
STATE COMPANY
'INDĖLIŲ IR INVESTICIJŲ DRAUDIMAS'

ACTIVITY REPORT
2019



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FOREWORD OF THE DIRECTOR



Dear All,

The results achieved by SC 'Indėlių ir investicijų draudimas' in 2019 show that by setting clear goals and implementing them consistently the higher added value is created to the society, investors in deposits and liabilities, participants of insurance schemes and the company's founder – the Ministry of Finance of the Republic of Lithuania.

Without increasing the insurance premium rates we achieved the best results for insurance funds in the last 3 years. With a motivated, professional and responsible team working all this can be accomplished by improving the efficiency of the company's operations and insurance funds and improving the quality of provided services.

Last year, withdrawal of several credit institutions from the Lithuanian deposit and liability insurance system, as well as the continuing tendency of 'negative interest' did not preclude further growth of financial proceeds of insurance funds and strengthening of confidence in the Lithuanian deposit insurance system. The Deposit Insurance Fund's target level of financial proceeds established by legal acts of the EU legislation and to be achieved by mid-2024 at the latest, for the first time was achieved at the end of 2019. As part of the investment policies of the company and administrated funds, we have achieved positive investment performance. In 2019, for the first time specialised banks also became participants in the deposit insurance scheme, which encouraged our company to invest more in new technologies, to find more sustainable ways of collaborating and exchanging information on risk management in financial innovation, leading to the signing of the memorandum with eight other public authorities.

In close cooperation with the administrators of Deposit Insurance Schemes of the European Union, the European Forum of Deposit Insurers (EFDI) and the European Banking Authority (EBA), we continued our work on analysing and improving deposit insurance schemes in the European Union. The results of this work are published in three EBA opinions addressed to the European Commission with 80 concrete proposals how to further improve the deposit insurance scheme.

The company employs skilled employees who share common values such as openness, performance and effectiveness. During three years, together with its team, SC 'Indėlių ir investicijų draudimas' managed to substantially ensure the stable operation of administrated funds and the effective management of their assets, so today the company is seen among the EFDI members as one of the most effective and best examples of implementation of foreign practices. I believe that together we can overcome new challenges and further strengthen public confidence in the financial system of Lithuania.

Aurelija Mažintienė

Director of SC 'Indėlių ir investicijų draudimas'

ABOUT THE COMPANY

1. MAIN DETAILS OF THE COMPANY

Company name:	SC 'Indėlių ir investicijų draudimas' (hereinafter – the Company)
Authorised capital:	EUR 8,995,358
Registration date:	16 December 1996
Corporate code:	110069451
Institution implementing rights and obligations of the owner:	Ministry of Finance of the Republic of Lithuania
Registered office address:	Algirdo g. 31, LT-03219, Vilnius
Legal form:	State Company
Date of registration of valid Articles of Association:	15 July 2019
Phone;	(8-5) 213 56 57
E-mail address:	IDF@IDF.lt
Internet website:	www.iidraudimas.lt

2. GENERAL INFORMATION

The Company is the only entity providing insurance of deposits of depositors and liabilities to investors in the Republic of Lithuania in accordance with the procedure established by the Law of the Republic of Lithuania on Insurance of Deposits and Liabilities to Investors (hereinafter – the Law) and other legal acts and performing other functions related to the implementation of the Law. The Company administrates the Deposit Insurance Fund, the Fund of Insurance of Liabilities to Investors and the Resolution Fund.

At present, the Lithuanian system of insurance of deposits and liabilities to investors is harmonised with the law of the European Union (hereinafter – the EU) and meets the main principles of the insurance of deposits and liabilities to investors of the European Union Member States.

Management of the Company

The Company's management bodies are the institution implementing rights and obligations of the owner of the Company (the Ministry of Finance of the Republic of Lithuania), the Council of the Company and the single-person management body – the Manager of the Company (Table 1).

On 31 December 2019, the Council of the Company consisted of 5 members:

Chairwoman of the Council – Vilma Mačerauskienė, the Director of Financial Markets Policy Department of the Ministry of Finance;

Deputy Chairwoman of the Council – Lina Frejutė, the Deputy Head of Project Management Division of the Ministry of Finance;

Members of the Council – Audrutė Dziskienė, the Advisor of the Credit and Payment Markets Division of the Financial Markets Policy Department of the Ministry of Finance; Gediminas Šimkus, the Director of the Economics and Financial Stability Service of the Bank of Lithuania; Renata Bagdonienė, the Director of the Prudential Supervision Department of the Supervision Service of the Bank of Lithuania.

Council members do not receive remuneration for participation in the activities of the Council.
Director of the Company: Aurelija Mažintienė.

Table 1. Management of the Company

Management body	Main functions
Ministry of Finance of the Republic of Lithuania – the institution implementing rights and obligations of the owner of the Company	<ul style="list-style-type: none"> - Approves the strategic plan of activities of the Company; - Approves annual income and expenditure estimates of the Company and Funds; - Establishes the structure of the Company; - Approves Articles of Association of the Company; - Takes a decision to change the head office of the Company; - Appoints and removes the Company’s Manager, establishes the terms and conditions of the employment contract with the Company’s Manager, concludes and terminates the employment contract with the Company’s Manager on behalf of the Company, approves the job description of the Company’s Manager; - Approves the Company’s Activity Report of the reporting financial year; - Approves annual financial statements of the Company and Funds and distribution of the Company’s profit (loss); - Further to receiving a conclusion of the Company’s Council, determines annual regular (ex ante) deposit insurance contributions and further to receiving a conclusion of the supervisory authority – the amount of special (ex post) deposit insurance contributions; - Further to receiving a conclusion of the supervisory authority, determines the methodology of calculation of the Resolution Fund’s administration contributions and approves the rate of the Resolution Fund’s administration contributions of the respective year; - Takes a decision on the borrowing by the Company from deposit insurance systems of other Member States or lending to other deposit insurance systems of other Member States in accordance with the procedure established by the Company’s Council; - Further to receiving a conclusion of the Company’s Council, takes a decision to participate in the financing of the transfer of assets, rights, transactions and obligations of the credit union according to the ways and conditions established by the Law; - Approves the description of reporting to the institution implementing rights and obligations of the owner of the Company and the Council of the Company the representation of the Company with bankrupt credit institutions; - Selects a certified auditor or an audit company for audit of annual financial statements of the Company. The audit of annual financial statements of the Funds is carried out by the National Audit Office of the Republic of Lithuania; - Takes a decision on resolution of the Company, excluding the cases provided for in the Law of the Republic of Lithuania on State and Municipal Enterprises; - Takes a decision on reorganisation of the Company; - Takes decisions on dissolution of the Company and on cancellation of its dissolution; - Appoints and dismisses the Company’s liquidator; - Approves annual plans of acquisition and/or) borrowing of the Company’s assets; - Approves the methods and rates of calculation of depreciation of fixed asset established by the Company; - Approves the Company’s equity capital investment procedure; - Submits to the Company the letter regarding expectations of the State; - Addresses other matters assigned to its competence by the Law, the Law of the Republic of Lithuania on State and Municipal Enterprises, other legal acts regulating the rights and obligations of the Company’s owner and in the articles of association.

Council of the Company (5 members)

- Annually, not later than by 1 December, submits to the institution implementing rights and obligations of the owner of the Company conclusions, observations and proposals, if any, regarding the operating strategy of the Company;
- Takes decisions on termination of insurance of deposits or liabilities to investors;
- Approves legal acts the approval of which is attributed to its competence by the Law regulating: the procedure of supplementary deposit insurance; the procedure of calculation of deposit insurance compensations; the procedure of selection of the payment service provider (providers) through which insurance compensations will be disbursed; the procedure of admission to and withdrawal from the deposit insurance system of the Republic of Lithuania; the procedure of calculation and payment of regular (ex ante) and special (ex post) deposit insurance contributions and of the first (advance) insurance contributions; the procedure of calculation and payment of interest for the failure to pay a deposit insurance contribution in due time; the procedure of borrowing and lending to other deposit insurance systems of Member States; the procedure of supplementary insurance of liabilities to investors; the procedure of calculation and payment of the insurance contribution of liabilities to investors; the stress-test procedure of the deposit insurance system; the procedure of investment of proceeds of the Deposit Insurance Fund and the Fund of Insurance of Liabilities to Investors; the procedure of making available the information on deposit insurance at customer servicing branches, websites, contracts and statements of account;
- Approves the estimates of administrative expenses of the Deposit Insurance Fund and the Fund of Insurance of Liabilities to Investors;
- Submits to the institution implementing rights and obligations of the owner of the Company the report on activities of the Company's Council for the reporting financial year;
- Performs other functions established by the Law.

Director of the Company

- Employs and dismisses employees, concludes and terminates employment contracts with them;
- Establishes the methods and rates of calculation of depreciation of assets applied in the Company upon approval of the institution implementing rights and obligations of the owner of the Company;
- Guarantees the functioning of the system of remuneration and incentives to the Company's employees in the Company;
- Provides to the institution implementing rights and obligations of the owner of the Company the information about the forecasts and plans of the Company's operations specifying the amounts of proceeds required for the next financial year, as well as the information about events of material significance for the Company's activities;
- Concludes transactions on a sole basis, excluding transactions for which a prior approval of the institution implementing rights and obligations of the owner of the Company is necessary. Conclusion of transactions of the value exceeding EUR 30,000 is subject to the approval of the institution implementing rights and obligations of the owner of the Company, except for: investment of the Company's equity capital and/or proceeds of the Funds according to the approved rules; public purchase-sale contracts concluded with the winning supplier in accordance with the procedure established by the Law of the Republic of Lithuania on Public Procurement;
- Is responsible for the submission of annual financial statements of the Company and of the Funds for approval to the institution implementing rights and obligations of the owner of the Company not later than within 4 (four) months after the end of the financial year;

- Submits to the institution implementing rights and obligations of the owner of the Company the activity report of the reporting financial year of the Company and of Funds;
- Submits to the institution implementing rights and obligations of the owner of the Company the risk assessment report of the Company and of the Funds;
- Disposes assets of the Funds and of the Company in accordance with the procedure established by legal acts;
- Takes decisions on investment of proceeds of the Deposit Insurance Fund, the Fund of Insurance of Liabilities to Investors and of the Company's equity capital in observance of the rules for investment of proceeds of the Deposit Insurance Fund, the Fund of Insurance of Liabilities to Investors and of the Company's equity capital, selects financial intermediaries for implementation of investments;
- Takes decisions on investment of proceeds of the Resolution Fund in observance of the procedure of investment of proceeds established by the Resolution Authority, selects financial intermediaries for implementation of investments;
- Prepares and submits to the Council of the Company draft material and documents necessary for the performance of functions of the Company's Council;
- Provides to the institution implementing rights and obligations of the owner of the Company the information necessary for the performance of its functions;
- Establishes the procedure for determining the information which constitutes the Company's secret;
- Approves the rules regulating personal data processing in the Company;
- Is responsible for actions the duty for the performance of which is established for the Company's manager by the Law of the Republic of Lithuania on State and Municipal Enterprises, the Law, other legal acts regulating the Company manager's competence.

Main legal acts regulating activities of the Company and of the Funds administrated by the Company

- Directives regulating the system of insurance of deposits and liabilities to investors in the European Union:
 - Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes;
 - Directive 97/9/EC of the European Parliament and of the Council on investor-compensation schemes.
- The system of insurance of deposits and liabilities to investors in Lithuania is regulated by:
 - Law of the Republic of Lithuania on Insurance of Deposits and Liabilities to Investors (hereinafter – the Law);
 - Secondary legislation implementing the Law regulating payment of deposit insurance contributions, calculation and payment of interest, supplementary insurance, disbursement of insurance compensations, investment and borrowing.
- Legal acts regulating bankruptcy proceedings of participants in bankruptcy (bankrupt participants):
 - Law of the Republic of Lithuania on Enterprise Bankruptcy (from 31 December 2019, the Law on Insolvency of Legal Entities m);
 - Law of the Republic of Lithuania on Banks;
 - Law of the Republic of Lithuania on Credit Unions;
 - Law of the Republic of Lithuania on Central Credit Unions;

- Other applicable legal acts.

Key functions of the Company directly related to the administration of the Funds

The purposes of the Company's activities (defined by the Law) are to insure, in accordance with the procedure established by the Law and other legal acts, the deposits of depositors and the liabilities to investors, to administrate the Deposit Insurance Fund, the Fund of Insurance of Liabilities to Investors and the Resolution Fund (these Funds are not legal persons and the Company is acting on their behalf), and to perform other functions specified by laws. In implementing the purposes defined by the Law, the Company performs the following principal functions:

- Calculates and collects *ex ante* and *ex post* deposit insurance contributions, contributions of insurance of liabilities to investors and contributions to the Resolution Fund and keeps them with the respective Fund administrated by it or uses for the purposes specified by the Law;
- Calculates and disburses deposit insurance compensations and compensations of insurance of liabilities to investors;
- Invests proceeds of the administrated Funds and the Company's equity capital;
- Handles the accounting of the administrated Funds, prepares financial statements, estimates of income and expenses and submits them for approval to the institution implementing rights and obligations of the owner of the Company;
- Supervises the adherence of participants of the deposit insurance system and of the insurance system of liabilities to investors to this Law and their compliance with requirements of its implementing legislation;
- Assesses the conditions of insurance (compensation) of deposits or liabilities to investors or other protection provided in third countries the credit institutions, financial brokerage firms or management companies of which set up their branches up in the Republic of Lithuania;
- Assesses the risk of the Company, the Deposit Insurance Fund and the Fund of Insurance of Liabilities to Investors;
- Cooperates and exchanges information with administrators of deposit insurance systems and supervisory authorities of other Member States and third countries, as well as with the European Banking Authority;
- Conducts stress tests of the deposit insurance system;
- Participates in the financing of reorganisation of a bank or a central credit union;
- Participates in the financing of the transfer of assets, rights, transactions and obligations of a credit union;
- Maintains the List of participants of the system of insurance of deposits and the List of participants of the system of insurance of liabilities to investors of the Republic of Lithuania;
- Performs other functions provided for by the Law related to the implementation of this Law and ensuring of the Company's activities.

All functions performed by the Company defined by the Law are attributed to special obligations, i.e. the administration of the Funds established by the Law. The Company does not perform any commercial functions within the meaning of the Recommendations on the establishment of special obligations for state-owned enterprises and provision of information approved by Order No 4-1100 of the Minister of the Economy of the Republic of Lithuania of 20 December 2013 on approval of recommendations on the establishment of special obligations for state-owned enterprises and provision of information.

3. MISSION, VISION, VALUES AND STRATEGIC GOALS OF THE COMPANY

Mission of the Company

To ensure the protection of deposits and liabilities to investors in the cases of insolvency of financial institutions and to contribute this way to the stability of the financial market and to the increase of public trust in financial companies.

Vision of the Company

To be the Company that offers the most attractive insurance of deposits and liabilities to investors to financial institutions in the Baltic States.

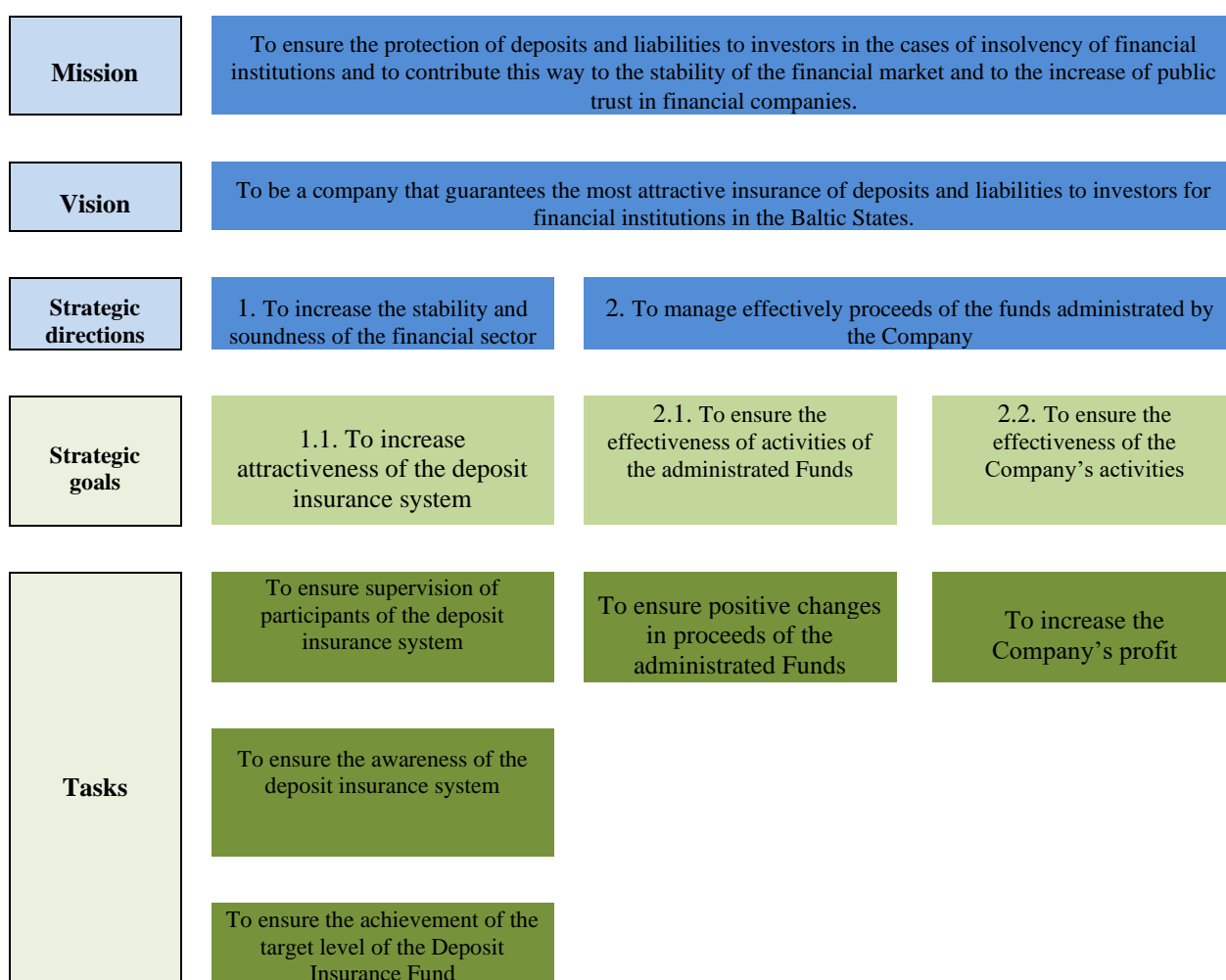
Values of the State Company ‘Indēliu ir investiciju draudimas’

Openness – creating attractive, modern and innovative environment; maintaining smooth and close cooperation in the macro-environment of systems of insurance of deposits and liabilities to investors.

Effectiveness – achieving results that exceed the envisaged performance and within the period shorter than the established time limits.

Efficiency – improving the stability and soundness of the financial sector through our transparent and socially responsible activities.

Figure 1. Strategic Roadmap



Strategic goals, their implementation measures and achievement in the end of 2019 are provided in Table 2.

Table 2. Criteria for assessment of performance of State Company 'Indēliju ir investīciju draudimas' and their implementation

Strategic goal	Task	Measure		Criterion	Plan of 2019	Fact of 2019	Responsible *	
1. To increase attractiveness of the deposit insurance systems			Effect	Deposit Insurance Fund's contributions (% rate)	0,1	0,1	Director	
	1.1. To ensure the supervision of participants of the deposit insurance system (hereinafter – participants)			Outcome	Share of inspected deposit insurance system participants for which performance weaknesses were found in the total number of inspected deposit insurance system participants (%)	45	23	PMD Head
		Stress testing of deposit insurance systems	Output	Conducted stress testing of the deposit insurance system	1	1	PMD Head	
		Inspections of participants	Outcome	Inspections of the high and medium inspection category participants of the deposit insurance system (%)	100	100	PMD Head	
	1.2. To ensure the awareness of the deposit insurance system			Output	Plan of public awareness-raising measures (units)	1	1	BOD Head
				Outcome	Implementation of measures established in the Plan of public awareness-raising measures (%)	100	100	BOD Head
		Consulting the deposit insurance system participants	Output	Number of meetings (seminars) organised for the deposit insurance system participants (units)	3	3	PMD Head	
	1.3. To ensure the achievement of the target level of the Deposit Insurance Fund			Outcome	Achieved target level of the Deposit Insurance Fund (% of the main insured deposits)	0,8	0,8	Deputy Director
		Verification of data on eligible deposits provided by the deposit insurance system participants	Outcome	Verification of data on eligible deposits provided by all deposit insurance system participants as of 31 December (%)	100	100	PMD Head	
		Ensuring the Fund's inflows	Outcome	Deposit Insurance Fund's inflows (EUR million)	42,8	49,1	FAD Head/ PAD Head	
	Outcome		Deposit Insurance Fund's income from financial investment activity (EUR thousand)	50	70,4	FAD Head		
	2. To ensure the effectiveness of activities of the administrated Funds			Effect	Funds' administration expenses (% from financial proceeds of the administrated Funds)	≤1,0	0,67	Deputy Director
				Outcome	Change in the administrated Funds (financial proceeds, %)	≥50	73	Deputy Director
2.1. To ensure positive changes in proceeds of the administrated Funds		Financial investment activity result	Outcome	Financial investment activity income of the Fund of Insurance of Liabilities to Investors (EUR thousand)	6	8,4	FAD Head	
		Inflows of the administrated Funds	Outcome	Inflows of the Fund of Insurance of Liabilities to Investors (EUR thousand)	62	65,7	FAD Head	
			Outcome	Inflows of the Resolution Fund (EUR thousand)	1	1	FAD Head	
3. To ensure the effectiveness of the Company's activities			Effect	EBITDA (EUR thousand)	66	78,2	Deputy Director	
	3.1. To increase the Company's profit			Outcome	Change in the Company's equity capital (%)	≥0,2	0,35	Deputy Director
		Financial investment activity result	Outcome	Investment activity income of the Company (EUR thousand)	40	58,0	FAD Head	

*FAD- Funds Administration Division, PMD – Policyholder Monitoring Division, PAD – Process Administration Division, BOD – Business Organisation Division.

4. REVIEW OF THE COMPANY'S ACTIVITIES IN 2019

4.1. Corporate events of 2019

Corporate events related to activities of the Company and of the Funds administrated by the Company are provided below (Table 3).

Table 3. Corporate events of 12 months of 2019

January	<ul style="list-style-type: none"> - As of 1 January 2019, Citadele Bankas AB became the Lithuanian branch of the Latvian AS Citadele banka and withdrew from the Lithuanian Deposit Insurance Scheme (deposits are insured in the Latvian Deposit Guarantee Scheme). - As of 2 January 2019, Luminor Bank AB became the Lithuanian branch of the Estonian Luminor Bank and withdrew from the Lithuanian Deposit Insurance System (deposits are covered by the Estonian Deposit Guarantee Scheme). - On 17 January 2019, upon expiration of the term of 5 years of payment of insurance compensations, the disbursement of insurance compensations to depositors of BKU Vilniaus taupomoji kasa was completed. The total amount of insurance compensations not withdrawn by depositors of BKU Vilniaus taupomoji kasa returned to the Deposit Insurance Fund was EUR 43.2 thousand or 0.07% of the of the calculated insurance compensations.
February	<ul style="list-style-type: none"> - On 8 February 2019, Revolut Bank UAB became a member of the Deposit Insurance System. - By the ruling of the Supreme Court of Lithuania (hereinafter – the SCL) of 18 February 2019 in civil case No e3K-7-3-687/2019 the case was won; in this case, the Court explained that the Company had not missed the time limit for the fulfilment of the obligation and disbursed insurance compensations in due time for the deposit certificates of BAB bankas Snoras, therefore, the applicant's claims for the award of procedural and compensatory interest were dismissed as unfounded. This ruling forms the case law and the explanations contained in it will be relevant for other analogous civil cases heard by courts. - On 12-13 February 2019, the Company organised the meeting of the Board of the EFDI in Lithuania.
March	<ul style="list-style-type: none"> - On 15 March 2019, the first meeting of creditors of BKU Taupkasė was held. - In March 2019, financial audit of the Company was completed. - On 18 March 2019, the Company and eight other public authorities signed the Memorandum on cooperation and exchange of information on risk management in financial innovation and financial technology. - On 20 March 2019, a new structure of the Company entered into force with 23 job positions approved. A new position of the compliance officer was introduced.
April	<ul style="list-style-type: none"> - On 4 April 2019, the specialised bank UAB European Merchant became a participant in the Deposit Insurance System. - On 15 April 2019, by Order No 1K-118 of the Minister of Finance of the Republic of Lithuania the Company's set of financial statements of 2018, the profit distribution, the activity report, as well as sets of financial statements of the administrated funds were approved. - On 30 April 2019, disbursement of insurance compensations to depositors of BKU Naftininkų investicijos was completed. The insurance compensations not withdrawn by depositors (EUR 15.17) were returned to the Deposit Insurance Fund. - On 30 April 2019, the SCL passed the ruling in civil case No 3K-3-153-916/2019 formulating the case law of the Bankrupt AB bankas Snoras for holders of bonds concerning the right to procedural interest on overdue insurance compensations.
May	<ul style="list-style-type: none"> - By Order No 154 of the Minister of Finance of 20 May 2019 the annual amount of EUR 11 930 400 of periodic (ex ante) deposit insurance contributions was approved

	<p>for the period of 1 July 2019 – 30 June 2020, accounting for 0.1% of the amount of the main insured deposits in credit institutions.</p> <ul style="list-style-type: none"> - On 30 May 2019, UAB Verslo konsultantai, acting on the basis of the court order, refunded to the credit union KB KU Švyturio taupautpinė kasa the misappropriated funds of creditors in the amount of EUR 7 985.00.
June	<ul style="list-style-type: none"> - On 3 June 2019, the management company UAB Žabolis ir partneriai kapitalo valdymas became a member of the system of insurance of liabilities to investors. - by order of Klaipėda Regional Court of 27 June 2019 in civil case No B2-37-826/2019, UAB Verslo konsultantai resigned from the position of the bankruptcy administrator of the credit union KB KU Švyturys taupomoji kasa; - In accordance with the Agreement concluded between the Lithuanian deposit insurance system and the Estonian deposit guarantee system, testing of international operational cooperation was conducted in June 2019. - In accordance with provisions of Article 11(6) of the Law, the Company transferred to the deposit insurance systems of Estonia and Latvia, respectively, periodic (ex ante) deposit insurance contributions of Luminor bank AB and Citadele bankas paid during the last 12 months before switching to the deposit insurance system of another Member State in the total amount of EUR 2 298 4 thousand.
July	<ul style="list-style-type: none"> - On 1 July 2019, the SCL ruled out in favour of the Company in civil case No e3K-3-256-695/2019, which dealt with the award of procedural interest. This is the third ruling of the Court of Cassation, which has formed a clear case-law in this category of cases. The Court stated in its ruling that the Company's obligation to pay insurance compensations for deposit certificates arose only after the CJEU ruling. The SCL considered that prior to applying for payment under deposit certificates issued by the bank, there was no enforceable pecuniary obligation as it was recognised by only the Court's decision. Accordingly, the claim at issue in the civil proceedings does not justify the application of Article 6.37(2) of the CC and the award of procedural interest. - The first cycle of the IGS stress tests was completed – the report was prepared and submitted to the European Banking Authority (EBA). - The number of participants in the deposit insurance system decreased due to the merger of the credit union Rokiškio kredito unija with the credit union Anykščiai kredito unija on 31 July 2019.
August	<ul style="list-style-type: none"> - Ruling of 13 August 2019 of the Court of Appeal of Lithuania in civil case No 2-1255-302/2019 regarding the resignation of UAB Verslo konsultantai, bankruptcy administrator of KB KU Švyturio taupomoji kasa. The Court maintained the judgment of the Court of First Instance, concluding that in this case there was no longer any fiduciary legal relationship between the bankruptcy administrator and the Company (the largest creditor) as a result of improper performance of the duties. - The Company's risk assessment was performed – the risk assessment report and risk mitigation/elimination plan were prepared.
September	<ul style="list-style-type: none"> - On 24-27 September 2019, representatives of the Company attended the annual meeting of members of the European Forum of Deposit Insurers (EFDI) and the international conference 'Deposit Insurance in Europe – Redrawing the Map'. The events took place in Sarajevo (Bosnia and Herzegovina). - The Company's Director A. Mažintienė was re-elected for the term of 3 years as a member of the EFDI Board responsible for the EFDI budget and finances. - The Lithuanian Court of Appeal ruled in favour of the Company in civil case No 2-765-330/2019 regarding the reopening of proceedings which dealt with the applicant's individual complaint. The Court maintained unchanged the judgment of the Court of First Instance on the ground that the applicant had not demonstrated the existence of grounds for the reopening of the proceedings. - Another ruling in favour of the Company was issued by Vilnius Regional Court in civil case No e2A-1090-560/2019 which dealt with the claimant's claim to be entitled to the insurance compensation (after the expiry of the 5-year period) and ordered the compensation and the annual procedural interest of 5 % to be paid by the Company. The Court of Appeal upheld the Company's appeal, the Court judged that the

	<p>Company fulfilled its duty to properly and publicly announce about insurance compensations being paid out which constitutes the appropriate publication.</p> <ul style="list-style-type: none"> - Anti-corruption assessment was carried out in the area of insurance compensations. The assessment report was submitted to the Ministry of Finance of the Republic of Lithuania. - The meeting (seminar) was organised for banks.
October	<ul style="list-style-type: none"> - The Director of the Financial Markets Policy Department of the Ministry of Finance V. Mačerauskienė was been appointed the member of the Company's Council and was elected the Chair of the Company's Council by majority vote of the Council members. - On 2 October 2019, the investors' liability insurance system was joined by the financial brokerage firm UAB DeRISK Business Solutions. - On 30 October 2019, the Court of Appeal of Lithuania ruled in favour of the Company in civil case No e2A-494-450/2019, in which the appeal instance issued the ruling to maintain unchanged the decision of Vilnius Regional Court, i.e. the action for declaring bond subscription agreement invalid was dismissed. - On 21 October, the Company's representative participated in the Sub-Working Group on Transfer of Contributions, the European Forum of Deposit Insurers (EFDI) (Vienna, Austria). - On 24-25 October, the Company's representative participated in the Taskforce on Deposit Guarantee Schemes, the European Banking Authority (EBA) (Paris, France).
November	<ul style="list-style-type: none"> - The Company's representatives visited the company (ESA) administrating the deposit guarantee scheme of Austria, where they got familiarised with the Austrian deposit guarantee scheme and shared good practices of administration of the deposit guarantee scheme. - On 15 November, the Company's representative participated in the Deposit Insurance and FinTech Symposium (Zurich, Swiss Confederation) organised by the European Forum of Deposit Insurers (EFDI). - On 18–19 November, the Company's representative of attended the meeting of the Working Group on Deposit Insurance Systems organised by the European Banking Authority (EBA) (Paris, France). - On 7–8 November, the Company's representative attended the meeting of the European Union Committee organised by the European Forum of Deposit Insurers and the Sub-Working Group on Transfer of Contributions (Zagreb, Republic of Croatia).
December	<ul style="list-style-type: none"> - On 30 December 2019, the specialised bank AB Fjord bank joined the deposit insurance system. - In December 2019, UAB Revolut Bank and UAB European Merchant Bank started providing deposit insurance services and, on December 31, for the first time declared the main insured deposits. - On 9 December, the Company's representative of participated in the Working Group of deposit insurance schemes organised by the European Forum of Deposit Insurers (EFDI) (Paris, France).

4.2. Key financial indicators of the Company

The Company administrates three Funds: the Deposit insurance Fund, the Fund of Insurance of Liabilities to Investors and the Resolution Fund. The Funds administrated by the Company are not legal entities; they are administrated by the Company which acts on their behalf. Bookkeeping of the administrated Funds is conducted separately. The Company's accounts are managed separately from

accounts of the Funds. The Company's accounting records are kept and the set of its financial statements is prepared according to legal acts regulating financial accounting and reporting and in observance of the Business Accounting Standards (Article 45(1) of the Law). The accounting records of the administrated Funds is handled by the Company for each Fund separately, preparing separate financial statements in accordance with the Law of the Republic of Lithuania on Public Sector Accountability (Article 45(2) of the Law).

Income and expenses of the Company

The structure of the Company's income and expenses is established by the Law (Article 44).

The Company's main income consists of the proceeds of the Deposit Insurance Fund and of the Fund of Insurance of Liabilities to Investors for covering the costs of administration of these Funds; the contributions paid by participants of the Resolution Fund for administration of the Resolution Fund; the income from investment of the Company's equity. The main expenses of the Company consist of expenses of administration of the Funds (staff maintenance costs, administrative expenses, property use and maintenance costs, depreciation and amortisation expenses), equity capital investment costs. Key audited indicators of the Company of twelve months of 2019 and of the period of the previous years are presented in Table 4.

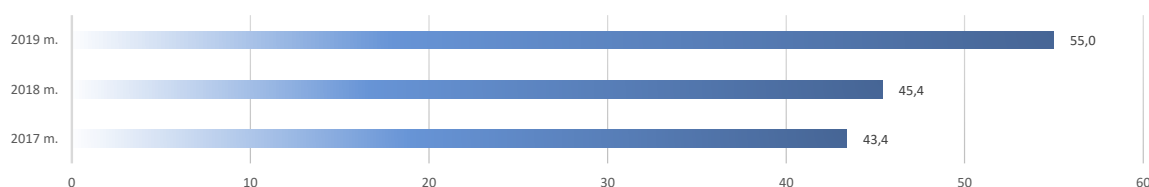
Table 4. Key financial indicators of the Company (EUR thousand)

	2017 fact	2018 fact	2019 fact	2019 plan	2019 plan fulfilment, %
Key indicators of the Company					
1. Income, including:	536.2	721.9	795.1	922.0	86.24 %
1. 1. Fee for administration of the Funds, total:	492.0	675.5	737.1	882.0	83.57 %
1.1.1. Fee for administration of the Deposit Insurance Fund	489.0	673.5	734.9	880.0	83.51 %
1.1.2. Fee for administration of the Fund of Insurance of Liabilities to Investors	1.0	1.0	1.2	1.0	120.00 %
1.1.3. Contributions for administration of the Resolution Fund	2.1	1.0	1.0	1.0	100.00 %
1.2. Financing and investing activity income	44.2	39.9	58.0	40.0	145.00 %
1.3. Other operating income	-	6.5	-	-	-
2. Expenses, including:	492.8	676.5	740.1	886.0	83.53 %
2.1. Expenses of administration of Funds:	492.0	675.5	737.1	882.0	83.57 %
2.1.1. Company staff maintenance costs	373.5	513.2	584.4	628.0	93.06 %
2.1.3. Administrative expenses, property use and maintenance costs	90.3	131.7	125.0	224.0	55.80 %
2.1.4. Property depreciation and amortisation costs	28.2	26.1	23.2	30.0	77.33 %
2.1.5. Tax expenses	4.5	4.5	4.5	4.5	100 %
2.2. Financing and investing activity expenses	0.8	1.0	3.0	4.0	75.00 %
3. Net profit (loss)	43.4	45.4	55.0	36.0	152.78 %
4. EBITDA	71.6	71.5	78.2	66.0	118.48 %
5. ROE	0.3	0.3	0.3	n/d	n/d

During the reporting period, the Company's income from administration of the Funds totalled EUR 58.0 thousand. *The Company's income from administration of the Funds is equal to expenses for administration of the Funds.*

Notwithstanding the situation existing on financial markets where the yield of low-risk financial instruments is close to zero or negative, the Company generated income from investment of its equity capital which allowed ensuring the Company's profit (Figure 2). In 2019, the Company's net profit totalled EUR 55.0 thousand (by 21.15% larger than in 2018).

Figure 2. Change in the Company's profit, 2017-2019 (EUR thousand)



Equity funds of the Company are invested in low-risk assets, i.e. securities of the Government of the Republic of Lithuania (hereinafter – the GSs) and are held in the accounts of high-rating (at

least Baa1/BBB +/BBB +) banks in accordance with the Description of procedure for investing equity funds of VĮ Indėlių ir investicijų draudimas approved by Order No 1K-257 of the Minister of Finance of the Republic of Lithuania of 23 June 2016 (as amended by Order No 1K-437 of the Minister of Finance of the Republic of Lithuania of 14 December 2018) (hereinafter – the Description).

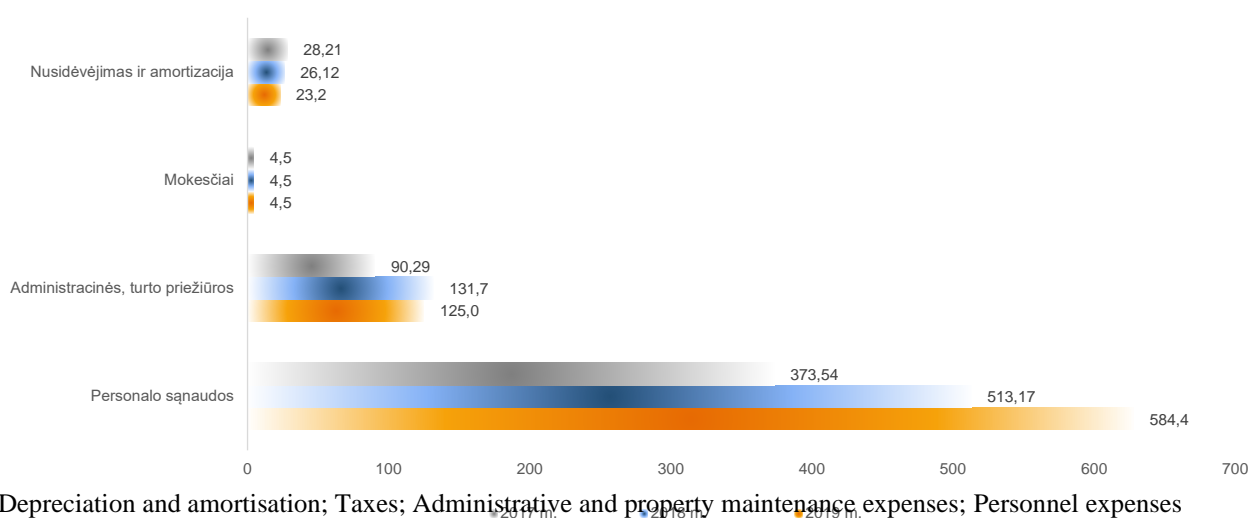
Table 5. Result of the financing and investing activity of the Company (EUR thousand)

	2017 fact	2018 fact	2019 fact
Company's investment income	44.2	39.9	58.0
Investment expenses (fee for safekeeping of GSSs)	0.8	1.0	3.0
Investment activity result	43.4	38.9	55.0

During the reporting period, the Company's preliminary expenses amounted to EUR 737.1 thousand, most of which consisted of the Company's personnel maintenance costs of EUR 584.4 thousand. Compared to the corresponding period of the previous year, they increased by 13.87 % due to the change in wages, largely due to the tax reform that entered into force from 1 January 2019 and revised wages for some of the Company's employees.

Preliminary (unaudited) data on the implementation of the income and expenditure estimates of the reporting period and the property acquisition plan approved by Order No 1K-452 of the Minister of Finance of the Republic of Lithuania of 20 December 2018 are presented in Annex No 1 and Annex No 2.

Figure 3. Distribution and change of expenses of the Company in 2017-2019 (EUR thousand)



Assets of the Company and of the administrated Funds

At of 31 December 2019, according to the data before audit, the Company's assets amounted to EUR 16 045.5 thousand, the amount of equity capital, according to the preliminary data, was EUR 15 979.0 thousand and increased by EUR 55.0 thousand compared to the corresponding period of the previous year (Table 6). The increase in the Company's equity capital was mainly due to the Company's profit earned from its investment activities.

Table 6. Assets of the Company and of the administrated Funds (EUR thousand)

	2017 fact	2018 fact	2019 fact	2019 plan	2019 plan implementation, %
1. Company's assets	15 920.4	15 987.3	16 045.5	15 988.0	100.36 %
2. Equity capital	15 878.4	15 924.0	15 979.0	15 947.0	100.20 %

2.1. Owner's capital	8 995.4	8 995.4	8 995.4	8 995.0	100.00 %
2.2. Reserves	6 839.9	6 883.3	6 928.6	6 952.0	99.66 %
2.3. Profit (loss)	43.4	45.3	55.0*	36.0	152.78 %
3. Assets of administrated Funds	239 311.8	202 059.4	207 928.6	206 757.0	100.57 %
3.1. Deposit Insurance Fund	236 688.9	199 362.3	205 166.1	204 000.0	100.57 %
3.2. Fund of Insurance of Liabilities to Investors	2 619.9	2 693.1	2 755.5	2 752.0	100.13 %
3.3. Resolution Fund	3.0	4.0	5.0	5.0	100.00 %
Assets of the Company and of the administrated Funds	255 232.2	218 046.7	223 974.1	222 745.0	100.55 %

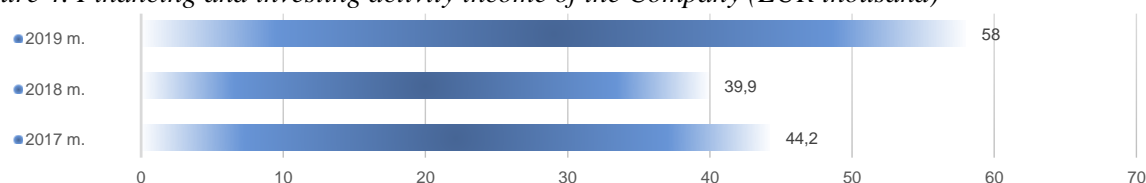
* Retained profit

The assets of the Company and of the administrated funds amounted to EUR 223.97 million at the end of 2019. The assets of the Company and of the administrated funds are recorded separately (their accounting is handled separately).

As of 31 December 2019, the Company's assets amounted to EUR 16 045.50 thousand. Most of the assets (~ 99%) consisted of financial assets (investments in GSs) and cash in bank accounts. As of 31 December 2019, the book value of the GSs portfolio was EUR 12 278.35 thousand. The investment portfolio of the Company's consisted of the GSs of the Republic of Lithuania denominated in euro. The other part of the assets – cash in bank accounts and time deposits totalled EUR 3 622.53 thousand at the end of the reporting period.

According to unaudited data, investment income of the reporting period was EUR 58 thousand and increased by EUR 18.1 thousand or 45 % compared to the corresponding period of the previous year. The increase of income resulted from growth of the Company's investment portfolio.

Figure 4. Financing and investing activity income of the Company (EUR thousand)



Obligations of the Company

During the reporting period and during the previous period, the Company had no debt obligations.

Investment projects

During the reporting period and during the previous period, the Company did not implement investment projects.

Audit of financial statements of the Company

In observance of subparagraph 14.14 of the Company's Articles of Association the Ministry of Finance of the Republic of Lithuania selects a certified auditor or an audit firm to audit financial statements of the Company. The audit of financial statements of the Funds is carried out by the National Audit Office of the Republic of Lithuania.

In 2019, financial statements of the Company were audited by UAB Naukonsa according to the signed agreement. The consideration fixed for the annual audit of financial statements provided for under the agreement is EUR 1 694.0.

Taxes

In observance of Article 3(2)(5) of the Law of the Republic of Lithuania on Corporate Income Tax, the Company does not pay the corporate income tax. From 2005, the Company pays into the State Budget the tax on use of the State property by right of trust. The tax rate – 0.05% from the Company owner's capital or EUR 4.50 thousand each year (Article 5(1) of the Law of the Republic of Lithuania on the Tax on Use of State Property by Right of Trust).

ABOUT FUNDS ADMINISTRATED BY THE COMPANY

5. ACTIVITIES OF THE FUNDS ADMINISTRATED BY THE COMPANY

5.1. Key indicators of the administrated Funds

The key indicators of the administrated Funds are presented below (Table 7).

Table 7. Key indicators of the Deposit Insurance Fund, the Fund of Insurance of Liabilities to Investors and of the Resolution Fund (EUR thousand)

General indicators of the Funds	2017 fact	2018 fact	2019 fact	2019 plan	2019 plan implementation, %
General indicators of the Funds	70 498.0	44 594.1	49 184.1	42 868.0	114.73 %
1. Inflows, total	22 049.0	12 465.2	11 283.1	10 782.0	104.65 %
1.1. Insurance contributions	48 441.0	32 090.7	37 779.0	32 000.0	118.06 %
1.2. Income from administrated events	0.0	29.9	43.2	30.0	144.00 %
1.3. Other inflows (insurance compensations not withdrawn within 5 years)	8.0	8.3	78.8	56.0	140.71 %
1.4. Investment income	38 551.0	37 317.4	3 516.5	9 789.0	35.92 %
2. Expenses, total	37 223.0	36 641.9	474.3	6 600.0	7.19 %
2.1. Compensations	490.0	675.5	737.1	881.0	83.67 %
2.3. Transfers of insurance contributions to another DGS	838.0	0.0	2 298.4	2 300.0	99.93 %
2.4. Investing activity expenses	0.0	0.0	9.4	8.0	117.50 %
3. Proceeds (financial proceeds) accumulated by Funds administrated by the Company	57 688.0	64 963.1	110 608.9	97 224.0	113.77 %
Deposit Insurance Fund					
4. Total inflows	70 429.0	44 519.7	49 117.4	42 805.0	114.75 %
4.1. Insurance contributions	21 987.0	12 396.4	11 224.8	10 725.0	104.66 %
4.2. Income from administrated events	48 441.0	32 090.7	37 779.0	32 000.0	118.06 %
4.3. Other inflows (insurance compensations not withdrawn in 5 years)	0.0	29.9	43.2	30.0	144.00 %
4.4. Investment income	0.5	2.7	70.4	50.0	140.80 %
5. Total outflows	38 550.0	37 315.4	3 513.9	9 788.0	35.90 %
5.1. Total insurance compensations	37 223.0	36 641.9	474.3	6 600.0	7.19 %
5.2. Administrative expenses	489.0	673.5	734.9	880.0	83.51 %
5.3. Transfers of insurance contributions to another DGS	0.0	0.0	2 298.4	2 300.0	99.93 %
5.4. Investment expenses	0.0	0.0	9.3	8.0	116.25 %
5.5. Interest expenses (loans)	838.0	0.0	0.0	0.0	-
6. Other indicators					
6.1. Target level	0.42	0.43	0.81	0.8	101.25 %
6.2. Loan repayment (per year)	62 265.0	-	-	-	-
6.3. Loan balance (year-end)	0.0	0.0	0.0	0.0	0.0
7. Proceeds (financial proceeds) accumulated	55 066.0	62 266.0	107 846.4	94 467.0	114.16 %
Fund of Insurance of Liabilities to Investors					
8. Total inflows	68.0	73.4	65.7	62.0	105.97 %
8.1. Collected insurance contributions	61.0	67.8	57.3	56.0	102.32 %
8.2. Investment income	7.0	5.6	8.4	6.0	140.00 %
9. Total outflows	1.1	1.1	1.6	1.4	114.29 %
9.1. Expenses for administration of the Fund	1.0	1.0	1.2	1.0	120.00 %
9.2. Financing and investing activity expenses	0.1	0.1	0.4	0.4	100.00 %
10. Proceeds (financial proceeds) accumulated by the FILI	2 619.0	2 693.1	2 757.5	2 752.0	100.20 %
Resolution Fund					

11. Total inflows	1.0	1.0	1.0	1.0	100.00 %
11.1. Collected insurance contributions	1.0	1.0	1.0	1.0	100.00 %
12. Total outflows	0.0	0.0	0.0	0.0	-
13. Proceeds (financial proceeds) accumulated	3.0	4.0	5.0	5.0	100.00 %

Deposit Insurance Fund (DIF)

Deposit Insurance Fund is the fund in which proceeds are accumulated for disbursement of insurance compensations under the Law on Insurance of Deposits and Liabilities to Investors and for the financing of resolution tools of the financial sector entities according to the Law of the Republic of Lithuania on Financial Sustainability (Table 7).

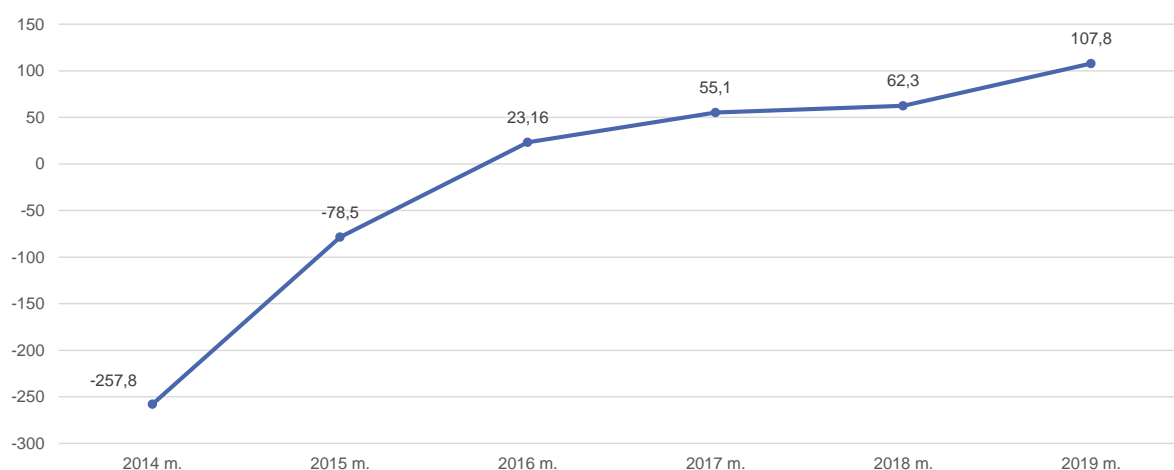
During the reporting period, the main income of the DIF comprised insurance contributions paid by participants – EUR 11 224.8 thousand; proceeds received from credit institutions in bankruptcy – EUR 37 779.0 thousand; insurance compensations not withdrawn in 5 years – EUR 43.2 thousand; investment activity income – EUR 70.4 thousand.

During the reporting period, the main expenses of the DIF comprised deposit insurance compensations – EUR 474.3 thousand (including procedural interest related to the enforcement of court rulings), administrative expenses of the DIF – EUR 734.9 thousand and periodic (ex ante) deposit insurance contributions transferred by Luminor bank AB and Citadele bankas to the deposit insurance systems of Estonia and Latvia, respectively, paid during the last 12 months before switching to the deposit insurance system of another Member State in accordance with the provisions of Article 11(6) of the Law, in the total amount of EUR 2 298.4 thousand; investing activity expenses (GSs' safekeeping fee) of EUR 9.3 thousand.

As of 31 December 2019, assets of the Deposit Insurance Fund totalled EUR 205.2 million of which EUR 57 982.9 comprised cash in banks, EUR 49 863.4 thousand of investments in GSs (more information about investment is provided in Section 5.5), and other assets of the Fund, including the estimated receivable credit claim from credit institutions in bankruptcy.

As of 31 December 2019, financial proceeds of the Deposit Insurance Fund amounted to EUR 107 846.4 thousand. Dynamics of financial proceeds of the Deposit Insurance Fund is presented in Figure 5.

Figure 5. Dynamics of financial proceeds of the Deposit Insurance Fund in 2014-2019 (EUR million)



Fund of Insurance of Liabilities to Investors (FILI)

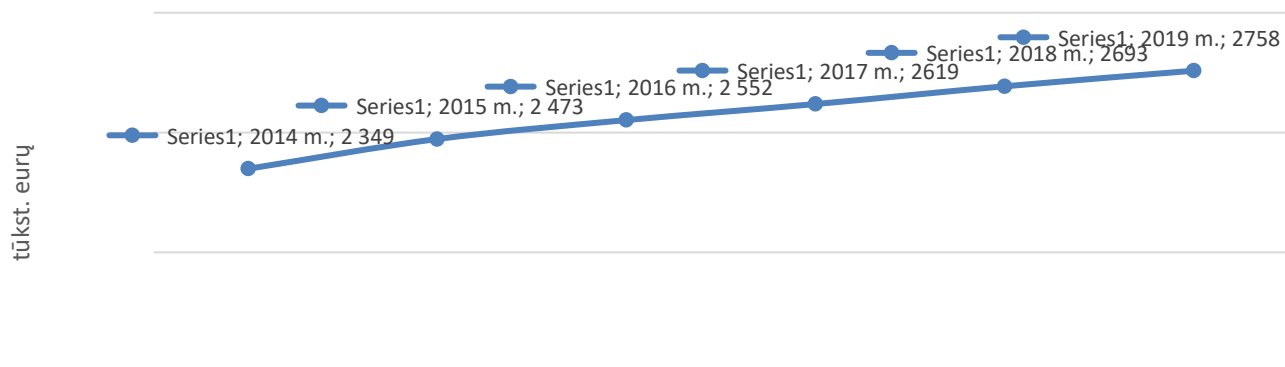
Fund of Insurance of Liabilities to Investors – is the fund in which proceeds are accumulated for disbursement of insurance compensations under the Law on Insurance of Deposits and Liabilities to Investors (Table 7).

During the reporting period, the main income of the FILI consisted of the insurance contributions paid by the participants of EUR 57.3 thousand and financing and investing activity income of EUR 8.4 EUR thousand.

During the reporting period, the main expenses of the FILI consisted of the administrative expenses of the FILI of EUR 1.2 thousand and investing activity expenses (GSs' safekeeping fee) of EUR 0.4 thousand.

As of 31 December 2019, assets of the FILI amounted to EUR 2 757.5 thousand, including EUR 1 399.9 thousand of cash in banks and time deposits and EUR 1 357.5 thousand of investments in GSs. Assets of the FILI increased by 2.4%, compared with the respective period of 2018 (Figure 6).

Figure 6. Dynamics of financial proceeds of the Fund of Insurance of Liabilities to Investors in 2013-2019



EUR thousand; 2014 2015 2016 2017 2018 2019

Resolution Fund (PF)

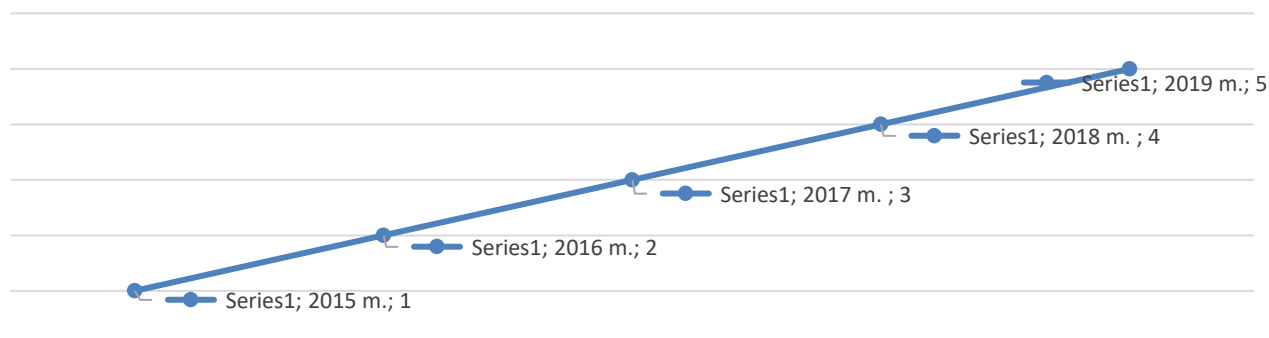
Resolution Fund – Resolution Fund is the fund in which proceeds are accumulated for resolution of problem participants of the Resolution Fund, i.e. for covering of expenses incurred for the purposes specified in Article 103 of the Law of the Republic of Lithuania on Financial Sustainability. A decision on the use of proceeds of the Resolution Fund is taken by the resolution authority (the Bank of Lithuania) (see Table 7).

During the reporting period, the main income of the RF comprised annual insurance contribution paid by the participant – EUR 1 thousand.

During the reporting period, the F did not incur any expenses.

As of 31 December 2019, assets of the Resolution Fund amounted to EUR 5.0 thousand (Figure 7). All assets of the Fund consisted of cash in bank.

Figure 7. Dynamics of the amount of assets of the Resolution Fund in 2015-2019 (EUR thousand)



5.2. Participants of the administrated Funds, participant groups and insurance contributions

Deposit insurance system participants and main covered deposits

As of 31 December 2019, deposits were covered by 8 banks and 65 credit unions (Table 8). During 2019, 2 banks withdrew from the Lithuanian deposit insurance system and 2 credit unions merged. During the same period, 3 specialised banks became participants in deposit insurance system.

In 2019, Luminor Bank AB and Citadele Bank withdrew from the Lithuanian deposit insurance system: from 1 January 2019, Citadele Bank AB became the Lithuanian branch of the Latvian AS Citadele banka (deposits are covered by the Latvian deposit guarantee scheme), and from 2 January 2019, Luminor Bank AB became the Lithuanian branch of the Estonian Luminor Bank AS (deposits are insured by the Estonian guarantee scheme). The credit union Varėnos kredito unija and the credit union Rokiškio kredito unija merged with the credit union Alytaus kredito unija and the the credit union Anykščių kredito unija, respectively. On 8 February 2019, Revolut Bank UAB, on 4 April 2019 – the European Merchant Bank UAB and on 30 December 2019, Fjord Bank AB became the deposit insurance system participants.

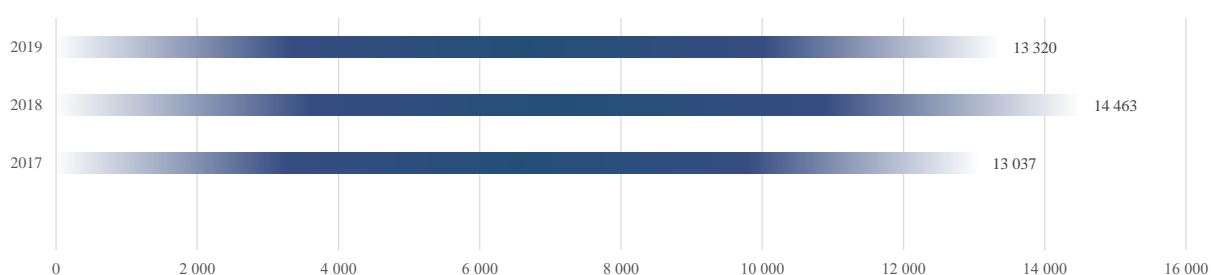
Table 8. Number of the deposit insurance system participants

Deposit insurance system participants	2017 fact	2018 fact	2019 fact
Banks*	6	7	8
Credit unions	69	67	65

*Including specialised banks.

According to the data declared by credit institutions participating in the Lithuanian deposit insurance system, as of 31 December 2019, they had accumulated EUR,13.32 billion amount of the main covered deposits, i.e. deposits which are subject to deposit insurance and their amount does not exceed EUR 100 thousand. Compared to the end of 2018, the number of insured deposits has fallen by 7.90 % (Figure 8). The decline in the main insured deposits in credit institutions was due to the withdrawal of Luminor Bank AB and Citadele Bank AB from the deposit insurance system at the beginning of 2019. At the end of 2019, after the elimination of the main insured deposits of Luminor Bank AB and Citadele bankas AB, the main insured deposits of credit institutions participating in the Lithuanian deposit insurance system went up by 11.65 % during the reporting period.

Figure 8. The main insured deposits in credit institutions, end-of-period (EUR million)



Taking into account the amount of the main covered deposits and financial proceeds accumulated by the Deposit Insurance Fund, the data on the achievement of the Deposit Insurance Fund target level is provided below (Table 9). The minimum target level of financial proceeds of the Deposit Insurance Fund (hereinafter – the target level) is the amount of financial proceeds not less than 0.8 % of the main insured deposits of all participants in the Deposit Insurance Fund to be accumulated by 3 July 2024, taking into account its debt obligations.

Table 9. Financial proceeds and achieved target level of the DIF

	2017 fact	2018 fact	2019 fact
DIF financial proceeds (EUR million)	55.1	62.30	107.85
Achieved target level (%)	0.42 %	0.43 %	0.81 %

As of 31 December 2019, according to the preliminary data, the Deposit Insurance Fund's financial proceeds accounted for 0.81 % of the main insured deposits in credit institutions or 101.25 % of the requirement established by the Law (0.8 %).

The majority of deposits are held by legal and natural persons with banks, i.e. on 31 December 2019, ~ 95% of the total amount of principal insured deposits were accumulated with banks and specialised banks operating in Lithuania (Table 10).

Table 10. Distribution of the main covered deposits with credit institutions, year-end (EUR million)

Distribution of deposits of up to EUR 100.000 between credit institutions	2017 fact		2018 fact		2019 fact	
	%	sum	%	sum	%	sum
Banks*	95.44 %	12 442.97	95.98 %	13 881.50	94.94 %	12 645.56
Specialised banks	4.56 %	593.87	4.02 %	581.90	5.06 %	674.54
Total	100.00 %	13 036.84	100.00 %	14 463.40	100.00 %	13 320.10

*Including specialised banks

During the reporting period, the bank insurance contributions amounted to EUR 10.60 million or 94.47 % of the total insurance contributions paid by credit institutions, corresponding respectively to EUR 0.62 million or 5.53 % of the total insurance contributions paid by credit institutions. The breakdown of contributions is given in Table 11. The reduction in the amount of insurance contributions is due to the withdrawal of Luminor bank AB and Citadele bankas from the Lithuanian deposit insurance system.

Table 11. Distribution of insurance contributions paid by banks and credit unions to the Deposit Insurance Fund (EUR million)

Deposit Insurance Fund contributions	2017 fact		2018 fact		2019 fact	
	%	sum	%	sum	%	sum
Banks*	94.30 %	20.74	95.20 %	11.81	94.47 %	10.60
Credit unions	5.70%	1.25	4.80 %	0.59	5.53 %	0.62
Total	100.00 %	21.99	100.00 %	12.40	100.00 %	11.22

*Including specialised banks

Participants and insurance contributions of the Fund of Insurance of Liabilities to Investors

As of 31 December 2019, liabilities to investors were covered by 23 participants, including 4 banks, the Central Credit Union of Lithuania, 8 financial brokerage firms and 10 management companies.

In 2019, two new participants joined the deposit insurance system during 2019 – on 3 June 2019, the management company UAB Žabolis ir partneriai kapitalo valdymas and, on 2 October 2019, the financial brokerage firm UAB DeRISK Business Solutions became participants in the investors' liabilities' insurance system.

Participants in the Fund of Insurance of Liabilities to Investors pay the insurance contributions once a year, in January. The amount of insurance contributions paid by the participants in the Fund of Insurance of Liabilities to Investors for 2019 was EUR 57.25 thousand, compared to 2018, the amount of insurance contributions decreased by EUR 10.55 thousand or 15.6 %. The reduction in contributions was influenced by the withdrawal of Luminor bank AB and Citadele bankas AB from the Lithuanian insurance system for liabilities to investors.

In 2018, the largest share of the insurance contributions or 46.6 % of all insurance contributions to the Fund of Insurance of Liabilities to Investors was paid by banks, and in 2019, after the withdrawal of Luminor Bank AB and Citadele Bank from the investors liabilities' insurance system the bigger share of the insurance contributions or 44.9 % of all insurance contributions to the Fund of Insurance of Liabilities to Investors was paid by financial brokerage firms.

Distribution of insurance contributions paid by all financial institutions is presented in Table 12.

Table 12. Contributions to the Fund of Insurance of Liabilities to Investors paid by participants of the Fund of Insurance of Liabilities to Investors in 2017-2019 m. (EUR thousand)

Contributions of the Fund of Insurance of Liabilities to Investors	2017 fact		2018 fact		2019 fact	
	%	sum	%	sum	%	sum
Banks	49.90 %	30.59	46.61 %	31.60	35.41 %	20.27
Lithuanian Central Credit Union	4.70 %	2.90	4.28 %	2.90	5.05 %	2.89
Financial brokerage firms	32.70 %	20.05	37.61 %	25.50	44.92 %	25.72
Management companies	12.70 %	7.80	11.50 %	7.80	14.62 %	8.37
Total	100.00 %	61.34	100.00 %	67.80	100.00 %	57.25

Participants and insurance contributions of the Resolution Fund

During the reporting period, 1 financial brokerage firm was the participant in the RF. The annual insurance contributions for the Resolution Fund's participants are established / calculated by the Bank of Lithuania. Insurance contributions of the Resolution Fund are paid once a year by 13 June of the current year. In 2019, the annual periodic (ex ante) contribution of EUR 1.0 thousand was paid by one participant in the Resolution Fund as in previous years.

5.3. Insured events, insurance compensations and bankruptcy proceedings

Insured events and insurance compensations of the Deposit Insurance Fund

At the end of the reporting period, the Company, through insurance compensations' payment agents paid compensations to the depositors of 8 bankrupt credit unions. By 31 December 2019, depositors of the aforementioned bankrupt credit unions had not withdrawn insurance compensations of EUR 1 234.15 thousand (Table 13).

Table 13. Insurance compensations withdrawn/not withdrawn by depositors, 31 December 2018 (EUR thousand)

No	Bankrupt credit union's name	Bank (payment agent)	Amount of insurance compensations transferred to banks, EUR thousand	Insurance compensations withdrawn by depositors, EUR thousand	Insurance compensations withdrawn by depositors	Insurance compensations not withdrawn by depositors, EUR thousand	Expiry of the deadline for payment of insurance compensations
1	Amber	UAB Medicinos bankas	19 966.68	19 730.55	98.82 %	236.13	20-09-2021
2	Žemaitijos išdas	UAB Medicinos bankas	1 634.62	1 631.02	99.78 %	3.60	07-03-2022
3	Pajūrio	UAB Medicinos bankas	2 147.88	2 125.87	98.98 %	22.01	17-03-2022
4	Baltija	AB bankas Šiaulių	11 534.74	11 410.91	98.93 %	123.83	25-09-2022
5	Namų	AB bankas Šiaulių	1 381.27	1 357.38	98.27 %	23.89	25-09-2022

6	Vilniaus kreditas	AS Citadele banka Lithuanian Branch	20 358.95	20 037.47	98.42 %	321.48	10-11-2022
7	Centro taupomoji kasa	UAB Medicinos bankas	10 555.01	10 260.25	97.21 %	294.76	16-01-2023
8	Taupkasė	AS Citadele banka Lithuanian Branch	18 683.87	18 475.42	98.88 %	208.45	23-02-2023
Total			86 263.02	85 028.87	98.66 %	1 234.15	

During the reporting period, Deposit Insurance Fund paid out a total of EUR 474.3 thousand to: holders of inactive shares and inactive bonds of AB banks Snoras (including procedural interest in enforcement of court rulings), holders of deposits (enforcement of court rulings), depositors of the bankrupt credit union BKU Vilniaus taupomoji kasa and the bankrupt credit union BKU Nacionalinė kredito unija (enforcement of court rulings). The comparison of insurance compensations disbursed from the Deposit Insurance Fund with previous periods is shown in Table 14.

On 29 August 2018, the Company, in accordance with the decision of the Court of Justice of the European Union, the practice formed by the SCL regarding the inactive shares and bonds of BAB Bank Snoras and the explanation of the European Law Department under the Ministry of Justice of the Republic of Lithuania, paid insurance compensations to all holders of inactive shares and bonds of BAB bankas Snoras, regardless of whether or not the holders filed legal actions. A total of about EUR 9.10 million insurance compensations is planned to be disbursed to holders of inactive shares and bonds. By the end of 2019, EUR 7.48 million or almost 82% of the amount planned for disbursement.

As of the end of the reporting period, the amount of about EUR 1.62 million insurance compensations was not disbursed for the inactive shares and bonds.

Table 14. Deposit insurance compensations from the Deposit Insurance Fund (EUR thousand)

Insurance compensations from the Deposit Insurance Fund	2017 fact	2018 fact	2019 fact
		37 223.0	36 791.0

Insured events of deposits according to which payment of insurance compensations was completed during the reporting period

In January 2019, at the end of the 5-year period of payment of the insurance compensations, the compensations to depositors of the bankrupt credit union BKU Vilniaus taupomoji kasa was completed. In total, the amount of outstanding insurance compensations not withdrawn by the depositors of the bankrupt credit union BKU Vilniaus taupomoji kasa and repaid to the Deposit Insurance Fund was EUR 43.2 thousand or 0.07 % of the estimated insurance compensations of the credit union.

In April 2019, at the end of the 5-year period of payment of the insurance compensations, the compensations to depositors of the bankrupt credit union BKU Naftininkų investicijos was completed. In total, the amount of outstanding insurance compensations not withdrawn by the depositors of the bankrupt credit union BKU Naftininkų investicijos and repaid to the Deposit Insurance Fund amounted to EUR 15.17.

Administrated bankruptcy proceedings of credit institutions

At the end of the reporting period, the Company, as the largest creditor representing the Deposit Insurance Fund, participated in bankruptcy proceedings of 15 credit institutions. During the reporting

period, the Company attended 80 sittings/committee meetings of creditors of bankrupt credit institutions on the bankruptcy administration matters of the bankrupt credit institutions.

During the reporting period, the bankrupt credit institutions transferred to the Company EUR 37 779.0 thousand for the satisfaction of claims of the second line creditor claims. Information on the recovered proceeds from each of the administrated bankruptcy proceedings of credit institutions is presented in Table 15.

Table 15. Monetary funds received by the Deposit Insurance Fund from bankrupt credit institutions (EUR thousand)

BCI and date of the insured event	Disbursed amount, fact	Received, total	2013-2017	2018 fact	2019 fact	2019 plan	Covering of creditor claim
Snoras 24 11 2011	1 190 846	840 971	827 871	4 100	9 000	6 000	71 %
Ūkio bankas 18 02 2013	269 253	52 958	51 458	300	1 200	7 100	20 %
Nacionalinė kredito unija 24 01 2013	34 838	19 611	17 536	1 475	600	1 000	56 %
Švyturio taupomoji kasa 24 01 2013	5 043	3 298	2 988	310	-	50	65 %
Laikinosios sostinės kreditas 09 05 2013	6 664	2 204	2 091	113	-	50	33 %
Naftininkų investicijos 30 04 2014	3 427	1 628	1 368	-	260	390	47 %
Vilniaus taupomoji kasa 17 01 2014	64 082	42 925	33 275	8 450	1 200	1 900	67 %
Amber 20 09 2016	19 967	15 100	10 000	1 750	3 350	2 500	75 %
Žemaitijos išdas 07 03 2017	1 635	1 025	555	410	60	30	63 %
Pajūrio kredito unija 17 03 2017	2 148	1 034	-	400	634	1 150	48 %
Baltija 25 09 2017	11 529	3 947	-	3 462	485	130	34 %
Namų kredito unija 25 09 2017	1 381	730	-	420	310	490	53 %
Vilniaus kreditas 10 11 2017	20 359	12 800	-	5 800	7 000	6 500	63 %
Centro taupomoji kasa 16 01 2018	10 555	6 500	-	5 100	1 400	2 000	62 %
Taupkasė 13 02 2018	18 684	12 280	-	-	12 280	2 700	66 %
Total:	1 660 411	1 017 011	947 142	32 090	37 779	31 990	61 %

There were no insured events in respect of participants of the Fund of Insurance of Liabilities to Investors and of the Resolution Fund.

5.4. Financial obligations

At the end of the reporting period, the Deposit Insurance Fund, the Fund of Insurance of Liabilities to Investors and the Resolution Fund had no debt obligations.

5.5. Investment of proceeds of the Funds administrated by the Company

Investment of proceeds of the Deposit Insurance Fund

The investment portfolio of the DIF amounted to EUR 107.84 million, on 31 December 2019. Some of the DIF proceeds funds were invested in the GSs of the Republic of Lithuania and of the Republic of Latvia: as of 31 December 2019, the book value of investment portfolio of the DIF investment portfolio of GSs was EUR 49.86 million (46.24 % of the DIF's total portfolio), while the remainder – EUR 57.98 million – was held in banks with a long-term investment rating of at least: Moody's – Baa1, Standard & Poor's – BBB+, Fitch Ratings – BBB+.

The investment of DIF funds is governed by the Investment Rules for the Deposit Insurance Fund and Fund of Insurance of Liabilities to Investors, approved by Resolution No 02-5-2.1 of 4 April 2016 of the Council of the Company (as amended by Resolution No 02-16-2 of 4 July 2019) (hereinafter – the Rules”). According to the criteria set out in the Rules, up to 50 % of the DIF proceeds may be invested in GSs and the remaining share may be held in bank accounts. In response to declining yields of debt securities on global markets, borrowing in the domestic markets for the Government of Lithuania, likewise governments of other countries of Europe whose ratings are at least A3/A-/A- has become cheaper during the reporting period. Positive yield was generated only by long-term (6–10 years) securities of the Government of the Republic of Lithuania, and the yield of short-term GSs was close to zero or negative. Keeping funds in bank accounts can also be unprofitable: banks operating in Lithuania with at least A3/A-/A- ratings, taking account of interest rates approved by the European Central Bank charge negative (-) 0.5% interest rate on funds exceeding EUR 1 million.

Despite the difficult situation on the financial markets, the DIF succeeded in generating revenue from investment activities. DIF investment income for the reporting period was EUR 70.4 thousand. Investment of DIF proceeds started in the fourth quarter of 2018, taking into account potential liabilities. The annual comparison of financial investment performance of the DIF proceeds is shown in Table 16.

Table 16. Financing and investing activity result of the DIF (EUR thousand)

	2017 fact	2018 fact	2019 fact
DIF’s investment income	0.5	2.7	70.4
Investment expenses (fee for safekeeping of GSs)	0.0	0.0	9.3
Investing activity result	0.5	2.7	61.1

Investment of proceeds of the Fund of Insurance of Liabilities to Investors

As of 31 December 2019, the investment portfolio of the FILI totalled EUR 2.76. A part of the FILI proceeds was invested in the securities of the Government of the Republic of Lithuania: as of 31 December 2019, the carrying amount of the FILI portfolio of GSs was EUR 1.36 million and funds in banks with the long-term investment rating not lower than Moody’s – Baa1, Standard & Poor’s – BBB+, and Fitch Ratings – BBB+ totalled EUR 1.40 million.

Investment of the FILI’s proceeds (in the manner analogous to those of the DIF) is regulated by the Rules on investment of resources of the Deposit Insurance Fund and the Fund of Insurance of Liabilities to Investors approved by Resolution No 02-5-2.1 of the Company’s Council of 4 April 2016 (as amended by Resolution No 02-16-2 of 4 July 2019). When investing the proceeds of the FILI, the Company faces the same challenges as in the case of investing the proceeds of the DIF.

Investment of the FILI’s proceeds started in the second quarter of 2014, taking into account potential liabilities. During the reporting period, the FILI’s income from investing activity was EUR 8.4 thousand or by 50 % larger than during the corresponding period of the previous year. The annual comparison of the results of the financing and investing activities of the FILI proceeds is shown in Table 17.

Table 17. Financing and investing activity results of the FILI (EUR thousand)

	2017 fact	2018 fact	2019 fact
FILI investment income	7.0	5.6	8.4
Investment expenses (fee for safekeeping of GSs)	0.1	0.1	0.4
Investing activity result	6.9	5.5	8.0

Investment of proceeds of the Resolution Fund

During the reporting period, proceeds accumulated in the Resolution Fund (EUR 500 thousand) were held with the bank assigned the long-term investment rating of Moody’s – Aa3, Standard & Poor’s – AA-, Fitch Ratings – AA. Investment of the Fund’s proceeds is regulated by the Rules on

investment of resources of the Resolution Fund approved by Resolution No 03-217 of the Board of the Bank of Lithuania of 31 December 2015.

5.6. Legal proceedings

According to the data of 31 December 2019, the Company as a defendant or third party has participated in 47 pending legal disputes the amount of claims on which totals EUR 7.99 million. In performing its functions, the Company, participates in legal disputes regarding claims brought to the Deposit Insurance Fund for disbursement of insurance compensations for bonds issued by BAB bankas SNORAS and/or 5 % annual interest on insurance compensations for deposit certificates and inactive bonds and shares of BAB bankas SNORAS, the disbursement of which, in the opinion of applicants, was overdue.

Table 18 presents the dynamics of legal disputes of 2017–2019, in which the Company is involved.

Table 18. Dynamics of legal disputes in 2017–2019

	End-2017	End-2018	End-2019
Number of legal disputes	166	101	47
Amount of claims (EUR million)	18.2	13.05	7.99

According to the data of 31 December 2019, a part (97 %) of legal proceedings comprised cases concerning bonds (including bonds that were active or inactive before the bank's bankruptcy) issued by BAB bankas SNORAS and inactive shares and ordering payment of procedural interest on insurance compensations for the aforementioned securities and deposit certificates the disbursement of which, in the opinion of applicants, was overdue.

The case-law formed in 2018 and 2019 in the cases regarding inactive bonds and shares of AB bankas Snoras played a decisive role in legal disputes:

- On 22 March 2018, the Court of Justice of the European Union ruled in the case of inactive bonds and shares of BAB bankas Snoras. The court recognised the right of holders of inactive bonds and shares to the insurance compensation (at their choice) for the deposit or liabilities to investors.

- On 22 June 2018, the Supreme Court of Lithuania (hereinafter – the SCL) passed the ruling in civil case No 3K-3-232-969/2018, on 11 July 2018 the ruling in civil case No 3K-3-214-701/2018 and on 28 August 2018 the ruling in the Civil Case No 3K-3-233-219/2018 on recognising the right of holders of inactive bonds and shares of BAB bankas SNORAS to the deposit insurance compensation.

- On 4 July 2018, the SCL passed the ruling in case No 3K-3-213-687/2018 on recognising the right of holders of inactive shares of BAB bankas SNORAS to the deposit insurance compensation. Considering the established case law of the CJEU and the SCL, the cases were heard and the decisions were taken by the court of the first instance and the court of appeals that had also examined the analogous cases.

- On 18 February 2019, SCL passed the ruling in civil case No e 3K-7-3-687/2019, in which the court explained that the Company had not missed the time limit for discharge of the obligation and had paid the insurance compensations in due time for the deposit certificates of BAB bankas Snoras and claims of the applicant regarding the award of procedural and compensatory interest were therefore rejected as unfounded. This ruling forms the case-law and the interpretations contained therein are relevant to other similar civil cases pending before the courts.

- On 30 April 2019, the SCL passed the ruling against the Company in civil case No 3K-3-153-916/2019, forming the case-law for holders of inactive bonds, the right to procedural interest on the overdue payment of insurance compensations. The court of cassation argued that the legislator did not explicitly regulate to what security scheme (deposit guarantee or investor compensation) the inactive bonds should be attributed, but noted that the law did not explicitly and imperatively

prescribe that inactive bonds did not fall within the scope of either deposit guarantee or investor compensation protection schemes, so there was no reason to conclude that the Company was not obliged to pay insurance compensations for inactive bonds and to pay procedural interest on the insurance compensations to the claimants.

- On 1 July 2019, the SCL issued the ruling in favour of the Company in civil case No e 3K-3-256-695/2019, which addressed the issue of awarding procedural interest to holders of deposit certificates. This is the third ruling of the court of cassation, which has formed a clear case-law in the cases of this category. The Court stated in its ruling that the obligation for the Company to pay insurance compensations for deposit certificates arose only after the CJEU's ruling. The SCL considered that prior to applying for payment under deposit certificates issued by the bank, there was no pecuniary obligation as it was only recognised by the court decision. Accordingly, the claim at issue examined in civil proceedings does not justify the application of Article 6.37(2) of the CC and the award of the procedural interest.

During the reporting period, the Company participated in legal disputes with the bankruptcy administrator UAB Verslo konsultantai in three bankruptcy cases. After the courts heard the cases, the bankruptcy administrator UAB Verslo konsultantai was dismissed from the position of the bankruptcy administrator of the bankrupt credit unions BKU Švyturio taupomoji kasa, BKU Laikinosios sostinės kreditas and BKU Nacionalinė kredito unija, i.e. the courts issued the rulings in favour of the Company.

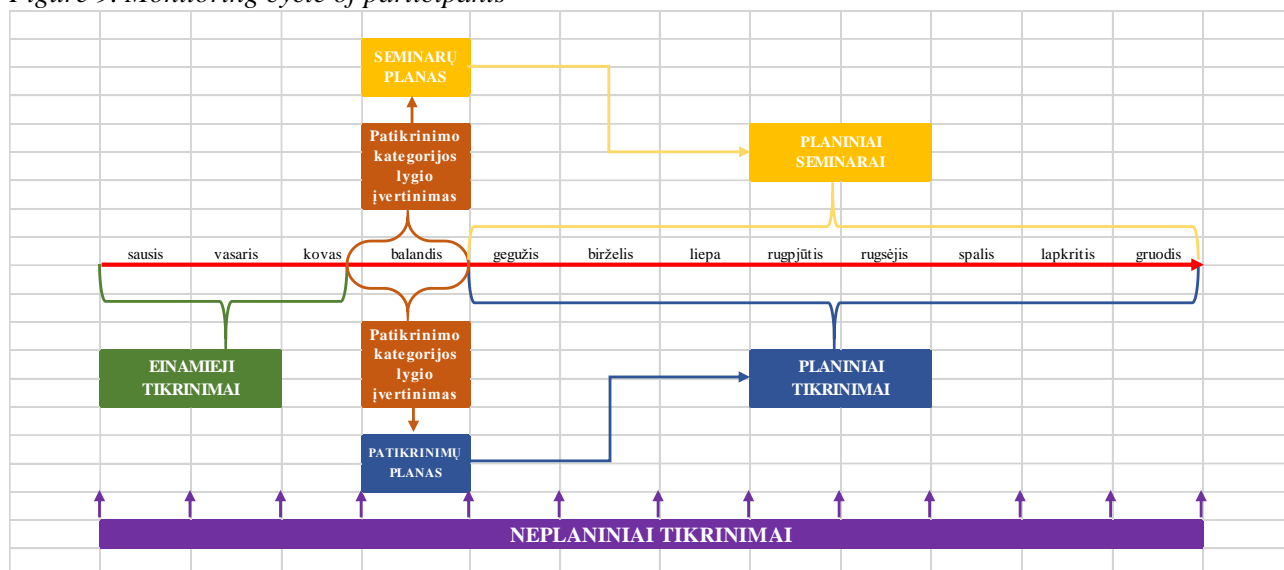
Compared with the same period of the previous year, the number of pending cases reduced by 53 % – from 101 to 47. As of the end of the reporting period, 93.6 % of all court cases were handled by the Company's employees.

5.7. Participants' monitoring activity

Having regard to the results of monitoring of the deposit insurance system participants and of the participants of the system of insurance of liabilities to investors conducted during the previous periods (2017–2018), since 2019, the Company has integrated an additional element in the system of monitoring of the deposit insurance system participants and of the participants of the system of insurance of liabilities to investors – routine checks:

The scheme of the monitoring cycle is shown in Figure 9 below.

Figure 9. Monitoring cycle of participants



Workshop plan;
Monitoring category level assessment; Planned workshops;
January February March April May June July August September October November December

Routine checks; Monitoring category level assessment; Planned checks;
Monitoring plan;
Unplanned checks

In 2019, the Company conducted:

- 92 routine checks of the participants of the systems.

The purpose of the routine checks is to assess the accuracy of data declared by all insurance system participants necessary for the calculation of insurance contributions (the assessment covers the data as of 31 December 2019) and the correctness of payment of insurance contributions.

- 30 planned checks of the participants of the systems.

The purpose of the planned checks is to assess the insurance system participants' activities in the spheres of the provision of data necessary for the calculation of deposit insurance compensations and implementation of the duty to notify about insurance established for the system participants.

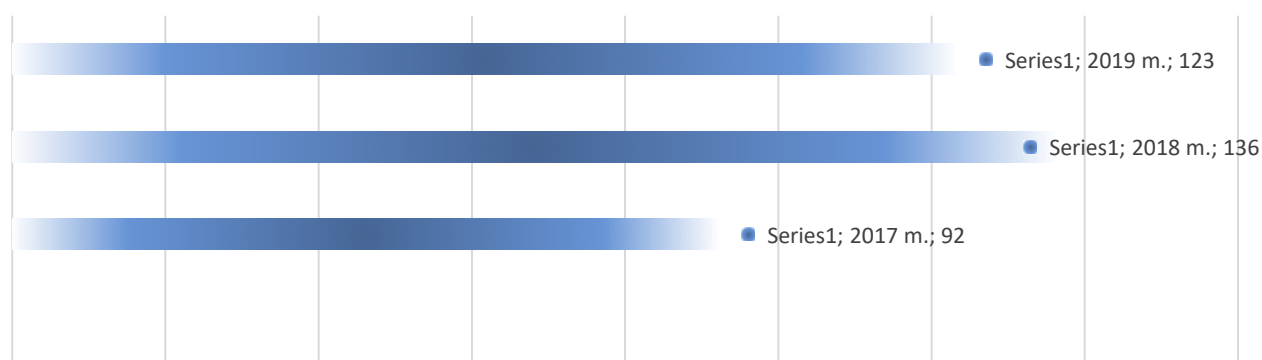
- 1 unplanned check.

Following the application of sanctions by the Bank of Lithuania, the unplanned check of one credit union was conducted regarding the provision of data necessary for the calculation of deposit insurance compensations and notification about deposit insurance.

The deposit insurance system participants who were subject to the checks, took account of the Company's recommendations regarding the rectification of the established irregularities.

Information about checks of the insurance systems participants is provided in Figure 10.

Figure 10. Participants' checks in 2017-2019 (units)



With a view to minimising infringements by participants of the system of insurance of deposits and liabilities to investors as regards the implementation of provisions of the Law, during 2018, the Company organised and carried out planned meetings (workshops) with the participants of the system of insurance of deposits and liabilities to investors. During the meetings (workshops), the participants were familiarised with theoretical and practical aspects of application of provisions of the Law of the Republic of Lithuania on Insurance of Deposits and Liabilities to Investors and presented their practice of application of provisions of the Law. A total of 3 meetings (workshops) were organised.

5.8. Stress tests of the deposit insurance system

Following the request of the Estonian Deposit Insurance Scheme (hereinafter – the EDIS) and acting in observance of the Agreement on cooperation between the Lithuanian Deposit Insurance Scheme and the Estonian Deposit Insurance Scheme, the Company took part in the international stress testing of the Deposit Insurance Scheme (hereinafter – the testing) conducted in June 2019. The following was tested: the possibility of opening the single customer view (hereinafter – the SCV) file encoded with GNU Privacy Guard received from the EDIS; the SCV file; the structure of the SCV file; whether the SCV was completed under the cooperation agreement between the Lithuanian Deposit Insurance System and the EDIS. Testing conclusions:

- The SCV file was received within the time limits fixed in the Testing Plan;

- The SCV file transmission channel is operating;
- The SCV file form was supplemented with the additional column and contained uncompleted boxes.

In accordance with paragraph 96 of the European Banking Authority (EBA) Guidelines on Disaster Testing of Deposit Guarantee Schemes under Directive 2014/49/EU (EBA/GL/2016/04) of 19 October 2016 (hereinafter – the Guidelines), on 3 July 2019, the report on the stress tests of the deposit insurance system according to the format set out in Annex 1 to the Guidelines was furnished to the EBA.

SOCIAL RESPONSIBILITY

The Company is a socially responsible entity acting in observance of Resolution No 1160 of the Government of the Republic of Lithuania of 11 September 2003 on approval and implementation of the National Strategy for Sustainable Development (Official Gazette, 2003, No 89-4029), the Guidelines of the Organisation for Economic Cooperation and Development (OECD), the principles of the United Nations Global Compact and the United Nations Sustainable Development Goals.

6. SOCIAL AND ENVIRONMENTAL ASPECT



6.1. Social activities

Personnel

On 20 March 2019, with a view to improving efficiency of the Company's activities, the new structure of the Company entered into force comprising 23 approved job positions. The approved structure includes a new job position of the compliance officer.

The HR organisation policy implemented in the Company is focused on the development and motivation of employees. Each year, annual interviews with employees are carried out, during which the results of the previous year are evaluated and work is planned for the following year; the programme of adaptation for newly recruited staff is in place. Employees are encouraged to continuously improve not only in the professional sphere, but also to develop their personal qualities; therefore, the training / seminars are established for employees.

In 2019, the approved wage fund amounted to EUR 627.75 thousand, and the actual wage utilisation was EUR 584.43 thousand. Figures on wages are given in Table 19 (in 2019, compared with 2018, a significant increase in wages was due to the use of 1.289 wage applicable since 2019).

During the reporting period, the Company's staff actively participated in training and seminars on personal data protection, HR management, procurement, as well as in the development of management skills and improvement of other competences.

Table 19. Data on average wage (in EUR)

Wage	2018	2019
Director	4 259	5 580
Deputy Director	3 556	4 955
Division Head	2 064	3 228
Senior specialist	1 408	2 324

The Company's specialists are competent in their professional area and all employees of the Company have higher education. The Company guarantees equal rights and equal opportunities irrespective of the employee's gender, age, ethnical origin or attribution to other groups. The Company recruits employees on the basis of the objective criteria.

According to the data of 31 December 2019, the average age of the Company's staff was 43 years. Women accounted for 75 %, and men – for 25 %. Compared with data of 2018, the number of male employees in the Company increased (in 2018, they accounted for 17 %), as well as the average wage of employees (in 2018 – 39 years).

The Company takes care of health of its employees: ensures the occupational safety requirements, creates respectable working conditions with working hours, weekly rest, vacations, protection of maternity and paternity, etc. As a means of stimulating motivation and loyalty, employees are provided with supplementary health insurance, various financial (such as bonuses, premiums, participation in conferences, workshops) and non-financial incentives (such as granting additional leave, flexible working hours, etc.).

In 2019, no discrimination or other breaches of human rights were established in the Company.

Other groups of interest

In order to raise public awareness of the system of insurance of deposits and liabilities to investors and forming public opinion in such a way that the perceived importance of the Company increases and its image improves, the Company pursues the public awareness-raising policy. In 2019, the Company broadcast a video in the means of public transport in Vilnius, presenting briefly the information for depositors and investors. This way, the Company is also developing the sense of security confidence in the financial system.

6.2. Environmental protection

The Company does not engage in any activity that could directly have a negative impact on the environment. Nevertheless, the Company encourages sound management and use of water, paper, fuel, energy and other resources. The Company seeks to pursue green procurement and/or incorporates green criteria in its procurements. The Company promotes and uses in its activities the state-of-the-art measures and technologies, implements the processes that meet ecological standards and help minimise the environmental impact of its activities.

7. EFFICIENT AND TRANSPARENT ACTIVITIES



The Company develops and maintains open business relationships with all interest groups and is accountable to the institution implementing the rights and obligations of the owner (the Ministry of Finance of the Republic of Lithuania), the Council of the Company and the public for activities it carries out.

During the reporting period, 28 meetings of the Company's Council were organised at which 142 issues were discussed.

The Company seeks ethical, transparent and fair cooperation with interest groups and acts in a manner that facilitates access of interest groups to the provided services.

The Company publishes all required information for interest groups specified in Chapter IV of the Guidelines on ensuring transparency of activities of the state-owned companies approved by Resolution No 1052 of the Government of the Republic of Lithuania of 14 July 2010 (as amended by Resolution No 284 of the Government of the Republic of Lithuania of 27 March 2019).

*The Company applies
zero tolerance for
corruption*

Prevention of corruption

The corruption prevention in the Company is carried out in observance of:

1. The Law of the Republic of Lithuania on the Prevention of Corruption;
2. The Law of the Republic of Lithuania on the Protection of Whistleblowers;
3. The Description of the corruption prevention procedure approved by Order No 1K-261 of the Minister of Finance of the Republic of Lithuania of 20 September 2007 on the prevention of corruption in the areas of management assigned to the Minister of Finance and on the administration of information on violations in the Ministry of Finance (as amended by Order No 1K-115 of the Minister of Finance of the Republic of Lithuania of 10 April 2019);
4. The corruption prevention policy of the SC 'Indėlių ir investicijų draudimas' approved by Order of the Company's Director;
5. The description of the procedure for reporting on breaches in the SC 'Indėlių ir investicijų draudimas' approved by Order of the Company's Director;
6. Other legal acts regulating corruption prevention.

Table 20. Measures of corruption prevention

Corruption prevention measures established under the Corruption Prevention Policy of the Company:

Identification, analysis and assessment of business areas where the probability of manifestation of corruption is high

Code of ethics

Gifts policy

Collection of information about the person who applies for or holds a managerial position with the Company

Policy for management the conflicts of interests

Public awareness-raising

Plan of measures for implementation of the anti-corruption programme

Anti-corruption assessment of draft legal acts

During the reporting period, the working group formed by order of the Director of the Company performed the analysis and assessment of the activity area (calculation of deposit insurance contributions and of deposit insurance contributions of liabilities to investors) specified in paragraph 11 of Order No 1K-226 of the Minister of Finance of the Republic of Lithuania of 22 June 2018 on determining the activity areas of institutions and companies attributed to the sphere of management of the Ministry of Finance and of the Minister of Finance the anti-corruption analysis and the assessment of which should be carried out in 2019.

In 2018, no infringements of public procurement were registered in the Company

During the reporting period, the Company implemented the anti-corruption programme implementation measures established for the Company for 2019 in the Plan of Anti-corruption Programme Implementation Measures for 2016–2025 approved by the Ministry of Finance of the Republic of Lithuania.

Internal control system and risk management

The Company has approved the internal control and risk management regulations governing the principal objectives of internal control, the functioning and the system of internal control of the Company, including the organisation and implementation of the financial control and corruption prevention process in the Company, as well as the main principles, procedures and measures of management of operational risks of the Company.

IN 2019, no infringements of public procurement were registered in the Company

Internal reviews are planned and carried out annually in observance of the internal control and risk management regulations of the Company. In 2019, according to the prepared plan one internal review was carried out regarding the assessment of compliance with the private interests' declaration procedure.

The Company's risk management process takes place every year with a view to assessing the risk and planning its management measures for one year period. The main risk factors pertaining to activities of the Company and the Funds administrated by it are set out in the SWOT analysis of the strategic plan.

During the reporting period, the assessment of operational risks of the Company – the identification and analysis of risks – was carried out. In 2019, new (additional) risk factors that have not been identified during the previous periods of the Company's operational risk assessment were not identified.

Following the assessment of operational risks of the Company, the Plan of risk mitigation / management measures for 2019–2020 was prepared.

Public procurement

Acting in observance of the principle of transparency, in 2019, the Company conducted 108 procurements for EUR 131 623.19 thousand (by EUR 30 thousand more than in 2018), of which 32 procurements of goods and 76 procurements of services.

The Company updated access to the legal information database, acquired health insurance for employees, services of external lawyers / consultants and auditors, upgraded computer equipment and conducted other procurement necessary for everyday activities of the Company, such as procurement of business trip organisation services, personnel recruitment, office goods, etc.

International cooperation



The Company is actively involved in the international activities of insurers of deposits and liabilities to investors. The Company is a full member of the European Forum of Deposit Insurers (EFDI). The Company's Director A. Mažintienė is a member of the Board of the EFDI responsible for the finance and budget management.

Six employees of the Company actively participate in activities of the EFDI committees and working groups, such as the European Union Committee, the Stress-Test Working Group, the Public Relations and Communication and other working groups.

During the reporting period, nine meetings of the Board members related to activities of the EFDI, working groups, conferences organised by the EFDI and the annual meeting of the EFDI members were attended.

The Company's representatives also participate in the Working Group of the European Banking Authority (EBA) regarding the review of the Deposit Insurance Directive.

The Company continuously participates in the surveys of the EFDI and the IADI members, shares good practices in administrating the processes related to the deposit insurance system.

Director

Aurelija Mažintienė