the main refinancing operations.

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 operations.¹⁸ 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 CBPP1 and Decision ECB/2011/17 on the implementation of the CBPP2, as well as government securities under Decision ECB/2020/9 on the implementation of a secondary markets PSPP or Decision ECB/2020/17 on a temporary PEPP, 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 34 "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 2022, as in 2021, the amount of net financial assets of the Bank of Lithuania met the provisions of the Agreement.

¹⁷ The Trans-European Automated Real-time Gross Settlement Express Transfer system.

¹⁸ The marginal interest rate used by the Eurosystem in its tenders for main refinancing operations was 0% in 2021 and 2.5 at the end of 2022.

4.9. THE ECB PROFIT DISTRIBUTION

Unless otherwise decided by the Governing Council of the ECB, the ECB distributes seigniorage income, which arises from the 8% share of euro banknotes allocated to the ECB, as well as the income arising from the securities acquired under securities programmes (the SMP, the CBPP3, the ABSPP, the PSPP and the PEPP), by means of an interim distribution of profit in January of the following year.¹⁹ Any such decision shall be taken where, on the basis of a reasoned estimate prepared by the Executive Board, the Governing Council of the ECB expects that the ECB will have an overall annual loss or will make an annual net profit that is less than this income. The Governing Council of the ECB may also decide to transfer all or part of this income to a provision 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 33 "Income from equity instruments").

5. POST-BALANCE SHEET EVENTS. HRVATSKA NARODNA BANKA JOINED THE EUROSISTEM

Pursuant to Council Decision (EU) 2022/1211 of 12 July 2022, taken in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, Croatia adopted the single currency on 1 January 2023. In accordance with Article 48.1 of the Statute of the ESCB and of the ECB and the legal acts adopted by the Governing Council of the ECB on 30 December 2022,²⁰ Hrvatska narodna banka paid up the remainder of its capital subscription to the ECB with effect from 1 January 2023. In accordance with Article 48.1 of the Statute of the ESCB and of the ECB, in conjunction with Article 30.1, Hrvatska narodna banka transferred foreign reserve assets to the ECB in an amount corresponding to its subscribed capital share with effect from 1 January 2023. As a result of the change in the capital key following Hrvatska narodna banka's entry into the Eurosystem, the Bank of Lithuania's share in the ECB's paid up capital (Eurosystem key) declined from 0.57876% to 0.57411%. The Bank of Lithuania's share in the ECB's subscribed capital is 0.4707%.

6. NOTES ON THE BALANCE SHEET

NOTE 1. GOLD AND GOLD RECEIVABLES

	31 December 2022	31 December 2021
Gold holdings in		
Troy ounces	187,419	187,407
Kilograms	5,829	5,829
Price per one Troy ounce, EUR	1,706.075	1,609.483
Value of gold, EUR thousands	319,752	301,628

Gold investment

Troy ounces

	31 December 2022	31 December 2021
Gold swaps	171,419	187,407
Fixed-term deposits	16,000	–
Total	187,419	187,407

¹⁹ Decision (EU) 2015/298 of the ECB of 15 December 2014 on the interim distribution of the income of the European Central Bank (recast) (ECB/2014/57), OJ L 53, 25.2.2015, p. 24. The unofficial consolidated text with the list of amendments can be found [here](#).

²⁰ Decision (EU) 2023/135 of the ECB of 30 December 2022 on the paying-up of capital, transfer of foreign reserve assets, and contributions by Hrvatska narodna banka to the European Central Bank's reserves and provisions, OJ L 17, 19.1.2023 p. 94-98; Agreement of 30 December 2022 between Hrvatska narodna banka and the European Central Bank regarding the claim credited to Hrvatska narodna banka by the European Central Bank under Article 30.3 of the Statute of the European System of Central Banks and of the European Central Bank, OJ C 18, 19.1.2023 p. 1-3.

The gold held by the Bank of Lithuania as at 31 December 2022 was invested in fixed-term deposits and gold swaps.

Compared to 2021, gold holdings in 2022 increased due to differences in the weight of gold bars arising from settlements of gold investment transactions.

The overall increase in the value of gold was caused by the rise in the price of gold in the financial markets in 2022.

NOTE 2. RECEIVABLES FROM THE IMF

EUR thousands

	31 December 2022	31 December 2021
Balance in the SDR account with the IMF	711,953	721,370
Reserve tranche position in the IMF	140,233	129,812
Lithuania's quota in the IMF	553,150	546,306
Balance in the IMF account No 1 with the Bank of Lithuania	(412,917)	(416,494)
Total	852,186	851,182

The major part of the SDR balance in the SDR account with the IMF, managed by the Bank of Lithuania, is comprised of SDR 560,492 thousand, received by the Republic of Lithuania under the general SDR allocations made by the IMF in 2009 and 2021. The counterpart (€701,568 thousand) of these SDR balances is shown in liability item 9 "Counterpart of special drawing rights allocated by the IMF" of the Balance Sheet of the Bank of Lithuania.

In addition, in 2021, the Bank of Lithuania concluded the Voluntary Trading Arrangement with the IMF, whereby, with the approval of the Bank of Lithuania, the IMF is authorised to arrange sales or purchases of SDRs against euro, on behalf of the Bank of Lithuania, within minimum and maximum SDR trading levels. In 2022, under this arrangement the Bank of Lithuania sold SDR 17,287 thousand (in 2021 it purchased SDR 22,715 thousand). Sold SDRs decreased the balance of the Bank of Lithuania's SDR account with 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 appreciation of the SDR against the euro in 2022 had a positive impact on the increase in the euro equivalent value of the SDR balance in the SDR account with the IMF.

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 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 2022, compared to 31 December 2021, was due to participation in the Financial Transactions Plan. Under this Plan, the Bank of Lithuania contributed additional financing in the amount of SDR 7 million in 2022 (SDR 20 million in 2021). 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. In 2022, no loans were provided by the Bank of Lithuania under this agreement.

In 2022, the Bank of Lithuania and the Government of the Republic of Lithuania decided to contribute to the IMF's new financial initiative – the IMF's Resilience and Sustainability Trust, through which the IMF provides longer-term loans and supports structural reforms that increase economic resilience and sustainability in the areas of climate change and pandemic preparedness. On 1 February 2023, the Bank of Lithuania transferred a contribution of SDR 13.9 million to the deposit account, upon entry into force (on 20 January 2023) of the agreement between the Bank of Lithuania and the IMF regarding the Bank of Lithuania's contribution to the loan and deposit accounts of the IMF's Resilience and Sustainability Trust. The contribution to the loan account amounts to SST 69.4 million which the Bank of Lithuania is committed to lend to IMF programs implemented by the IMF's Resilience and Sustainability Trust.

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, reverse repurchase agreements and other investments of non-euro area residents denominated in foreign currency.

EUR thousands

	USD	CAD	JPY	GBP	CZK	Other	Total
31/12/2022							
Balances in current accounts	1,788	2,623	500,548	8,665	108,232	24,692	646,549
Fixed-term deposits	6,657	-	-	-	-	-	6,657
Debt securities	1,748,678	527,419	-	453,997	-	-	2,730,093
Marketable equity securities	565,695	-	-	-	-	-	565,695
Reverse repurchase agreements	10,126	-	-	-	-	-	10,126
Other investments	724	-	-	-	-	-	724
Total	2,333,667	530,042	500,548	462,663	108,232	24,692	3,959,843
31/12/2021							
Balances in current accounts	1,448	690	388,896	681	910,375	2,185	1,304,276
Fixed-term deposits	42,734	-	-	-	-	-	42,734
Debt securities	1,636,752	712,772	-	453,154	-	96,802	2,899,480
Marketable equity securities	309,056	-	-	-	-	-	309,056
Reverse repurchase agreements	122,550	-	-	-	-	-	122,550
Other investments	205	-	-	-	-	-	205
Total	2,112,744	713,463	388,896	453,835	910,375	98,987	4,678,300

As at 31 December 2022, compared to 31 December 2021, this Balance Sheet item decreased by €718,457 thousand. This was mainly caused by a decrease of the balances in current accounts denominated in Czech koruna due to unfavourable conditions in the money market for short-term transactions at the end of the year. In 2022, the strategic investment structure of the Bank of Lithuania did not fundamentally change: investments in US government securities were slightly increased, investments in Canadian government securities were reduced and those in Chinese government securities were abandoned. Investments in exchange traded fund units increased as a result of the implementation of active investment management decisions.

In 2022, the increase in the total value of this Balance Sheet item was determined by the appreciation 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 2022	31 December 2021
USA	2,279,291	2,020,593
Canada	564,739	756,468
Japan	528,870	426,856
Great Britain	396,071	386,303
Non-euro area EU Member States	108,308	749,546
International financial institutions	53,030	203,005
Other countries	29,535	135,529
Total	3,959,843	4,678,300

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

EUR thousands

	JPY	USD	GBP	Other	Total
31/12/2022					
Balances in current accounts	1,760	740	235	33	2,768
Total	1,760	740	235	33	2,768
31/12/2021					
Balances in current accounts	-	1,029	487	100	1,616
Total	-	1,029	487	100	1,616

NOTE 5. CLAIMS ON NON-EURO AREA RESIDENTS DENOMINATED IN EURO

This Balance Sheet item consists of the Bank of Lithuania's balances in current accounts and investment in debt securities of non-euro area residents denominated in euro.

EUR thousands

	31 December 2022	31 December 2021
Balances in current accounts	4	1
Debt securities	92,400	19,694
Total	92,405	19,695

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

EUR thousands

	31 December 2022	31 December 2021
Longer-term refinancing operations	1,628,810	1,628,810
Total	1,628,810	1,628,810

As at 31 December 2022, same as at 31 December 2021, the entire balance of the Bank of Lithuania's longer-term refinancing operations was represented by additional refinancing under TLTRO III.

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

In 2022 and 2021, no impairment losses from these monetary policy operations were incurred by the Bank of Lithuania.

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

This item consists of the Bank of Lithuania's balances in current accounts with credit institutions which do not relate to monetary policy operations. As at 31 December 2022, the balances in current accounts amounted to €1,606 thousand (as at 31 December 2021 – €904 thousand).

NOTE 8. SECURITIES HELD FOR MONETARY POLICY PURPOSES

This item consists of the Republic of Lithuania government and supranational securities acquired by the Bank of Lithuania within the scope of the PSPP and the Republic of Lithuania government securities acquired under the PEPP. These securities are presented in the Balance Sheet at amortised cost (see section 4.4 "Securities held for monetary policy purposes" of the Explanatory Notes).

EUR thousands

	31 December 2022		31 December 2021	
	Amortised cost	Market value	Amortised cost	Market value
PSPP	10,176,317	8,373,661	10,376,684	10,971,470
Supranational securities	5,853,756	4,899,988	6,505,184	7,069,089
The Republic of Lithuania government/agency securities	4,322,562	3,473,673	3,871,499	3,902,381

	31 December 2022		31 December 2021	
	Amortised cost	Market value	Amortised cost	Market value
PEPP	2,809,013	2,244,520	2,615,598	2,573,700
The Republic of Lithuania government/agency securities	2,809,013	2,244,520	2,615,598	2,573,700
Total	12,985,330	10,618,180	12,992,282	13,545,170

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 2022 on securities purchased under the PSPP and the PEPP, 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 2022 (as in 2021).

NOTE 9. OTHER SECURITIES

This item consists of the Bank of Lithuania's investments in marketable equity securities by euro area residents. As at 31 December 2022, they amounted to €365,286 thousand (as at 31 December 2021 – €303,007 thousand). In 2021 and 2022, these securities were marked to market.

As at 31 December 2022, holdings of marketable equity securities increased as a result of the implementation of active investment management decisions.

NOTE 10. PARTICIPATING INTEREST IN THE ECB

EUR thousands

	31 December 2022	31 December 2021
Contribution of the Bank of Lithuania to the ECB capital	50,953	47,422
Contribution of the Bank of Lithuania to the reserves of the ECB and to provisions, equivalent to reserves	162,454	162,454
Total	213,408	209,877

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 or whenever there is a change in the composition of the ESCB NCBs. As a result of the withdrawal 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 last adjusted, coming into effect from 1 February 2020. As a result of this adjustment, the Bank of Lithuania's share in the subscribed capital of the ECB increased by 0.0648 percentage point and amounted to 0.4707% as of 1 February 2020.

The ECB's paid-up capital remained unchanged in 2020, as the remaining NCBs covered the withdrawn Bank of England's paid-up capital. In addition, the Governing Council of the ECB decided that the euro area NCBs would pay up in full their increased subscriptions in the subscribed capital of the ECB in two annual instalments in 2021 and 2022. As at 29 December 2021, the Bank of Lithuania transferred the first instalment of €3,531 thousand. As of that date, the share of the Bank of Lithuania in the paid-up capital of the ECB increased up to €47,422 thousand. After the payment of the second instalment as at 2022 December 28, the share of the Bank of Lithuania in the paid-up capital of the ECB increased up to €50,953 thousand.

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

NOTE 11. CLAIMS EQUIVALENT TO THE TRANSFER OF FOREIGN RESERVES

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

Claims equivalent to the transfer of foreign reserves of the Bank of Lithuania, shown in this Balance Sheet item, comprise €233,496 thousand from 1 February 2020 onwards. 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. No changes occurred in 2022.

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

This item presents the claim of the Bank of Lithuania to the Eurosystem, related to the allocation of euro banknotes within the Eurosystem (see section 2.15 "Banknotes and coins in circulation" of the Explanatory Notes and Note 19 "Banknotes in circulation").²¹ As at 31 December 2022, compared to 31 December 2021, these net claims of the Bank of Lithuania decreased by €504,060 thousand or 33% due to a higher increase in the nominal value of the banknotes put into circulation by the Bank of Lithuania (10%) compared to the rise in the nominal value of banknotes in circulation in the entire Eurosystem (2%).

NOTE 13. OTHER CLAIMS (LIABILITIES) WITHIN THE EUROSYSTEM (NET)

EUR thousands

	31 December 2022	31 December 2021
Balance in TARGET2 account	7,089,655	14,928,380
Distribution of monetary income	(69,953)	(87,176)
Other claims within the Eurosystem	1,125	1,558
Total other claims (liabilities) within the Eurosystem (net)	7,020,828	14,842,762

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 issued and received 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 payable (see Note 34 "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 33 "Income from equity instruments").

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

In 2021, other claims within the Eurosystem also included the amount due to the Bank of Lithuania in respect of the ECB's interim profit distribution. With respect to 2022, the Governing Council of the ECB, in view of the ECB's overall financial result for the year, decided to retain the full amount of income derived from banknotes in circulation, as well as income earned on securities purchased under the SMP, the APP and the PEPP (see section 4.9 "The ECB profit distribution" of the Explanatory Notes). Therefore, no related amounts were due at the end of 2022.

NOTE 14. 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 2021	39,961	8,699	13,535	8,067	19,427	3,142	92,831
Additions in 2022	505	36	2,473	84	2,914	1,848	7,862
Disposals in 2022	(3,302)	-	(32)	(227)	-	-	(3,561)
Acquisition cost as at 31 December 2022	37,163	8,735	15,977	7,924	22,341	4,991	97,131

²¹ 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. 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. Each NCB shows in its balance sheet a share of the euro banknotes issued corresponding to its paid-up share in the ECB's capital. The difference between the value of the euro banknotes allocated to the NCB according to its paid-up share in the ECB's capital, and the value of euro banknotes put into circulation, is recorded as a "Net Intra-Eurosystem claim (liability) related to the allocation of euro banknotes within the Eurosystem".

	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)			
December 2022							
Accumulated depreciation and amortisation as at 31 December 2021	(22,620)	(5,690)	(10,671)	(5,986)	(9,785)	(1,951)	(56,704)
Depreciation and amortisation in 2022	(633)	(322)	(1,153)	(152)	(1,444)	(925)	(4,629)
Depreciation and amortisation of disposed assets in 2022	3,302	-	32	227	-	-	3,561
Accumulated depreciation and amortisation as at 31 December 2022	(19,951)	(6,012)	(11,792)	(5,911)	(11,229)	(2,876)	(57,772)
Net carrying amount as at 31 December 2022	17,212	2,723	4,185	2,013	11,112	2,114	39,359
Net carrying amount as at 31 December 2021	17,340	3,008	2,865	2,081	9,641	1,191	36,127

The fixed assets increased in 2022 having recognised four intangible asset items internally generated within the framework of projects (€2,747 thousand), investments in upgrading the Bank's computer equipment (€2,473 thousand) and the new premises lease agreement (€1,786 thousand). The fixed asset decreased due to derecognition of dismantled building's value in 2022. The building was dismantled during the implementation of the renovation project of the Bank of Lithuania's premises at Žirmūnų g. 151, Vilnius.

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

NOTE 15. OTHER FINANCIAL ASSETS

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 2022	31 December 2021
Balances in current accounts	452,881	409,223
Bank for International Settlements shares	3,334	3,334
SWIFT shares	177	177
Contribution to the establishment of the Centre of Excellence in Anti-Money Laundering	143	143
Total	456,534	412,877

The Bank of Lithuania's balance in current account represents the position of the Bank of Lithuania as an RT1²² 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.

²² RT1 is a payment system operated by EBA CLEARING S.A.S à capital variable.

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. In 2022, the Bank of Lithuania received €372 thousand in dividends for these BIS shares (€669 thousand in 2021).

The Bank of Lithuania holds 37 SWIFT shares with the acquisition cost of €177 thousand. Dividends are not paid for these shares.

The Bank of Lithuania is one of the founders of the public institution, the Centre of Excellence in Anti-Money Laundering, and contributed €143 thousand for the formation of the authorised capital of that institution in 2021.

NOTE 16. 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 2022		31 December 2021	
	Positive differences	Negative differences	Positive differences	Negative differences
Foreign exchange transactions	32,207	7,907	20,490	35,987
Non-deliverable foreign exchange forwards	7,871	-	964	321
Transactions in securities	108	1,247	59	77
Interest rate swaps	-	155	-	-
Total	40,186	9,310	21,513	36,385

NOTE 17. ACCRUALS AND PREPAID EXPENSES

EUR thousands

	31 December 2022	31 December 2021
Accrued interest income	83,420	54,331
On securities held for monetary policy purposes	48,881	45,595
On intra-Eurosystem balances	17,915	-
On other securities	8,619	5,001
On financial derivatives	7,321	946
Other accrued interest income	685	2,789
Other accrued income	-	1,817
Debt securities coupon payment purchased	5,149	3,172
Prepaid expenses	2,088	2,193
Total	90,656	61,513

As at 31 December 2022, the balance of accruals and prepaid expenses increased mainly due to the balance of accrued interest income on intra-Eurosystem claims. This increase is related to the marginal interest rate used by the Eurosystem in its tenders for main refinancing operations, which started to rise in the middle of 2022 and stood at 2.5% at the end of the year (0% at the end of 2021).

NOTE 18. SUNDRY

EUR thousands

	31 December 2022	31 December 2021
Short-term assets	693	752
Advances and other receivables	226	303
Loans to the staff of the Bank of Lithuania	167	210
Total	1,086	1,264

NOTE 19. BANKNOTES IN CIRCULATION

EUR thousands

	31 December 2022	31 December 2021
Euro banknotes issued by the Bank of Lithuania	7,330,311	6,679,031
Adjustment for banknote allocation in the Eurosystem	1,768,633	2,259,892
The ECB's share of euro banknotes in circulation	(727,868)	(715,067)
Total	8,371,076	8,223,855

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 "Banknotes and coins in circulation" of the Explanatory Notes). As at 31 December 2022, the banknote allocation key was 0.5325% (until 31 January 2020 – 0.5365%). The nominal value of euro banknotes actually issued by the Bank of Lithuania in 2022 increased by 10%. As this was less than the allocated amount, the difference of €1,040,765 thousand (compared to €1,544,825 thousand as at 31 December 2021) is shown under the Balance Sheet asset sub-item "Net claims related to the allocation of euro banknotes within the Eurosystem" (see Note 12).

NOTE 20. 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 (excluding funds of credit institutions that are not freely disposable and accounts of credit institutions exempt from minimum reserve requirements) and deposit facility balances.

EUR thousands

	31 December 2022	31 December 2021
Current accounts (covering the minimum reserve system)	1,091,337	15,591,795
Deposit facility	11,352,156	-
Total	12,443,493	15,591,795

The minimum reserve balances until 20 December 2022 were remunerated at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations.²³ On 27 October 2022, the Governing Council of the ECB decided that, starting from 21 December 2022, these balances would be remunerated at the Eurosystem's deposit facility rate. 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 exempted 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 was 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 six²⁴ on a credit institution's minimum reserve requirements. The non-exempt tier of excess liquidity holdings continued to be remunerated at the lower rate of either 0% or the deposit facility rate. Following the raising of the deposit facility rate to above 0% as of 14 September 2022, the Governing Council of the ECB decided to suspend the two-tier system by setting the multiplier to zero as the two-tier system for the remuneration of excess reserves was no longer necessary.

Due to the rise of the deposit facility rate above 0%, in the fourth quarter of 2022, credit institutions stopped holding excess liquidity in current accounts, investing it in the deposit facility.

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

²³ The marginal interest rate used by the Eurosystem in its tenders for the main refinancing operations was 0% in 2021 and 2.5% at the end of 2022.

²⁴ The multiplier may be adjusted by the Governing Council of the ECB over time in line with changing levels of excess liquidity holdings.

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

This item contains the balances on the current accounts of euro area residents with the Bank of Lithuania denominated in euro, including deposits of financial institutions not subject to minimum reserve requirements.

EUR thousands

	31 December 2022	31 December 2021
Liabilities to the general government	2,002,516	4,126,552
Other liabilities	2,543,532	4,870,677
Total	4,546,049	8,997,229

The decrease of the liabilities to other euro area residents denominated in euro is related to the contraction in the current account balances of general government and non-credit institution sector participants in the payment system CENTROlink operated by the Bank of Lithuania (i.e. payment and e-money institutions).

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

This item presents balances in current accounts of the non-euro area participants of the payment system CENTROlink operated by the Bank of Lithuania (i.e. payment and e-money institutions), non-euro area NCBs and international institutions with the Bank of Lithuania denominated in euro. As at 31 December 2022, they amounted to €1,331,286 thousand (€2,519,591 thousand as at 31 December 2021). The decrease of balances in current accounts is related mainly to the reduction in the current account balances 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).

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

This item shows gold swaps and overdrafts 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
31/12/2022			
Liabilities to the financial sector	301,102	–	301,102
Gold swaps	300,950	–	300,950
Overdrafts	152	–	152
Liabilities to the general government	1,843	59	1,902
Total	302,945	59	303,004
31/12/2021			
Liabilities to the financial sector	278,416	–	278,416
Gold swaps	278,416	–	278,416
Liabilities to the general government	1,263	24	1,287
Total	279,679	24	279,703

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

As at 31 December 2022, the Bank of Lithuania had no liabilities to non-euro area residents denominated in foreign currency. As at 31 December 2021, this item presents gold swaps in Japanese yen concluded by the Bank of Lithuania with non-euro area residents with a value of €14,461 thousand.

NOTE 25. ACCRUALS AND INCOME COLLECTED IN ADVANCE

EUR thousands

	31 December 2022	31 December 2021
Accrued interest expenses	27,032	13,045
On monetary policy operations	14,818	8,069
On financial derivatives	6,482	4,976

	31 December 2022	31 December 2021
On current accounts	5,733	-
Other accrued expenses	2,206	878
Income collected in advance	31	33
Iš viso	29,270	13,955

The accrued interest expenses on monetary policy operations increased due to a rise in the accrued interest expenses on TLTRO III in 2022 (see Note 6). The increase in the accrued interest expenses on current accounts resulted from the rise of interest rates paid on current accounts to above 0% since September 2022.

NOTE 26. SUNDRY

EUR thousands

	31 December 2022	31 December 2021
Euro coins in circulation	146,941	139,196
Litas banknotes in circulation	78,591	80,540
Litas coins in circulation	31,892	31,931
Sundry	5,560	2,646
Total	262,985	254,313

As at 31 December 2022, the sundry item included a lease liability of €2,099 thousand (as at 31 December 2021 – €1,178 thousand) (see section 2.14 "Leases" of the Explanatory Notes).

NOTE 27. PROVISIONS

EUR thousands

	31 December 2022	31 December 2021
Provisions for risks (see section 2.16 "Provisions for covering financial risks and liabilities" of the Explanatory Notes)	292,881	456,870
Provisions for liabilities related to	4,897	4,975
Wages and salaries payable for annual leave	3,120	2,798
Termination benefits, payable to staff who will qualify for the state social insurance pension while working at the Bank of Lithuania	1,361	1,529
Termination benefits to the members of the Board as provided in the Law on the Bank of Lithuania	121	147
Provisions for exchanging derecognised litas banknotes and coins	295	317
Provisions for other liabilities	-	184
Total	297,778	461,846

In 2022, the Board of the Bank of Lithuania, in accordance with the procedure for forming risk provisions at the Bank of Lithuania, adopted a decision to release €163,989 thousand from provisions for risk to offset losses related to financial instruments (€111,000 thousand additional provisions for risks were formed in 2021). This release brought the financial result of the Bank of Lithuania to €0. Financial transaction losses mainly resulted from realized and unrealised price losses of debt and marketable equity securities related to the increase in the euro and US dollar yields (see section 2.16 "Provisions for covering financial risks and liabilities" of the Explanatory Notes and Note 31 "Net result of financial operations, write-downs and risk provisions").

Provisions for wages and salaries payable for annual leave increased mainly due to the increase in the wages and the number of unused annual leave days. The decrease in the provisions for termination benefits, payable to staff qualifying for the state social insurance pension while working at the Bank of Lithuania, was mainly caused by the increase in the long-term interest rate and the staff turnover dynamics used to calculate provisions. The change in these provisions is presented as expenses in Note 36 "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 2022 (compared to €15 thousand in 2021).

As at 31 December 2022, the Bank of Lithuania was engaged in six legal proceedings related to financial market supervision, in which the Bank of Lithuania was a defendant or co-defendant, and which are related to possible expenses on financial compensation for the harm. Because of the low probability of settlement of the claims brought against the Bank of Lithuania, no provisions were formed for these claims.

NOTE 28. 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 2022	31 December 2021
Revaluation accounts		
Pre-system unrealised gains	164,456	164,456
Foreign currency	196,514	171,049
Gold	137,223	119,122
Financial derivatives	7,979	1,023
Debt securities	971	10,520
Equity securities	-	45,994
Total	507,144	512,164

As at 31 December 2022, the balances in revaluation accounts decreased mainly due to unrealised price losses of debt and marketable equity securities related to the increase in the euro and US dollar yields. The increase in the revaluation accounts is predominately due to the appreciation of the US dollar against the euro and the rise in the market price of gold.

Unrealised revaluation losses recognised as expenses at the end of 2022 are presented in Note 31 "Net result of financial operations, write-downs and risk provisions".

NOTE 29. CAPITAL

Statement of changes in equity for 2022

EUR thousands

	31 December 2022	2021 profit distribution	31 December 2021
Capital			
Authorised capital	60,000	-	60,000
Reserve capital	463,343	17,607	445,736
Total	523,343	17,607	505,736

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 equal to the Bank of Lithuania's projected Republic of Lithuania GDP in the medium-term (calculated in comparative prices) annual average growth, calculated according to the Bank of Lithuania's forecast for the fourth quarter of the reporting year.

7. NOTES ON THE PROFIT AND LOSS ACCOUNT

NOTE 30. NET INTEREST INCOME

EUR thousands

	2022		2021	
	income	Interest expense	Interest income	Interest expense
Monetary policy operations	103,290	(37,645)	120,505	(7,323)
Securities held for monetary policy purposes	73,410	-	66,359	-
Current accounts (covering the minimum reserve system)	29,870	-	54,146	-
Main refinancing operations	9	-	-	-
Longer-term refinancing operations	-	(6,701)	-	(7,323)
Deposit facility	-	(30,944)	-	-
Debt securities	69,847	-	30,900	-
Intra-Eurosystem claims (liabilities)	38,462	-	-	-
On TARGET2 balances	31,653	-	-	-
On claims related to the allocation of euro banknotes within the Eurosystem	5,645	-	-	-
On claims equivalent to the transfer of foreign reserves	1,165	-	-	-
Balances in current accounts with the Bank of Lithuania	19,566	-	42,076	-
The Bank of Lithuania's balances in current accounts	11,982	-	-	(3,320)
Repurchase agreements	-	(2,018)	-	(1)
Gold swaps	-	(4,743)	-	(836)
Foreign exchange transactions	-	(11,579)	-	(8,911)
Other	1,203	-	42	-
Total interest income (expense)	244,350	(55,985)	193,522	(20,391)
Net interest income	188,365		173,131	

In 2022, the net interest income increased by €15,233 thousand compared to 2021, mainly due to the growth in net interest income from debt securities, intra-Eurosystem claims, related to TARGET2 balances and the Bank of Lithuania's balances in current accounts. Interest income from debt securities increased due to the rise in the euro and US dollar yields. In 2022, the increase in the net interest income was caused by the rise of the marginal interest rate used by the Eurosystem in its tenders for main refinancing operations and the deposit facility rate to above 0%. This resulted in earned interest income of €38,462 thousand on intra-Eurosystem claims (the Bank of Lithuania did not receive such income in 2021) and incurred interest expenses of €30,944 thousand on deposit facility (the Bank of Lithuania did not incur such expenses in 2021). The overall increase in interest rates resulted in higher net interest income on the Bank of Lithuania's balances in current accounts and lower net interest income on balances in current accounts with the Bank of Lithuania. The growth in interest income from securities held for monetary policy purposes was caused by the purchase of securities under the PSPP and the PEPP in 2022 (see Note 8).

NOTE 31. 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 2022 as compared to the average prices and rates of these items; and (c) provisions for financial risks, released by a decision of the Board of the Bank of Lithuania to offset losses related to financial instruments.

EUR thousands

	2022	2021
Net realised gains (losses) arising from	(73,656)	106,585
Transactions in securities	(121,336)	72,990
Transactions in foreign currency	61,869	25,503

	2022	2021
Interest rate derivatives	(14,189)	8,092
Write-downs on financial items	(185,330)	(21,929)
Securities	(172,082)	(20,750)
Foreign currency	(11,847)	(780)
Financial derivatives	(1,402)	(399)
Transfers from (to) provisions for risks (see Note 27)	163,989	(111,000)
Net result of financial operations, write-downs and risk provisions	(94,997)	(26,345)

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

The write-downs on securities increased mainly due to unrealised price losses of debt and marketable equity securities related to the increase in the US dollar and euro yields.

NOTE 32. NET INCOME FROM FEES AND COMMISSIONS

EUR thousands

	2022	2021
Fees and commissions income	15,237	11,802
Contributions of supervised financial market participants	10,226	7,733
Settlement services	4,272	3,391
Security lending	212	211
Other services	526	467
Fees and commissions expense	(3,819)	(3,231)
Financial instruments	(2,756)	(2,485)
Other	(1,063)	(745)
Net income from fees and commissions	11,418	8,571

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 2022, the Bank of Lithuania collected contributions amounting to €9,850 thousand to cover the costs of financial market supervision (in 2021 – €7,477 thousand) and contributions of financial market participants amounting to €376 thousand to finance the activity of the financial sector resolution authority (in 2021 – €257 thousand).

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

NOTE 33. INCOME FROM EQUITY INSTRUMENTS

EUR thousands

	2022	2021
Dividend income from marketable equity securities	11,988	7,531
Dividend income from non-marketable equity securities	372	669
Income from distribution of the ECB profit	241	3,085
Total	12,602	11,286

In 2022, income from marketable equity instruments increased due to the higher average holdings of marketable equity securities.

Dividend income from non-marketable equity securities consists of dividends received in 2022 and 2021 on shares which the Bank of Lithuania holds in the BIS (see Note 15). In 2021, this amount included a supplementary dividend to compensate for the dividends retained in 2019–2020.

In view of the ECB's overall financial result for the year, in 2022 the Governing Council of the ECB decided to retain the full amount of income derived from banknotes in circulation, as well as income earned on securities purchased under the SMP, the APP and the PEPP. Therefore, the Bank of Lithuania did not receive income related to the ECB's interim profit distribution (in 2021, the amount due to the euro area NCBs, with respect

to the ECB's interim profit distribution, was €150,000 thousand, and the amount due to the Bank of Lithuania was €868 thousand). The result from the ECB final profit distribution of 2021 was recognised as income of 2022 (see section 4.9 "Distribution of the ECB profit" of the Explanatory Notes).

NOTE 34. NET RESULT OF POOLING OF MONETARY INCOME

EUR thousands

	2022	2021
Net monetary income pooled by the Bank of Lithuania	(111,504)	(94,366)
Net monetary income reallocated to the Bank of Lithuania	41,301	6,772
Adjustment for the monetary income of previous years	251	417
Net result of pooling of monetary income	(69,953)	(87,176)

In 2022, 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 PSPP. After pooling of the monetary income of the Eurosystem for 2022 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 "Allocation of monetary income" of the Explanatory Notes and Note 13 "Other claims (liabilities) within the Eurosystem (net)").

NOTE 35. OTHER INCOME

EUR thousands

	2022	2021
Income from sale of collector coins and other numismatic items	3,973	1,231
Other miscellaneous income	2,529	500
Total	6,502	1,731

In 2022, income from the sale of collector coins and other numismatic items increased as the Bank of Lithuania issued more collector coins of greater weight and quality on the occasion of the centenary of the Bank of Lithuania.

The majority of other miscellaneous income (€1,995 thousand) consisted of funds returned by the IMF to the Bank of Lithuania, acting as the fiscal agency function of the IMF, with which the Bank of Lithuania was not able to contribute to Sudan's debt relief due to legal constraints.

NOTE 36. STAFF COSTS

EUR thousands

	2022	2021
Expenses on wages	22,792	20,554
To the members of the Board	746	682
To the heads of structural divisions	1,011	1,396
To other staff of the Bank of Lithuania	21,035	18,476
Other emoluments	917	997
Contributions to the State Social Insurance Fund	351	319
Expenses on (income from) provisions related to liabilities to the staff	105	190
Total	24,166	22,059

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 2022, there were twelve departments and two autonomous divisions operating at the Bank of Lithuania. As at 31 December 2022, the staff of the Bank of Lithuania consisted of 663 employees (at the end of 2021 – 610) of which 46 (39 at the end of 2021) worked under a fixed-term employment contracts. In addition, 24 employees were on parental leave or unpaid leave for the term of their contracts with other institutions (26 at the end of 2021). In 2022, the average number of employees, expressed in full-time equivalents, was 655 (647 in 2021).

In 2022, the growth in the number of staff and higher wages led to an increase in the staff costs. The decrease in expenses on wages paid to the heads of structural divisions was caused by the rearrangement of the organisational structure implemented in the autumn of 2021, when the number of hierarchy levels was reduced, i.e. eliminated heads of Services.

In 2022, the part of staff costs that amounted to €237 thousand (in 2021 – €163 thousand) was included as part of the acquisition cost of the intangible asset items internally generated within the framework of projects (see section 2.13 of the Explanatory Notes and Note 14 “Tangible and intangible fixed assets”) and are not presented in this item.

NOTE 37. ADMINISTRATIVE EXPENSES

EUR thousands

	2022	2021
Administrative expenses		
Information system maintenance and information acquisition	7,997	6,465
Tangible assets maintenance	2,387	2,190
Participation in international organisations fees	1,822	1,723
Mail and telecommunication	736	741
Equipment and office supply	579	546
Training of the staff	524	246
Business trips	485	36
Communication	478	255
Other	3,397	1,581
Total	18,405	13,782

In 2022, information system maintenance and information acquisition expenses increased mainly due to the information systems programming and maintenance works. The growth in other administrative expenses was mainly caused by reimbursement of legal costs related to the financial market supervision.

NOTE 38. 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 2022, the Bank of Lithuania incurred euro banknote production expenses (amounting to €2,900 thousand) that were necessary to supplement the Eurosystem’s strategic reserve (in 2021 – €2,005 thousand).

NOTE 39. OTHER EXPENSES

EUR thousands

	2022	2021
Collector and commemorative coin minting expenses	3,633	692
Euro circulation coin minting expenses	128	314
Cash circulation expenses	70	37
Other miscellaneous expenses	4	0
Total	3,836	1,043

NOTE 40. PROFIT DISTRIBUTION

Pursuant to Article 23 of the Law on the Bank of Lithuania, profit (loss) is distributed (covered) 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.

The financial result of the Bank of Lithuania for 2022 was €0, therefore the profit was not distributed.

Profit distribution

EUR

	2022	2021	2020
Profit distribution			
Allocation to the reserve capital of the Bank of Lithuania	-	17,606,578	8,010,382
Transfer to the state budget	-	20,382,191	16,625,836
Total	-	37,988,769	24,636,218

8. OTHER NOTES**NOTE 41. DERIVATIVES**

As at 31 December 2022, the Bank of Lithuania had outstanding foreign exchange swaps, foreign exchange forwards, non-deliverable foreign exchange forwards, future contracts, interest rate swaps, 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 2022	31 December 2021
Claims	2,575,548	3,886,576
Liabilities	2,575,548	3,886,576

Non-deliverable foreign exchange forwards

EUR thousands

	31 December 2022	31 December 2021
Notional claims	226,958	53,721
Notional liabilities	219,979	52,753

Future contracts

EUR thousands

	31 December 2022	31 December 2021
Notional claims	5,417,668	8,496,429
Notional liabilities	4,043,844	5,676,793

As at 31 December 2022, futures claims and liabilities decreased as a result of the implementation of active investment management decisions.

Interest rate swaps

As at 31 December 2022, the contractual amount of interest rate swaps amounted to €100,000 thousand (as at 31 December 2021, the Bank of Lithuania had no outstanding interest rate swaps).

Forward transactions in securities

EUR thousands

	31 December 2022	31 December 2021
Receivable securities	18,430	972
Payable amounts	18,430	972

TBA contracts

EUR thousands

	31 December 2022	31 December 2021
Receivable mortgage-backed securities	66,459	135,530
Payable amounts	66,459	135,530

NOTE 42. ASSETS AND LIABILITIES OF THE BANK OF LITHUANIA BY FOREIGN CURRENCY

EUR thousands

	USD	GBP	CAD	CNY	XDR	JPY	Other
31/12/2022							
On-balance sheet assets	2,353,397	466,332	532,245	7,682	852,847	527,259	132,971
On-balance sheet liabilities	324,224	224	110	272	701,568	7	1,505
NET ON-BALANCE SHEET ASSETS (LIABILITIES)	2,029,173	466,108	532,135	7,409	151,279	527,252	131,466
Net off-balance sheet assets (liabilities) included into currency position	(18,287)	8,520	(141,434)	(239,976)	-	(516,791)	(130,412)
NET ASSETS (LIABILITIES)	2,010,886	474,628	390,701	(232,567)	151,279	10,461	1,055
31/12/2021							
On-balance sheet assets	2,139,535	454,994	714,840	99,180	851,196	389,076	911,346
On-balance sheet liabilities	330,996	2,596	4,342	14,110	692,713	18,891	14,915
NET ON-BALANCE SHEET ASSETS (LIABILITIES)	1,808,539	452,399	710,498	85,069	158,483	370,185	896,431
Net off-balance sheet assets (liabilities) included into currency position	(46,867)	(149,677)	(248,769)	(103,724)	-	(368,918)	(896,624)
NET ASSETS (LIABILITIES)	1,761,673	302,721	461,729	(18,655)	158,483	1,267	(193)