



Annual Financial Statements of the Bank of Lithuania

2023

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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 2023, 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 2023, 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 the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards) (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 Financial Statements of the Republic of Lithuania and the IESBA Code.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Banks'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
28 March 2024

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 2023	31 December 2022
ASSETS			
1. Gold and gold receivables	1	350,067	319,752
2. Claims on non-euro area residents denominated in foreign currency		5,251,566	4,812,029
Receivables from the IMF	2	850,100	852,186
Balances with banks and security investments, external loans and other external assets	3	4,401,466	3,959,843
3. Claims on euro area residents denominated in foreign currency	4	429,376	2,768
4. Claims on non-euro area residents denominated in euro	5	45,601	92,405
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	6	478,810	1,628,810
Main refinancing operations		-	-
Longer-term refinancing operations		478,810	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	799	1,606
7. Securities of euro area residents denominated in euro		12,348,160	13,350,616
Securities held for monetary policy purposes	8	11,766,599	12,985,330
Other securities	9	581,561	365,286
8. General government debt denominated in euro		-	-
9. Intra-Eurosystem claims		9,991,989	8,508,496
Participating interest in the ECB	10	213,408	213,408
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	938,629	1,040,765
Other claims within the Eurosystem (net)	13	8,606,456	7,020,827
10. Items in course of settlement		-	-
11. Other assets		550,547	627,821
Tangible and intangible fixed assets	14	39,996	39,359
Other financial assets	15	350,326	456,534
Off-balance-sheet instruments revaluation differences	16	11,384	40,186
Accruals and prepaid expenses	17	147,873	90,656
Sundry	18	968	1,086
TOTAL ASSETS		29,446,915	29,344,303

Balance Sheet of the Bank of Lithuania

EUR thousands

	Notes	31 December 2023	31 December 2022
LIABILITIES			
1. Banknotes in circulation	19	8,274,959	8,371,076
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	20	11,605,490	12,443,493
Current accounts (covering the minimum reserve system)		572,342	1,091,337
Deposit facility		11,033,148	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	21	42,300	9,900
4. Debt certificates issued		-	-
5. Liabilities to other euro area residents denominated in euro	22	5,595,195	4,546,048
General government		3,594,829	2,002,516
Other liabilities		2,000,366	2,543,532
6. Liabilities to non-euro area residents denominated in euro	23	1,132,604	1,331,286
7. Liabilities to euro area residents denominated in foreign currency	24	291,017	303,003
8. Liabilities to non-euro area residents denominated in foreign currency		1,162	-
9. Counterpart of special drawing rights allocated by the IMF	2	681,391	701,568
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		5,920	8,100
12. Other liabilities		297,279	301,564
Off-balance-sheet instruments revaluation differences	16	9,431	9,309
Accruals and income collected in advance	25	20,920	29,270
Sundry	26	266,928	262,985
13. Provisions	27	428,155	297,778
14. Revaluation accounts	28	544,451	507,144
15. Capital	29	523,343	523,343
Authorised capital		60,000	60,000
Reserve capital		463,343	463,343
16. Profit for the year	40	23,649	-
TOTAL LIABILITIES		29,446,915	29,344,303

Profit and Loss Account of the Bank of Lithuania

EUR thousands

	Notes	31 December 2023	31 December 2022
Interest income		564,850	244,122
Interest expense		(454,340)	(55,757)
1. Net interest income	30	110,510	188,365
Realised gains (losses) arising from financial operations		35,598	(73,656)
Write-downs on financial assets and positions		(10,865)	(185,330)
Transfer to provisions for risks		(129,529)	163,989
2. Net result of financial operations, write-downs and risk provisions	31	(104,796)	(94,997)
Fees and commissions income		17,348	15,237
Fees and commissions expense		(3,518)	(3,819)
3. Net income from fees and commissions	32	13,830	11,418
4. Income from equity instruments	33	32,683	12,602
5. Net result of pooling of monetary income	34	26,343	(69,953)
6. Other income	35	1,807	6,502
TOTAL NET INCOME		80,377	53,937
7. Staff costs	36	(28,228)	(24,166)
8. Administrative expenses	37	(20,661)	(18,405)
9. Depreciation and amortisation of tangible and intangible fixed assets	14	(4,970)	(4,630)
10. Banknote production services	38	(1,548)	(2,900)
11. Other expenses	39	(1,321)	(3,836)
PROFIT FOR THE YEAR	40	23,649	-

The Annual Financial Statements for 2023 of the Bank of Lithuania were approved on 26 March 2024 by Resolution No 03-58 of the Board of the Bank of Lithuania.

Chairman of the Board

Gediminas Šimkus
(signed electronically)

Director of the
Corporate Services Department

Ugnė Šaltenytė
(signed electronically)

Explanatory Notes

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

Lithuania has been a member of the euro area since 15 January 2015.

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).

2. ACCOUNTING POLICY

2.1. GENERAL PRINCIPLES

The Bank of Lithuania manages its financial accounting adhering to 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 of the 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 of the 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. This unrealised loss 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 acquisition costs for gold, securities and foreign currency are calculated using the average rate and average price method. Such acquisition costs are used for calculating the realised and unrealised results.

Income and expense are recognised in the accounting period in which they are earned or incurred, rather than 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.

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.

2.2. FOREIGN CURRENCY

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

Foreign currency/EUR 1

Currency	Code	31 December 2023	31 December 2022	Change (%)
Czech koruna	CZK	24.7240	24.1160	2.5
British pound	GBP	0.86905	0.88693	-2.0
Japanese yen	JPY	156.330	140.660	11.1
US dollar	USD	1.10500	1.06660	3.6
Canadian dollar	CAD	1.46420	1.44400	1.4
Chinese yuan	CNY	7.85090	7.35820	6.7
Special Drawing Rights (SDR)	XDR	0.82257	0.79891	3.0

The average rate of foreign currency is recalculated on a daily basis considering the increase of a respective foreign currency position and of the average costs of all purchases (for long positions), or of all sales (for short positions) 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 break-down 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 accordingly adjusted to the market rate on the last business day of the financial year.

2.3. GOLD

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

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

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

2.4. MARKETABLE SECURITIES

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

Securities held for monetary policy purposes 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 (80% of the fair value on 31 December 2023 and 88% on 31 December 2022) or on the basis of the relevant yield curve (20% of the fair value as at 31 December 2023 and 12% as at 31 December 2022) prevailing on the last business day of the financial year. Revaluation results of securities related to changes in the market price of securities and the market rate of the foreign currency are presented in separate revaluation accounts.

The average price of each issue of securities is recalculated at the end of the business day taking into account 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. For 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 considering 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 securities acquisition costs.

Dividends, bought together with equity securities, are included in the acquisition cost of the securities. Dividends bought in the period after they have been 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 change of the nominal value 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 business day of the financial year.

2.5. NON-MARKETABLE EQUITY INSTRUMENTS

Non-marketable equity instruments are long-term investments in equity instruments held for the specific purposes of the Bank of Lithuania in order to participate in the activities of a specific enterprise whose equity instruments are 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 once the dividends are announced while dividends of non-marketable equity instruments are booked once settled or having received a notice 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 assets 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 assets 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 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 the 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 the 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 the 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 SWAP TRANSACTIONS

Interest rate swaps are recorded in the 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 are 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 with useful life longer than one year and the acquisition cost (including VAT) of 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 cost of assets and services acquired or depreciated (amortised) in order to develop these assets. The fixed assets under construction, land, pieces of art, museum articles 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 their expected useful life.

Useful lives of tangible and intangible fixed assets

Fixed assets	Years
Tangible assets	
Buildings	44–59
Cash processing equipment	8–15
Computer equipment	3–8
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 sale value 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 as other interest expense in the "Interest expense" item of the Profit and Loss Account.

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 2023, useful lives of right-of-use assets were 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 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 item 1 "Net interest income" of the Profit and Loss Account (see Note 30 "Net interest income").

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.

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 2.5% at the end of 2022 and 4.5% at the end of 2023.

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 year the new entrant adopted the euro, 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 liability item 12 "Other liabilities" of the Balance Sheet (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 liability item 12 "Other liabilities" of the Balance Sheet.

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 of 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 the 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

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

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

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

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. Lending operations conducted by the Eurosystem are mainly exposed to credit risk, arising from potential default of counterparty. To manage the counterparty's credit risk, eligibility criteria 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 eligibility requirements and risk management instruments applied to it. 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 credit 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 defined 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 2022). 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 2023, the risk value of the investment portfolio amounted to €147 million and was by €54 million higher than at the end of 2022.

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 2023, as in 2022, the maximum allowable reserve portfolio risk budget was set at \$40 million. At the end of 2023, as at the end of 2022, its value stood at \$-19 million.

Exchange rate risk related to financial assets corresponding to liabilities in foreign currencies is eliminated by investing in the currency of liabilities.

For managing foreign exchange rate and interest rate risks, the Bank of Lithuania widely uses financial derivatives.

Credit risk is managed by dealing only with reliable financial institutions, investing only in investment grade financial instruments. Considering the credibility of the counterparty or issuer, the Bank of Lithuania has set limits on the liabilities to the Bank of Lithuania by issuers, counterparties and their groups implemented with a view to diversifying the relevant credit risk.

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

The settlement risk is mitigated by applying a number of instruments, such as the delivery-versus-payment principle, matching of debt and credit turnovers, ISDA Master Agreement.

An important role in financial risk management, seeking to reduce the concentration of investment is played by an appropriate investment allocation. To ensure diversification, the Bank of Lithuania uses the risk parity strategy, in addition to the investment in exchange traded funds linked to well-diversified equity and debt securities market indexes.

The assessment of the market and credit risk of the Bank of Lithuania's financial assets investment takes into account all the relevant derivative financial instruments.

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.

On 1 January 2023, 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 and Hrvatska narodna banka joined the Eurosystem and paid up the remainder of its capital subscription to the ECB. As a consequence, the paid-up capital of the ECB increased by €68,714 thousand up to €8,948,335 thousand. The shares of the Eurosystem's NCBs in the paid-up capital of the ECB (the Eurosystem key) also changed.

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

NCB	Capital key as at 31 December 2023, %	Paid-up capital as at 31 December 2023, EUR	Eurosystem capital key as at 31 December 2023, %
Nationale Bank van België/ Banque Nationale de Belgique	2.9630	320,744,959	3.61394
Deutsche Bundesbank	21.4394	2,320,816,566	26.14940
Eesti Pank	0.2291	24,800,091	0.27943
Banc Ceannais na hÉireann/ Central Bank of Ireland	1.3772	149,081,997	1.67976
Bank of Greece	2.0117	217,766,667	2.45365
Banco de España	9.6981	1,049,820,011	11.82867
Banque de France	16.6108	1,798,120,274	20.26001
Hrvatska narodna banka	0.6595	71,390,922	0.80438
Banca d'Italia	13.8165	1,495,637,102	16.85184
Central Bank of Cyprus	0.1750	18,943,762	0.21345
Latvijas Banka	0.3169	34,304,447	0.38652
Lietuvos bankas	0.4707	50,953,308	0.57411
Banque centrale du Luxembourg	0.2679	29,000,194	0.32675
Bank Ċentrali ta'Malta/Central Bank of Malta	0.0853	9,233,731	0.10404
De Nederlandsche Bank	4.7662	515,941,487	5.81328
Oesterreichische Nationalbank	2.3804	257,678,468	2.90335
Banco de Portugal	1.9035	206,054,010	2.32168
Banka Slovenije	0.3916	42,390,728	0.47763
Národná banka Slovenska	0.9314	100,824,116	1.13602
Suomen Pankki – Finlands Bank	1.4939	161,714,781	1.82209
Subtotal for euro area NCBs	81.9881	8,875,217,621	100.00000
Българска народна банка (Bulgarian National Bank)	0.9832	3,991,180	–

NCB	Capital key as at 31 December 2023, %	Paid-up capital as at 31 December 2023, EUR	Eurosystem capital key as at 31 December 2023, %
Česká národní banka	1.8794	7,629,194	–
Danmarks Nationalbank	1.7591	7,140,851	–
Magyar Nemzeti Bank	1.5488	6,287,164	–
Narodowy Bank Polski	6.0335	24,492,255	–
Banca Națională a României	2.8289	11,483,574	–
Sveriges Riksbank	2.9790	12,092,886	–
Subtotal for non-euro area NCBs	18.0119	73,117,104	–
Total	100.0000	8,948,334,725	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, when joining the Eurosystem, the NCBs 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 a result of Croatia's adoption of a single currency on 1 January 2023 and consequent Hrvatska narodna banka's transfer of foreign reserve assets, equivalent to the share of its subscribed capital, foreign reserve assets transferred by the NCBs amounted to €40,671 million as at 31 December 2023 (until 31 December 2022 they amounted to €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.⁷

4.3. LENDING TO EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

Main refinancing operations. The main refinancing operations 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. The longer-term refinancing 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 all TLTROs III, starting 12 months after the settlement of each operation, participants have the option on a quarterly basis of terminating or reducing the amount of TLTRO III concerned before maturity. Borrowing rates in these operations can be as low as 50 basis points below the average interest rate on the deposit facility over the period from 24 June 2020 to 23 June 2022, but in any case, may not become less negative than -1%, and as low as the average – for the relevant period – interest rate on the deposit facility during the rest of the life of the same operation⁸. The actual interest rates can only be known at the maturity or early repayment of each operation and before that a reliable estimate is used for calculating the TLTRO III interest accruals. This means that for the annual accounts 2023, the interest rate for the accruals was indexed to the average applicable key ECB interest rate since the beginning of the last interest period of these operations, which began on 23 November 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, the last operation matured in the course of 2023. 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 was 25 basis points below the average rate applied in the Eurosystem's main refinancing operations over the life of the respective PELTRO.

⁷ The marginal interest rate used by the Eurosystem in its tenders for the main refinancing operations was 2.5% in the end of 2022 and 4.5% in the end of 2023.

⁸ On 27 October 2022 the Governing Council 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.

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

Structural reverse operations. Structural reverse operations 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. Such credits 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 2023, the total Eurosystem NCB's holding of monetary policy assets amounted to €410,290 million (€1,324,347 million on 31 December 2022). 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 2023, 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)⁹, the corporate sector purchase programme (CSPP) and the pandemic emergency purchase programme (PEPP).¹⁰

	Start date	End date	Decision	Universe of eligible securities*
Completed/terminated programmes				
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.

*** The reinvestments under the APP were discontinued as of 1 July 2023.

⁹ 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.

¹⁰ 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.

Until the end of February 2023¹¹, the Eurosystem continued reinvesting, in full, the principal payments from maturing securities purchased under the APP¹². Subsequently, the APP portfolio declined at a measured and predictable pace. Until the end of June 2023, the decline amounted to €15 billion per month on average, as the Eurosystem did not reinvest all of the principal payments from maturing securities. In June 2023, the Governing Council of the ECB decided¹³ to discontinue the reinvestments under the APP as of July 2023. Thereafter, the APP portfolio declined due to maturing securities.

Regarding the PEPP¹⁴, the Eurosystem continued reinvesting, in full, the principal payments from maturing securities purchased throughout the year. The Governing Council of the ECB intends¹⁵ to continue to reinvest, in full, the principal payments from maturing securities purchased under the PEPP during the first half of 2024. It also intends to reduce the PEPP portfolio by €7.5 billion per month on average over the second half of 2024 and to discontinue reinvestments at the end of the same year. In addition, the Governing Council of the ECB will continue applying flexibility in reinvesting redemptions coming due in the PEPP portfolio, with a view to countering risks to the monetary policy transmission mechanism related to the pandemic. The future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.

The value of the securities held by the Eurosystem as at 31 December 2023

EUR thousands

	31 December 2023	31 December 2022
Completed/terminated programmes	2,397,352	2,860,114
SMP	2,397,352	2,860,114
APP	3,025,924,062	3,253,653,297
CBPP3	285,619,775	301,973,050
ABSPP	13,348,123	22,894,683
PSPP – government/agency securities	2,147,773,505	2,309,438,192
PSPP – supranational securities	255,261,175	275,228,136
CSPP	323,921,484	344,119,236
PEPP	1,666,023,939	1,680,665,751
Covered bonds	6,036,072	6,051,662
Government/agency securities	1,459,666,708	1,482,853,119
Supranational securities	154,331,953	145,687,092
Corporate sector securities	45,989,206	46,073,878
Total	4,694,345,353	4,937,179,162

The 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 €1,048,693 million as at 31 December 2023 and €1,095,390 million as at 31 December 2022), 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 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 allocation.

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

¹¹ See the [press release](#) of 15 December 2022 on the Governing Council's decisions.

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

¹³ See the [press release](#) of 15 June 2023 on the Governing Council's decisions.

¹⁴ Further details on the PEPP can be found on the [ECB's website](#).

¹⁵ See the [press release](#) of 14 December 2023 on the Governing Council's decisions.

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

Current accounts (covering the minimum reserve system). Current accounts 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 TARGET

Cross-border payments in the EU settled in TARGET¹⁶ give rise to bilateral balances in the TARGET accounts of EU central banks. Payments conducted by the ECB and the NCBs also affect these accounts. All settlements are automatically aggregated and adjusted to form part of a single position of each NCB vis-à-vis the ECB. The movements in TARGET accounts are reflected in the accounting records of the ECB and the NCBs on a daily basis. Intra-Eurosystem balances of the Bank of Lithuania vis-à-vis the ECB arising from TARGET are disclosed under the Balance Sheet item "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 TARGET 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 TARGET 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.¹⁷ Furthermore, for monetary income calculation purposes, gold is considered to generate no income, and government securities held for monetary policy purposes under Decision ECB/2020/9 on the implementation of a secondary markets PSPP and 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 TARGET. The net result arising from

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

¹⁷ The marginal interest rate used by the Eurosystem in its tenders for main refinancing operations was 2.5% at the end of 2022 and 4.5% at the end of 2023.

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 2023, as in 2022, the amount of net financial assets of the Bank of Lithuania met the provisions of the Agreement.

4.9. THE ECB PROFIT DISTRIBUTION

Unless otherwise decided by the Governing Council of the ECB, the ECB distributes seigniorage income, which arises from the 8% share of euro banknotes allocated to the ECB, as well as the income arising from the securities acquired under securities programmes (the SMP, the CBPP3, the ABSPP, the PSPP and the PEPP), by means of an interim distribution of profit in January of the following year.¹⁸ 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 ECB profit distribution 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. FIVE-YEARLY ADJUSTMENT OF THE ECB'S CAPITAL KEY

Pursuant to Article 29 of the Statute of the ESCB and of the ECB, shares of the NCBs in the subscribed capital of the ECB are adjusted every five years on the basis of population and GDP data provided by the European Commission. The most recent such adjustment took effect on 1 January 2024.

Consequently, the Bank of Lithuania's share in the subscribed capital of the ECB increased by 0.0119 percentage point and amounts to 0.4826% as of 1 January 2024. The Eurosystem capital key of the Bank of Lithuania increased by 0.0161 percentage point and amounts to 0.59021%. Given the increase of the Bank of Lithuania's share in the paid-up capital of the ECB, the Bank of Lithuania additionally contributed €1,288 thousand to the ECB capital on 1 January 2024 and €5,768 thousand to the reserves of the ECB and to the provisions, equivalent to reserves, on 23 February 2024. As a result of such payments the Balance Sheet item 'Participating interest in the ECB' of the Bank of Lithuania increased up to €220,464 thousand.

The adjustment to the ECB capital key entailed a change in the Bank of Lithuania's claims equivalent to the transfer of foreign reserves; the respective Balance Sheet item increased by €5,903 thousand to €239,399 thousand.

In addition, given the adjustment of the banknote allocation key on 1 January 2024 (for the Bank of Lithuania it increased by 0.015 percentage point to 0.5430%), leading to an increase of the Bank of Lithuania's share in the allocation of euro banknotes in the Eurosystem.

¹⁸ 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](#).

6. NOTES ON THE BALANCE SHEET

NOTE 1. GOLD AND GOLD RECEIVABLES

	31 December 2023	31 December 2022
Gold holdings in		
Troy ounces	187,420	187,419
Kilograms	5,829	5,829
Price per one Troy ounce, EUR	1,867.828	1,706.075
Value of gold, EUR thousands	350,067	319,752

Gold investment

	31 December 2023	31 December 2022
Troy ounces		
Gold swaps	171,420	171,419
Fixed-term deposits	-	16,000
Non-invested reserves	16,000	-
Total	187,420	187,419

A major part of the gold held by the Bank of Lithuania as at 31 December 2023 was invested in gold swaps.

Compared to 2022, gold holdings in 2023 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 2023.

NOTE 2. RECEIVABLES FROM THE IMF

EUR thousands	31 December 2023	31 December 2022
Balance in the SDR account with the IMF	688,519	711,953
Reserve tranche position in the IMF	144,710	140,233
Lithuania's quota in the IMF	537,442	553,150
Balance in the IMF account No 1 with the Bank of Lithuania	(392,732)	(412,917)
Deposit in IMF Resilience and Sustainability Trust	16,871	-
Total	850,100	852,186

A 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 (€681,391 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.

Furthermore, 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 2023, under this arrangement the Bank of Lithuania purchased SDR 13,000 thousand and sold SDR 6,200 thousand (SDR 17,287 thousand sold in 2022) against euro. The net acquisition of SDR increased the balance of the Bank of Lithuania's SDR account with the IMF. The Bank of Lithuania is paid 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 depreciation of the SDR against the euro in 2023 had a negative impact on 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 for 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 2023, compared to 31 December 2022, 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 2023 (the same amount in 2022). 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 are insufficient to ensure the necessary lending capacity. In 2023, 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 the IMF programs implemented by the IMF's Resilience and Sustainability Trust. In 2023, no contribution to the loan account was transferred by the Bank of Lithuania under this agreement.

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	GBP	JPY	CZK	Other	Total
31/12/2023							
Balances in current accounts	1,066	13,665	6,947	507,843	17,378	122	547,021
Fixed-term deposits	30,226	-	-	-	-	-	30,226
Debt securities	2,150,946	560,577	538,156	-	-	-	3,249,679
Marketable equity securities	544,495	-	-	-	-	-	544,495
Reverse repurchase agreements	30,045	-	-	-	-	-	30,045
Total	2,756,778	574,242	545,103	507,843	17,378	122	4,401,466
31/12/2022							
Balances in current accounts	1,788	2,623	8,665	500,548	108,232	24,692	646,548
Fixed-term deposits	6,657	-	-	-	-	-	6,657
Debt securities	1,748,677	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	462,662	500,548	108,232	24,692	3,959,843

As at 31 December 2023, compared to 31 December 2022, this Balance Sheet item increased by €441,623 thousand. This was mainly caused by an increase of the debt securities balances. In 2023, investments in US, British and Canadian government securities were increased. The balances of Czech-koruna denominated current accounts decreased due to unfavourable conditions in the money market for short-term transactions at the end of the year.

In 2023, the decrease in the total value of this Balance Sheet item was caused by the depreciation of the US dollar against the euro.

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

EUR thousands

	31 December 2023	31 December 2022
USA	2,719,851	2,279,291
Canada	619,592	564,739
Japan	521,934	528,869
Great Britain	495,883	396,071
International financial institutions	25,643	53,030

	31 December 2023	31 December 2022
Non-euro area EU Member States	17,465	108,308
Other countries	1,098	29,535
Total	4,401,466	3,959,843

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

This Balance Sheet item consists of the Bank of Lithuania's balances with credit institutions and investments in marketable equity securities of euro area residents denominated in foreign currency.

EUR thousands

	GBP	JPY	USD	Other	Total
31/12/2023					
Balances in current accounts	40	485	387	138	1,050
Marketable equity securities	428,326	-	-	-	428,326
Total	428,366	485	387	138	429,376
31/12/2022					
Balances in current accounts	235	1,760	740	33	2,768
Total	235	1,760	740	33	2,768

As at 31 December 2023, compared to 31 December 2022, this Balance Sheet item increased by €426,608 thousand. This was mainly caused by the purchase of the marketable equity securities denominated in British pound in 2023 as a result of the changes in strategic investment structure.

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 euro-denominated debt securities of non-euro area residents.

EUR thousands

	31 December 2023	31 December 2022
Balances in current accounts	4	4
Debt securities	45,597	92,401
Total	45,601	92,405

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

EUR thousands

	31 December 2023	31 December 2022
Longer-term refinancing operations	478,810	1,628,810
Total	478,810	1,628,810

As at 31 December 2023, same as at 31 December 2022, the entire balance of the Bank of Lithuania's longer-term refinancing operations was represented by additional refinancing under TLTRO III. In 2023, two repayment transactions were executed under the TITRO III: at the maturity of one of these operations and at early repayment of another operation.

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 2023 and 2022, 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 2023, the balances in current accounts amounted to €799 thousand (€1,606 thousand on 31 December 2022).

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 2023		31 December 2022	
	Amortised cost	Market value	Amortised cost	Market value
PSPP	9,013,103	7,549,846	10,176,317	8,373,661
Supranational securities	4,699,868	3,965,819	5,853,756	4,899,988
The Republic of Lithuania government/agency securities	4,313,235	3,584,027	4,322,561	3,473,673
PEPP	2,753,496	2,279,661	2,809,013	2,244,519
The Republic of Lithuania government/agency securities	2,753,496	2,279,661	2,809,013	2,244,519
Total	11,766,599	9,829,507	12,985,330	10,618,180

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 of 31 December 2023 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 2023 (as in 2022).

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 2023, the total value of such securities amounted to €581,561 thousand (€365,286 thousand on 31 December 2022). In 2022 and 2023, these securities were marked to market.

As at 31 December 2023, holdings of marketable equity securities increased as a result of the changes in strategic investment structure.

NOTE 10. PARTICIPATING INTEREST IN THE ECB

EUR thousands

	31 December 2023	31 December 2022
Contribution of the Bank of Lithuania to the ECB capital	50,953	50,953
Contribution of the Bank of Lithuania to the reserves of the ECB and to provisions, equivalent to reserves	162,455	162,455
Total	213,408	213,408

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 a 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 Bank of Lithuania, pursuant to Article 48.2 of the Statute of the ESCB and of the ECB, has contributed €162,455 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 in that respect occurred in 2023.

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

This item presents the claim of the Bank of Lithuania to the Eurosystem, related to the allocation of euro banknotes within the Eurosystem (see section 2.15 "Banknotes and coins in circulation" of the Explanatory

Notes and Note 19 "Banknotes in circulation").¹⁹ As at 31 December 2023, compared to 31 December 2022, this net claim of the Bank of Lithuania decreased by €102,136 thousand or 10% due to an increase in the nominal value of the banknotes put into circulation by the Bank of Lithuania (0.1%) compared to the decrease in the nominal value of banknotes in circulation in the entire Eurosystem (-0.3%).

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

EUR thousands

	31 December 2023	31 December 2022
Balance in TARGET account	8,578,742	7,089,655
Distribution of monetary income	26,589	(69,953)
Other claims within the Eurosystem	1,125	1,125
Total other claims (liabilities) within the Eurosystem (net)	8,606,456	7,020,827

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 TARGET by the ESCB NCBs and the ECB; (2) the position vis-à-vis the ECB in respect of monetary income redistribution's amount receivable (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 increase of balance in the TARGET account was mainly caused by the redemption of supranational securities purchased by the Bank of Lithuania under the PSPP in 2023 (see Note 8 "Securities held for monetary policy purposes") and increased current account balances of general government denominated in euro (see Note 22 "Other liabilities to euro area residents denominated in euro"). The balance in the TARGET account was reduced by the decrease in current account balances of credit institutions (including the minimum reserve system) (see Note 20 "Liabilities to euro area credit institutions related to monetary policy operations denominated in euro").

The Governing Council of the ECB, in view of the ECB's overall financial results for 2022 and 2023, 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 and 2023.

¹⁹ 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".

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 2022	37,163	8,735	15,977	7,924	22,341	4,990	97,130
Additions in 2023	-	92	1,153	78	4,291	-	5,614
Disposals in 2023	-	-	(62)	(487)	(593)	(7)	(1,149)
Acquisition cost as at 31 December 2023	37,163	8,827	17,068	7,515	26,039	4,983	101,595
Accumulated depreciation and amortisation as at 31 December 2022	(19,951)	(6,012)	(11,792)	(5,911)	(11,229)	(2,876)	(57,771)
Depreciation and amortisation in 2023	(633)	(260)	(1,317)	(64)	(1,761)	(935)	(4,970)
Depreciation and amortisation of disposed assets in 2023	-	-	62	487	593	-	1,142
Accumulated depreciation and amortisation as at 31 December 2023	(20,584)	(6,272)	(13,047)	(5,488)	(12,397)	(3,811)	(61,599)
Net carrying amount as at 31 December 2023	17,212	2,723	4,185	2,013	11,112	2,114	39,359
Net carrying amount as at 31 December 2022	16,579	2,555	4,021	2,027	13,642	1,172	39,996

The fixed assets increased in 2023 having recognised intangible asset items internally generated within the framework of projects (€3,444 thousand) and investments in upgrading the Bank's computer equipment (€1,153 thousand).

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 euro-denominated current accounts with euro area residents (non-credit institutions), 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 2023	31 December 2022
Balances in current accounts	346,673	452,881
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	142	142
Total	350,326	456,534

The Bank of Lithuania's balance in current account represents the position of the Bank of Lithuania as an RT1²⁰ participant, which consists of the funds of the payment system CENTROLINK (operated by the Bank of Lithuania) participants, instant payment service users, intended for making payments in RT1.

The Bank of Lithuania is a member of the Bank for International Settlements (BIS), holding 1,070 shares, the acquisition cost of which is €3,334 thousand and the nominal value per share of SDR 5,000. In 2023, as in 2022, the Bank of Lithuania received €372 thousand in dividends for these BIS shares.

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 €142 thousand for the formation of the authorised capital of that institution.

NOTE 16. OFF-BALANCE-SHEET INSTRUMENTS REVALUATION DIFFERENCES

These items represent the revaluation of foreign currency to be received and paid 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 2023		31 December 2022	
	Positive differences	Negative differences	Positive differences	Negative differences
Foreign exchange transactions	3,237	9,094	32,207	7,907
Non-deliverable foreign exchange forwards	6,500	-	7,871	-
Transactions in securities	1,647	337	108	1,247
Interest rate swaps	-	-	-	155
Total	11,384	9,431	40,186	9,309

NOTE 17. ACCRUALS AND PREPAID EXPENSES

EUR thousands

	31 December 2023	31 December 2022
Accrued interest income	140,663	83,420
On securities held for monetary policy purposes	51,063	48,881
On intra-Eurosystem claims	49,594	17,914
On other securities	17,460	8,619
On TLTRO III	12,911	-
On financial derivatives	8,500	7,321
Other accrued interest income	1,135	685
Debt securities coupon payment purchased	1,808	5,148
Prepaid expenses	5,402	2,088
Total	147,873	90,656

As at 31 December 2023, the balance of accruals and prepaid expenses increased mainly due to the rise in accrued interest income on intra-Eurosystem claims, TLTRO III and other securities. This increase is related to the rise in key ECB interest rates and increased yields on euro area and US securities.

NOTE 18. SUNDRY

EUR thousands

	31 December 2023	31 December 2022
Advances and other receivables	477	226
Short-term assets	367	693
Loans to the staff of the Bank of Lithuania	124	167
Total	968	1,086

²⁰ RT1 is a payment system operated by EBA CLEARING S.A.S à capital variable.

NOTE 19. BANKNOTES IN CIRCULATION

EUR thousands

	31 December 2023	31 December 2022
Euro banknotes issued by the Bank of Lithuania	7,336,330	7,330,311
Adjustment for banknote allocation in the Eurosystem	1,658,434	1,768,633
The ECB's share of euro banknotes in circulation	(719,805)	(727,868)
Total	8,274,959	8,371,076

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 2023, the banknote allocation key was 0.528% (0.5325% until 31 January 2022). The nominal value of euro banknotes actually issued by the Bank of Lithuania in 2023 increased by 0.1%. As this was less than the allocated amount, the difference of €938,629 thousand (compared to €1,040,765 thousand as at 31 December 2022) 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 2023	31 December 2022
Current accounts (covering the minimum reserve system)	572,342	1,091,337
Deposit facility	11,033,148	11,352,156
Total	11,605,490	12,443,493

The minimum reserve balances were remunerated at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations until 20 December 2022 and at the Eurosystem's deposit facility rate between 21 December 2022 and 19 September 2023. On 27 July 2023, the Governing Council of the ECB decided that, starting from 20 September 2023, these balances will be remunerated at zero percent. 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 six²¹ 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.

Since the minimum reserve balances has been remunerated at zero percent, current account balances decreased in the second half of 2023, as credit institutions transferred excess liquidity to 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.

NOTE 21. OTHER LIABILITIES TO EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

As at 31 December 2023, other liabilities to euro area credit institutions denominated in euro amounted to €42,300 thousand (€9,900 thousand as at 31 December 2022). A major part of these liabilities was comprised of credit institutions funds that are not freely disposable.

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

NOTE 22. 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 2023	31 December 2022
Liabilities to the general government	3,594,829	2,002,516
Other liabilities	2,000,366	2,543,532
Total	5,595,195	4,546,048

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

NOTE 23. LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN EURO

The item presents balances in euro-denominated 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. As at 31 December 2023, the balances amounted to €1,132,604 thousand (€1,331,286 thousand as at 31 December 2022). 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 24. 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 the current accounts of government institutions in foreign currency.

EUR thousands

	USD	JPY	Other	Total
31/12/2023				
Liabilities to the financial sector	151,657	138,078	–	289,735
Gold swaps	151,657	138,078	–	289,735
Liabilities to the general government	1,282	–	0	1,282
Total	152,939	138,078	0	291,017
31/12/2022				
Liabilities to the financial sector	301,101	–	–	301,101
Gold swaps	300,949	–	–	300,949
Overdrafts	152	–	–	152
Liabilities to the general government	1,843	–	59	1,902
Total	302,944	–	59	303,003

NOTE 25. ACCRUALS AND INCOME COLLECTED IN ADVANCE

EUR thousands

	31 December 2023	31 December 2022
Accrued interest expenses	18,929	27,033
On current accounts	11,258	5,733
On financial derivatives	5,219	6,482
On monetary policy operations	2,452	14,818
Other accrued expenses	1,961	2,206
Income collected in advance	30	31
Total	20,920	29,270

The accrued interest expenses on monetary policy operations decreased due to a contraction in the accrued interest expenses on TLTRO III in 2023: according to the decision taken by the Governing Council of the ECB, 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 is indexed to the average applicable key ECB interest rates over this period; therefore interest income was accrued on TLTRO III (see Note 17 "Accruals and prepaid expenses" and Note 30 "Net interest income"). The accrued interest expenses on current accounts increased due to the rise in interest rates paid on current accounts.

NOTE 26. SUNDRY

EUR thousands

	31 December 2023	31 December 2022
Euro coins in circulation	154,395	146,941
Litas banknotes in circulation	77,352	78,591
Litas coins in circulation	31,859	31,893
Sundry	3,322	5,560
Total	266,928	262,985

As at 31 December 2023, the sundry item included a lease liability of €1,161 thousand (€2,099 thousand as at 31 December 2022) (see section 2.14 "Leases" of the Explanatory Notes).

NOTE 27. PROVISIONS

EUR thousands

	31 December 2023	31 December 2022
Provisions for risks (see section 2.16 "Provisions for covering financial risks and liabilities" of the Explanatory Notes)	422,410	292,881
Provisions for unrealised impairment loss of monetary policy operations established by the ECB	246	–
Provisions for liabilities related to	5,499	4,897
Wages and salaries payable for annual leave	3,521	3,120
Termination benefits, payable to staff who will qualify for the state social insurance pension while working at the Bank of Lithuania	1,590	1,361
Termination benefits to the members of the Board as provided in the Law on the Bank of Lithuania	104	121
Provisions for exchanging derecognised litas banknotes and coins	284	295
Total	428,155	297,778

In 2023, the Board of the Bank of Lithuania, based on a risk assessment performed at the Eurosystem level, decided to form additional risk provisions amounting to €129,529 thousand (in 2020, €163,989 thousand from provisions for risk were released to offset losses related to financial instruments). According to the ESCB's risk assessment performed as of 30 June 2023, the accounting risk of the Bank of Lithuania amounts to €896 million (€983 million as of 30 June 2022).

As a result of the impairment test conducted on corporate sector securities held under the PEPP as at 31 December 2023, the Governing Council of the ECB has deemed it appropriate to establish a provision of €42,918 thousand against credit risk losses in monetary policy operations. In accordance with Article 32.4 of the Statute of the ESCB and of the ECB, this provision is funded by all the Eurosystem NCBs in proportion to their Eurosystem capital key prevailing in 2023. As a result, the Bank of Lithuania created a provision of €246 thousand equivalent to the Eurosystem capital key share of the Bank of Lithuania (0.57411%). This provision was recognised as part of the result of monetary income pooling (see Note 34 "Net result of pooling of monetary income").

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 increase 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 rise in the wages and the decrease in 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 €11 thousand, was used in 2023 (compared to €22 thousand in 2022).

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 that had built up before Lithuania joined the euro area, are shown separately from other revaluation gains.

EUR thousands

	31 December 2023	31 December 2022
Revaluation accounts		
Pre-system unrealised gains	164,456	164,456
Gold	167,539	137,223
Equity securities	97,290	-
Foreign currency	88,097	196,514
Debt securities	18,922	971
Financial derivatives	8,147	7,980
Total	544,451	507,144

As at 31 December 2023, the balances in revaluation accounts increased mainly due to unrealised price gains of marketable equity securities related to the decrease in the US dollar yields. The decrease in the revaluation accounts is predominately due to the depreciation of the US dollar against the euro.

Unrealised revaluation losses recognised as expenses at the end of 2023 are presented in Note 31 "Net result of financial operations, write-downs and risk provisions".

NOTE 29. CAPITAL**Statement of changes in equity for 2023**

EUR thousands

	31 December 2023	2022 profit distribution	31 December 2022
Capital			
Authorised capital	60,000	-	60,000
Reserve capital	463,343	-	463,343
Total	523,343	-	523,343

As at 31 December 2023, compared to 31 December 2022, the amount of the capital did not change, because the financial result of the Bank of Lithuania was €0 in 2022 and there was no profit distribution.

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 considering risks and their likely impact. Reserve capital is used to absorb the loss incurred by the Bank of Lithuania.

In 2015, the Board of the Bank of Lithuania decided 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

	2023		2022	
	Interest income	Interest expense	Interest income	Interest expense
Intra-Eurosystem claims (liabilities)	264,825	-	38,463	-
On TARGET2 balances	220,257	-	31,653	-
On claims related to the allocation of euro banknotes within the Eurosystem	36,906	-	5,645	-
On claims equivalent to the transfer of foreign reserves	7,662	-	1,165	-
Debt securities	141,808	-	69,847	-
Monetary policy operations	133,078	(316,700)	103,289	(37,645)
Securities held for monetary policy purposes	91,528	-	73,410	-
Longer-term refinancing operations	41,353	-	-	(6,701)
Main refinancing operations	197	-	9	-
Current accounts (covering the minimum reserve system)	-	(9,702)	29,870	-
Deposit facility	-	(306,998)	-	(30,944)
The Bank of Lithuania's balances in current accounts	17,770	-	11,982	-
Foreign exchange transactions	4,222	-	-	(11,579)
Reverse repurchase agreements	1,984	-	714	-
Fixed-term deposits	1,163	-	261	-
Gold swaps	-	(6,927)	-	(4,743)
Balances in current accounts with the Bank of Lithuania	-	(130,199)	19,566	-
Other	-	(514)	-	(1,790)
Total interest income (expense)	564,850	(454,340)	244,122	(55,757)
Net interest income	110,510		188,365	

In 2023, the net interest income decreased by €77,855 thousand compared to 2022, mainly due to the growth in interest expense on deposit facility and on balances in current accounts with the Bank of Lithuania. The negative impact was partially offset by increased interest income from intra-Eurosystem claims, related to TARGET2 balances, debt securities and the TLTRO III. Interest income from debt securities increased due to the increase in their balance and the rise in the euro and US dollar yields. In 2023, 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. This resulted in earned €226,363 thousand higher interest income on intra-Eurosystem claims, €48,054 thousand higher interest income on TLTRO III and incurred €276,054 thousand higher interest expenses on deposit facility. The overall increase in interest rates resulted in €149,765 thousand higher interest expense on balances in current accounts with the Bank of Lithuania. The interest income from securities held for monetary policy purposes was growing due to the reinvestment of securities under the PSPP and the PEPP in 2023 (see Note 8 "Securities held for monetary policy purposes").

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 consisting of unrealised revaluation loss as a result of the decline in market prices and rates on 31 December 2023 as compared to the average prices and rates of these items; and (c) provisions for financial risks, released (formed) by a decision of the Board of the Bank of Lithuania to offset losses related to financial instruments.

EUR thousands

	2023	2022
Net realised gains (losses) arising from	35,598	(73,656)
Transactions in foreign currency	40,466	61,869
Interest rate derivatives	(3,534)	(14,189)

	2023	2022
Transactions in securities	(1,334)	(121,336)
Write-downs on financial items	(10,865)	(185,330)
Securities	(10,137)	(172,081)
Foreign currency	(728)	(11,847)
Financial derivatives	-	(1,402)
Transfers from (to) provisions for risks (see Note 27)	(129,529)	163,989
Net result of financial operations, write-downs and risk provisions	(104,796)	(94,997)

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

The write-downs on securities decreased mainly due to lower unrealised price losses of debt and marketable equity securities as a result of the decrease in the US dollar and euro yields at the end of 2023.

NOTE 32. NET INCOME FROM FEES AND COMMISSIONS

EUR thousands

	2023	2022
Fees and commissions income	17,348	15,237
Contributions of supervised financial market participants	11,715	10,227
Settlement services	4,717	4,272
Security lending	211	212
Other services	705	526
Fees and commissions expense	(3,518)	(3,819)
Financial instruments	(2,554)	(2,756)
Other	(964)	(1,063)
Net income from fees and commissions	13,830	11,418

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 2023, the Bank of Lithuania collected contributions amounting to €11,158 thousand to cover the costs of financial market supervision (€9,850 thousand in 2022) and contributions of financial market participants amounting to €557 thousand to finance the activity of the financial sector resolution authority (€377 thousand in 2022).

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

NOTE 33. INCOME FROM EQUITY INSTRUMENTS

EUR thousands

	2023	2022
Dividend income from marketable equity securities	32,311	11,988
Dividend income from non-marketable equity securities	372	372
Income from distribution of the ECB profit	-	242
Total	32,683	12,602

In 2023, income from marketable equity instruments increased due to the higher average holdings of marketable equity securities and increased dividend yields.

Dividend income from non-marketable equity securities consists of dividends received in 2023 and 2022 on shares which the Bank of Lithuania holds in the BIS (see Note 15 "Other financial assets").

In view of the ECB's overall financial result for the year, in 2023, as 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 and the ECB final profit distribution of 2022. 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

	2023	2022
Net monetary income pooled by the Bank of Lithuania	(208,015)	(111,505)
Net monetary income reallocated to the Bank of Lithuania	234,004	41,301
Total	25,989	(70,204)
Adjustment for the monetary income of previous years	600	251
The Bank of Lithuania's share in the provision against losses in monetary policy operations (see Note 27 "Provisions")	(246)	-
Net result of pooling of monetary income	26,343	(69,953)

In 2023, the actual net monetary income of the Bank of Lithuania was lower than it should be according to the capital key.

EUR thousands

	Net monetary income pooled by the Bank of Lithuania	Net monetary income pooled by all NCBs	Monetary income redistribution according to the Eurosystem Key	Net result of the pooling of monetary income 2023	Net result of the pooling of monetary income 2022*
	a		b	b-a	
Lending to euro area credit institutions	41,551	26,849,936	154,148	112,597	(54,277)
Securities held for monetary policy purposes subject to risk sharing	48,590	8,483,281	48,703	113	(14,575)
Securities held for monetary policy purposes not subject to risk sharing	276,608	127,854,247	734,021	457,413	73,563
Claims equivalent to the transfer of foreign reserves to the ECB	7,662	1,334,524	7,662	-	-
Net claims (liabilities) related to TARGET transactions	220,258	14,171,723	81,361	(138,897)	(19,584)
Net claims (liabilities) related to the allocation of euro banknotes	36,906	(4,816,858)	(27,654)	(64,560)	(9,903)
Claims related to liquidity provision to foreign CBs	-	4,317	25	25	13
Liabilities to euro area credit institutions	(316,070)	(130,387,326)	(748,564)	(432,494)	(36,074)
GAP (difference between earmarkable assets and liability base)	(107,422)	(2,722,452)	(15,630)	91,792	(8,760)
TARGET compensation payments	(68)	(11,824)	(68)	-	-
Total	208,015	40,759,568	234,004	25,989	(69,597)

*Adjusted in 2023.

After pooling of the monetary income of the Eurosystem for 2023 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 (including the adjustment for the monetary income of previous years) – income – was settled via TARGET (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

	2023	2022
Income from sale of collector coins and other numismatic items	765	3,973
Other miscellaneous income	1,042	2,529
Total	1,807	6,502

In 2023, a decrease in income from sale of collector coins and other numismatic items was caused by the decreased issue of collector coins (in 2022, the Bank of Lithuania issued more collector coins of greater weight and quality on the occasion of the centenary of the Bank of Lithuania).

In 2022, 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 and that the Bank of Lithuania could not contribute to Sudan's debt relief due to legal constraints.

NOTE 36. STAFF COSTS

EUR thousands

	2023	2022
Expenses on wages	26,450	22,792
To the members of the Board	817	746
To the heads of structural divisions	1,023	1,011
To other staff of the Bank of Lithuania	24,610	21,035
Other emoluments	764	917
Contributions to the State Social Insurance Fund	401	352
Expenses on (income from) provisions related to liabilities to the staff	613	105
Total	28,228	24,166

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 2023, there were twelve departments and two autonomous divisions operating at the Bank of Lithuania. As at 31 December 2023, the staff of the Bank of Lithuania consisted of 668 employees (663 at the end of 2022) of which 32 (46 at the end of 2022) worked under a fixed-term employment contracts. In addition, 25 employees were on parental leave or unpaid leave under their contracts with other institutions (24 at the end of 2022). In 2023, the average number of employees, expressed in full-time equivalents, was 689 (655 in 2022).

In 2023, the staff costs increased due to the growth in the number of staff and higher wages.

NOTE 37. ADMINISTRATIVE EXPENSES

EUR thousands

	2023	2022
Administrative expenses		
Information system maintenance and information acquisition	10,839	7,997
Tangible assets maintenance	2,892	2,387
Participation in international organisations fees	1,905	1,822
Equipment and office supply	1,128	579
Mail and telecommunication	735	736
Training of the staff	660	524
Business trips	518	485
Communication	450	478
Other	1,534	3,397
Total	20,661	18,405

In 2023, information system maintenance and information acquisition expenses increased mainly due to the higher expenses for external services related to the information systems programming and maintenance works. The overall increase in administrative expenses in 2023 was also caused by inflation.

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 every year to be produced by the NCBs of the euro area from their own resources. In 2023, the Bank of Lithuania's expenses in relation to the production of the euro banknotes, necessary to supplement the Eurosystem's strategic reserve, amounted to €1,548 thousand (€2,900 thousand in 2022).

NOTE 39. OTHER EXPENSES

EUR thousands

	2023	2022
Collector and commemorative coin minting expenses	556	3,633
Euro circulation coin minting expenses	700	128
Cash circulation expenses	62	70
Other miscellaneous expenses	3	5
Total	1,321	3,836

In 2023, the decrease in collector and commemorative coin minting expenses was caused by the decreased issue of collector coins (see Note 35 "Other income").

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 brought over to be distributed in subsequent financial years.

Profit distribution

EUR

	2023	2022	2021
Profit distribution			
Allocation to the reserve capital of the Bank of Lithuania	9,266,854	-	17,606,578
Transfer to the state budget	14,382,092	-	20,382,191
Total	23,648,946	-	37,988,769

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

8. OTHER NOTES

NOTE 41. DERIVATIVES

As at 31 December 2023, the Bank of Lithuania had outstanding foreign exchange swaps, foreign exchange forwards, non-deliverable foreign exchange forwards, future contracts 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 2023	31 December 2022
Claims	1,570,089	2,575,548
Liabilities	1,570,089	2,575,548

Non-deliverable foreign exchange forwards

EUR thousands

	31 December 2023	31 December 2022
Notional claims	292,960	226,958
Notional liabilities	293,009	219,979

Future contracts

EUR thousands

	31 December 2023	31 December 2022
Notional claims	4,997,258	5,417,668
Notional liabilities	3,716,162	4,043,844

Interest rate swaps

As at 31 December 2023, the Bank of Lithuania had no outstanding interest rate swaps (as at 31 December 2022, the contractual amount of interest rate swaps amounted to €100,000 thousand).

Forward transactions in securities

EUR thousands

	31 December 2023	31 December 2022
Receivable securities	-	18,430
Payable amounts	-	18,430

TBA contracts

EUR thousands

	31 December 2023	31 December 2022
Receivable mortgage-backed securities	76,545	66,459
Payable amounts	76,545	66,459

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

EUR thousands

	USD	GBP	CAD	CNY	XDR	JPY	Other
31/12/2023							
On-balance sheet assets	2,779,963	980,099	577,745	4,264	851,226	508,598	17,523
On-balance sheet liabilities	238,944	22,063	1,580	-	681,391	143,043	-
NET ON-BALANCE SHEET ASSETS (LIABILITIES)	2,541,019	958,036	576,165	4,264	169,835	365,555	17,523
Net off-balance sheet assets (liabilities) included into currency position	(118,723)	(284,299)	(17,939)	(304,758)	-	(356,476)	(15,191)
NET ASSETS (LIABILITIES)	2,422,296	673,737	558,226	(300,494)	169,835	9,079	2,332
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	273	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	1,054