
SC DEPOSIT AND INSURANCE FUND
(INDĖLIŲ IR INVESTICIJŲ DRAUDIMAS)

ACTIVITY REPORT

2020



CONTENT

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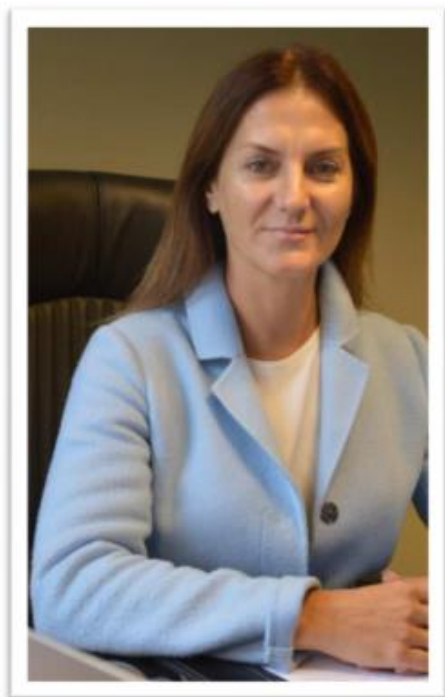
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Dear All,

The year 2020 has been exceptional for everybody. The global pandemic also made a call on Lithuania. Its consequences have presented the biggest challenge to both the global and Lithuanian economies. However, at the end of 2020, it can be stated that Lithuanian economy did not suffer as much as it was predicted at the beginning of the pandemic, albeit it did experience a down.

Last year was also unique for Lithuania in terms of the record growth of deposits in credit institutions that was caused by the growth in deposits from both residents (households) and companies. Correspondingly, the principal insured deposits in credit institutions also grew at a record rate by as much as 21.7% compared to 2019. Nevertheless, in 2019, the Deposit Insurance Fund managed to accumulate the necessary funds to maintain and achieve the target level of the Deposit Insurance Fund's financial resources that is regulated by the EU legislation.

Due to the negative interest rates introduced by the European Central Bank, stimulus programs and other monetary policy measures aimed at managing the impact of the pandemic on the economy, all market participants, including the state company Deposit and Investment Insurance (Indėlių ir investicijų draudimas, hereinafter - IID), had to address the challenges of investing funds by finding ways to invest safely and to earn a return on the investments. Consistent realisation of the IID investment policy resulted in positive investment results for all funds that are managed by the IID.

2020 saw a continuing establishment of new financial market participants in Lithuania. Two new banks obtained operating licenses and became participants in the Deposit Guarantee Scheme.

The year 2020 was also unique in that the company implemented a quality management system that meets the requirements of the quality management standard ISO 9001:2015. With the help of this standard, the IID business processes were analysed, refined and described, we established the preconditions for improving management and control, as well as improving the working conditions, thereby increasing operational efficiency and achieving better results.

IID activities are based on socially responsible activities. Therefore, we are implementing good management principles that are process-based and have created a reliable management structure that ensures strategic orientation of the company towards its objectives, effective monitoring of the IID management bodies, and their accountability and responsibility to the IID founder, the Ministry of Finance of the Republic of Lithuania. The company is focused on and voluntarily integrates the social, environmental, and transparency principles with regards to the company's operations.

IID hires highly qualified employees pursuing the common goal of the company, i.e. to ensure the efficiency of the administered funds, to increase the attractiveness of the Deposit Guarantee Scheme, and to ensure the efficiency of IID activities. Over the past few years, the team has largely managed to ensure the stable operation of the managed funds and efficient management of fund assets. As a result, the members of the European Forum of Deposit Insurers (EFDI) consider the company an example of one of the most effective companies implementing the best foreign practices.

I strongly believe that we can overcome new challenges together and further strengthen public confidence in the stability of the Deposit and Investment Guarantee Scheme in Lithuania. I trust that the efficient operation of the company will continue to ensure effective cooperation with financial institutions.

Aurelija Mažintienė
Director of SC Indėlių ir investicijų draudimas

ABOUT IID

1. KEY INFORMATION ABOUT IID

Company name:	State company Indėlių ir investicijų draudimas (hereinafter - IID)
Authorised capital:	EUR 8 995 358
Registration date:	15-12-1996
Corporate code:	110069451
Institution exercising rights and obligations of the owner:	Ministry of Finance of the Republic of Lithuania
Registered office address:	Algirdo St. 31, LT-03219, Vilnius
Legal form:	State Company
Registration date of valid Articles of Association:	15-07-2019
Telephone number:	(8-5) 213 56 57
Email address:	idf@idf.lt
Website:	www.iidraudimas.lt

2. GENERAL INFORMATION

The company is the only entity providing insurance of depositors' deposits and liabilities to investors in the Republic of Lithuania in accordance with the procedure established by the Statute on Insurance of Deposits and Liabilities to Investors of the Republic of Lithuania (hereinafter – the Statute) and other legislation, as well as performing other function related to the implementation of the Statute. The Company administrates the Deposit Insurance Fund, the Insurance Fund of Liabilities to Investors, and the Resolution Fund.

At present, the Lithuanian system of insurance of deposits and liabilities to investors is compliant with the law of the European Union (hereinafter – the EU) and meets the key principles of the insurance of deposits and liabilities to investors of the European Union member states.

IID management

The Company's management bodies are as follows: the institution exercising the rights and obligations of the owner of the Company, i.e. the Ministry of Finance of the Republic of Lithuania), the Board of the Company, and the single-person managing body – the Head of the Company (Director) (Table 1).

As at 31 December 2020, the Board of the Company had five members:

Chairwoman of the Board: Vilma Mačerauskienė, Director of the Financial Markets Policy Department of the Ministry of Finance;

Deputy Chairwoman of the Board: Lina Frejutė, Project Management Division Adviser of the Ministry of Finance;

Members of the Board: Audrutė Dziskienė, Credit and Payment Markets Division Adviser of the Financial Markets Policy Department of the Ministry of Finance; Gediminas Šimkus, Board Member of the Bank of Lithuania; Renata Bagdonienė, Director of the Banking and Insurance Companies Supervision Department of the Bank of Lithuania.

Board Members do not receive payment for the participation in the activities of the Board.

Director of the Company: Aurelija Mažintienė.

Table 1. IID management

Management body	Key functions
<p>Institution exercising the rights and obligations of the IID owner (Ministry of Finance of the Republic of Lithuania)</p>	<ul style="list-style-type: none"> - approves the strategic plan of IID activities; - approves annual income and expenses estimates of IID and the Funds; - establishes the structure of IID; - approves IID Articles of Association; - makes the decision to change the registered office of IID; - appoints and removes the Director of IID, establishes the terms and conditions of the employment contract with the Director of IID; concludes and terminates the employment contract with the Director of IID on behalf of IID, approves the job description of the Director of IID; - approves the Activity Report of IID for the reporting financial year; - approves annual financial statements of IID and the Funds and the distribution of the profit (loss) of IID; - further to receiving conclusions from the IID Board, determines the amount of annual regular (<i>ex ante</i>) deposit insurance contributions; and further to receiving conclusions from the supervisory authority, determines the amount of special (<i>ex post</i>) deposit insurance contributions; - further to receiving conclusions from the supervisory authority, determines the calculation methodology for the Resolution Fund's administrative contributions and approves the rate of the Resolution Fund's administrative contributions for the respective year; - makes the decision on IID borrowing from Deposit Guarantee Schemes of other member states or lending to other Deposit Guarantee Schemes of other member states in accordance with the procedure established by the IID Board; - approves the description of reporting to the institution exercising the rights and obligations of the IID owner and the IID Board about the representation of IID in bankrupt credit institutions; - selects a certified auditor or an audit company to audit annual financial statements of IID. National Audit Office of the Republic of Lithuania audits the annual financial statements of the Funds; - makes the decision on the resolution of IID, excluding the cases provided for in the Statute on State and Municipal Enterprises of the Republic of Lithuania; - makes the decision with regards to the reorganisation of IID; - makes the decision on the dissolution of IID and on terminating its dissolution; - appoints and removes the liquidator of IID; - approves annual plans of acquisition and/or borrowing of IID assets; - approves the methods and rates of depreciation calculation of fixed assets established by IID; - approves the investment procedure of IID equity capital; - submits a letter regarding the expectation of the state to IID; - addresses other matters assigned to its competence by the Statute, the Statute on State and Municipal Enterprises of the Republic of Lithuania, and other legal acts and the Articles of Association regulating the rights and obligations of the IID owner.
<p>Board of IID (5 members)</p>	<ul style="list-style-type: none"> - annually and no later than by 1 December, submits conclusions, observations, and proposals, if any, regarding the operating strategy of IID to the institution exercising the rights and obligations of the IID owner; - makes the decision on the termination of insurance of deposits and liabilities to investors; - approves the legislation whose approval is attributed to the competence in accordance with the Statute that regulates the following: the procedure of supplementary deposit insurance; the procedure of calculation of deposit insurance compensations; the procedure of selection of the payment services provider(s) who mediate the disbursement of the insurance contributions; the procedure of admission to and withdrawal from the Deposit Guarantee Scheme of the Republic of Lithuania; the procedure of calculation and payment of regular (<i>ex ante</i>) and special (<i>ex post</i>) deposit insurance contributions and of the first (advance) insurance contributions; the procedure of calculation and payment of interest for the failure to pay deposit insurance contribution in due time; the procedure of borrowing from and lending to

	<p>other Deposit Guarantee Schemes 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 procedure of stress testing the Deposit Guarantee Scheme; the procedure of investment of resources of the Deposit Insurance Fund and the Insurance Fund of Liabilities to investors; the procedure of making available the information of deposit insurance at customer service branches, on websites, in contracts and account statements;</p> <ul style="list-style-type: none"> - approves the estimates of administrative expenses of the Deposit Insurance Fund and the Insurance Fund of Liabilities to Investors; - submits the report on the activities of the IID Board in the reporting financial year to the institution exercising the rights and obligations of the IID owner; - performs other functions established by the Statute.
<p>Director of IID</p>	<ul style="list-style-type: none"> - hires and dismisses employees, concludes and terminates their employment contracts; - establishes the methods and rates of depreciation calculation of assets used in IID upon approval of the institution exercising the rights and obligations of the IID owner; - guarantees the functioning of the payment and incentive systems for the IID employees; - provides information about the forecasts and plans of IID operations to the institution exercising the rights and obligations of the IID owner, specifying the amounts of resources required for the next financial year, as well as information about events of material significance for the activities of IID; - concludes sole transactions, excluding transactions that require prior approval of the institution exercising the rights and obligations of the IID owner. Conclusion of transactions exceeding EUR 30 000 is subject to the approval of the institution exercising the rights and obligations of the IID owner, excluding investment of IID equity capital and/or Funds' resources in accordance with the approved procedure, public purchase-sale contracts concluded with the winning tenderer in accordance with the procedure established by the Statute on Public Procurement of the Republic of Lithuania; - holds the responsibility for submitting annual financial statements of IID and the Funds for approval to the institution exercising the rights and obligations of the IID owner no later than within 4 (four) months after the end of the financial year; - submitting the activity report of IID and the Funds for the reporting financial year to the institution exercising the rights and obligations of the IID owner; - submitting the risk assessment report of IID and the Funds to the institution exercising the rights and obligations of the IID owner; - disposes assets of the Funds and IID in accordance with the procedure established by the legislation; - makes the decision on investment of resources of the Deposit Insurance Fund, the Insurance Fund of Liabilities to Investors, and of the IID equity capital in accordance with the rules for investing the resources of the Deposit Insurance Fund, the Insurance Fund of Liabilities to Investors, and of IID equity capital, and selected financial intermediaries for the execution of investments; - makes the decision on investment of resources of the Resolution Fund in accordance with the procedure of resources investment established by the Resolution Authority, and selects financial intermediaries for the execution of investments; - prepares and submits draft material and documentation necessary for the performance of function of the IID Board to the Board of IID; - provides the information necessary for the performance of its functions to the institution exercising the rights and obligations of the IID owner; - establishes the procedure for identifying the information that is considered IID secret; - approves the rules regulating personal data processing in IID; - holds the responsibility for action whose performance duty is established with regards to the Director of IID by the Statute on State and Municipal Enterprises of the Republic of Lithuania, the Statute, and other legal acts regulating the IID Director's competence.

Key legislation regulating the activities of IID and the Funds administered by IID

- Directives regulating the Deposit and Liabilities to Investors Guarantee Schemes in the European Union:
 - Directive 2014/49/EU of the European Parliament and the Council on Deposit Guarantee Schemes;
 - Directive 97/9/EC of the European Parliament and the Council on Investor Compensation Schemes.
- Deposit and Liabilities to Investors Guarantee Schemes in Lithuania are regulated by:
 - Statute on Insurance of Deposits and Liabilities to Investors of the Republic of Lithuania (hereinafter – the Statute);
 - Secondary legislation implementing the Statute regulating payment of deposit insurance contributions, calculation and payment of interest, supplementary insurance, disbursement of insurance compensations, investment, and borrowing.
- Legislation regulating bankruptcy proceedings of participants in bankruptcy proceedings or bankrupt participants:
 - Statute on Insolvency of Legal Entities of the Republic of Lithuania (in effect since 1 January 2020);
 - Statute on Enterprise Bankruptcy (applicable to bankruptcy proceedings before 31 December 2019);
 - Law on Banks of the Republic of Lithuania;
 - Law on Credit Unions of the Republic of Lithuania;
 - Law on Central Credit Unions of the Republic of Lithuania;
 - Other applicable legislation.

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

The objectives of IID activity as established in the Statute are as follows: to insure the deposits and liabilities to investors of depositors, to administer the Insurance Deposit Fund, the Insurance Fund of Liabilities to Investors, and the Resolution Fund (the Funds are not legal entities; IID operates on their behalf), and to perform other functions provided in the legislation in accordance with the procedure established in the Statute and other legislation. Implementing the objectives established by the Statute requires that IID perform the following key functions:

- Calculating and collecting *ex ante* and *ex post* deposit insurance contributions, contributions of insurance of liabilities to investors, and contributions to the Resolution Fund, as well as keeping them within the respective administered Fund or using them for the objectives provided for in the Statute;
- Calculating and disbursing deposit insurance compensations and insurance compensations of liabilities to investors;
- Investing the resources of the administered Funds and IID equity capital;
- Handling the accounting of the administered funds, preparing financial statements and estimates of income and expenses, and submitting them for approval to the institution exercising rights and obligations of the IID owner;
- Supervising the observance of the Statute and the requirements of its implementing legislation by the Deposit Guarantee Scheme participants and the participants of the Liabilities to Investors Guarantee Scheme;
- assessing the terms and conditions of deposit or liability to investors insurance (compensation) or any other security provided by credit institutions, financial brokerage firms and management companies of third countries that establish branches in the Republic of Lithuania;
- Carrying out risk assessment of the Deposit Insurance Fund and the Insurance Fund of Liabilities to Investors;
- Cooperating and exchanging information with the Deposit Guarantee Scheme administrators and supervisory authorities of other member states and third countries, as well as the European Banking Authority;
- Conducting stress testing of the Deposit Guarantee Scheme in drastic economic scenarios;
- Participating in the resolution financing of a bank or a central credit union;

- Organising the list of participants of the Deposit Guarantee Scheme and of the Liabilities to Investors Guarantee Scheme;
- Performing other functions provided for by the Statute relating to the implementation of this Statute and the ensuring of IID activities.

All functions performed by IID as established by the Statute are considered special obligations, i.e. the administration of the Funds established by the Statute. IID does not perform any commercial functions within the meaning of the Recommendations on the Establishment of Special Obligations for State Companies and the Provision of Information approved by the Order No. 4-1100 of 20 December 2013 on the approval of recommendations on the establishment of special obligations for state companies and the provision of information of the Minister of Economy of the Republic of Lithuania.

3. MISSION, VISION, VALUES, AND STRATEGIC OBJECTIVES OF IID

Mission of IID

Ensuring the security of deposits and liabilities to investors in the cases of insolvency of financial institutions and to contribute to the stability of the financial market and to the strengthening of public trust in financial companies.

Vision of IID

Being the company that ensures the most attractive insurance of deposits and liabilities to investors for financial institution in the Baltic states.

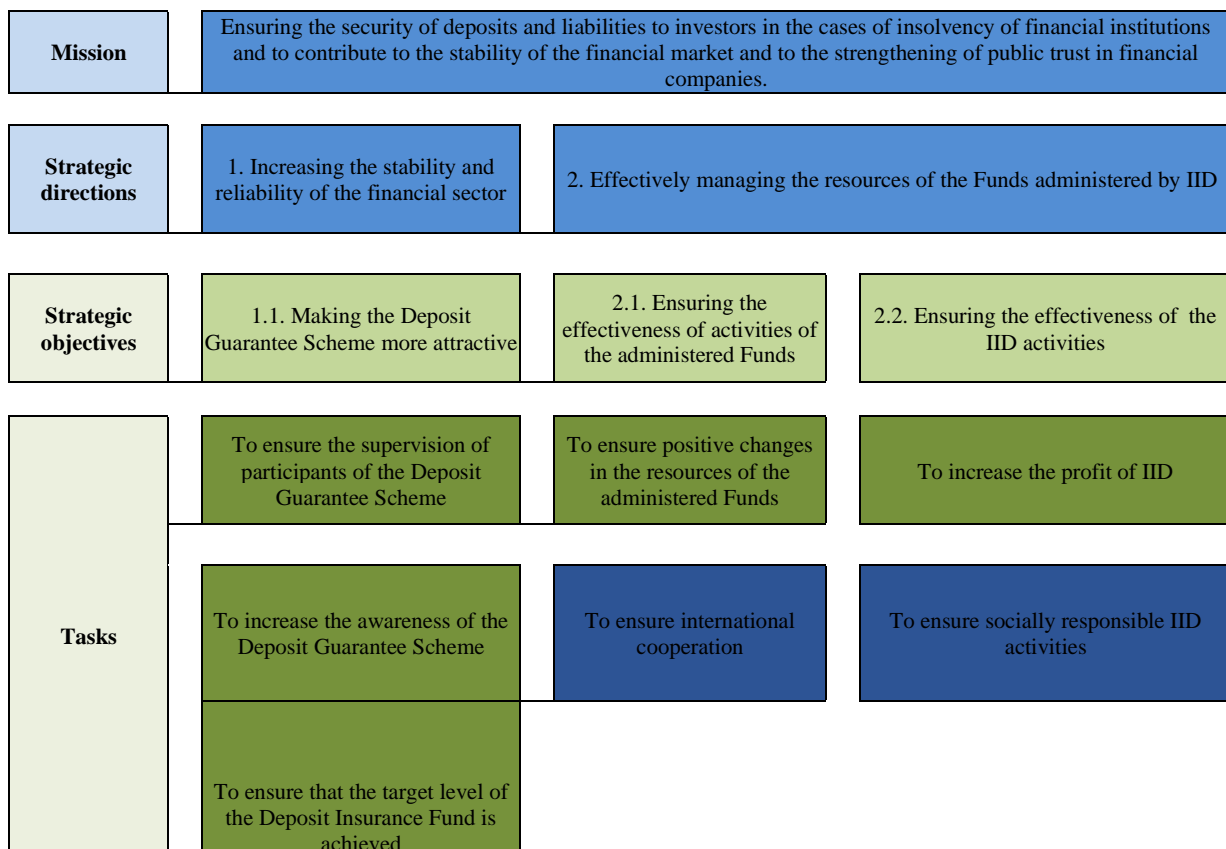
Values of the State Company Indēliņ ir investīciju draudimas

Openness – creating an attractive, modern, and innovative microclimate; maintaining a pleasant and close cooperation within the macroclimate of the Deposit and Liabilities to Investors Guarantee Scheme.

Results – achieving results that exceed the expected performance within shorter deadlines.

Efficiency – our transparent and socially responsible activities have a positive effect on the stability and reliability of the financial sector.

Figure 1. Strategic map



Strategic goals, their implementation measures and achievements at the end of 2020 are given in Table 2.

Table 2. Criteria for assessing the performance of State Company Indėlių ir investicijų draudimas in 2020 and the implementation of these criteria

Strategic objective	Task	Measures		Criterion	Plan of 2020	Fact of 2020	Responsible person		
1. To make the Deposit Guarantee Schemes more attractive				Effect	Deposit Insurance Fund's contributions (% rate)	0.1	0.1	Director	
				Result	Share of inspected Deposit Guarantee Scheme participants who showed performance weaknesses in the total number of inspected Deposit Guarantee Scheme participants (%)	45	11,4	Head of Insurer Verification Department	
	1.1. To ensure the inspection of the Deposit Guarantee Scheme's participants (hereinafter – participants)	Stress testing of Deposit Guarantee Schemes		Output	Stress testing of the Deposit Guarantee Scheme in the most drastic economic conditions	1	1	Head of Insurer Verification Department	
		Participant inspections		Result	Inspections of the high and medium inspection category participants of the Deposit Guarantee Scheme (%)	100	100	Head of Insurer Verification Department	
				Result	Deposit insurance awareness (%)	> 40	> 58	Director	
	1.2. To increase the awareness of the Deposit Guarantee Scheme	Market research		Output	Public survey (pcs)	1	1	Head of Activity Organisation Department	
		Raising public awareness		Output	Plan of measures for raising public awareness (pcs)	1	1	Head of Activity Organisation Department	
				Result	Implementation of measures established in the plan to raise public awareness (%)	100	100	Head of Activity Organisation Department	
		Consulting the Deposit Guarantee Scheme participants		Output	Number of meetings (seminars) organised for the Deposit Guarantee Scheme participants (pcs)	3	3	Head of Insurer Verification Department	
				Result	Target level of the Deposit Insurance Fund achieved (% of the principal insured deposits)	>0.8	0.81	Director / Deputy Director	
	1.3. To ensure that the target level of the Deposit Insurance Fund is achieved	Verification of data quality on eligible deposits provided by the Deposit Guarantee Scheme participants		Result	Verification of data on eligible deposits provided by all Deposit Guarantee Scheme participants as at 31 December (%)	100	100	Head of Insurer Verification Department	
		Ensuring the Fund's inflows		Result	Deposit Insurance Fund's inflows (EUR million)	17.3	25.9	Head of Fund Administration / Head of Process Administration	
	2. To ensure the effectiveness of activities of the administered funds				Effect	Funds' administrative expenses (% of financial resources of the administered Funds)	<0.8	0.6	Director
					Result	Changes in administered funds (% of financial resources)	>14	22	Deputy Director
2.1. To ensure positive changes in the resources of the administered funds		Results from investing activities of the administered funds		Result	Income from investing activities of the Deposit Insurance Fund (EUR thousand)	30	84	Head of Fund Administration	
				Result	Income from investing activities of the Insurance Fund of Liabilities to Investors (EUR thousand)	6.5	8.7	Head of Fund Administration	
		Financial resources of the administered funds		Result	Financial Resources of the Deposit Insurance Fund (EUR million)	115.0	132.5	Head of Fund Administration	
				Result	Financial resources of the Insurance Fund of Liabilities to Investors (EUR million)	2.8	2.8	Head of Fund Administration	
				Result	Financial resources of the Resolution Fund (EUR thousand)	6	6	Head of Fund Administration	

	2.2. To ensure international cooperation	Result		We will participate in working groups, projects	3	8	Head of Activity Organisation Department/ Compliance Officer
		Participation in seminars and working groups of EFDI and other international organisations	Result	Participation in seminars, meetings, business trips	20	40	Head of Activity Organisation Department
		Participation in creating the Deposit Guarantee Scheme research in the European Commission project	Result	Participation in seminars, meetings (%)	100	100	Director/ Deputy Director / Head of Process Administration / Compliance Officer
3. To ensure the effectiveness of IID activities	3.1. To aim for profitable activities	Effect		EBITDA (EUR thousand)	67.5	78.0	Director
		Result		Net profit (EUR thousand)	39.5	59.8	Chief Accountant
		Results from the financial investing activities	Result	Income from investing activities of IID (EUR thousand)	44	60	Deputy Director/Head of Fund Administration
			Result	Decrease in administrative asset maintenance expenses (% compared to 2019 estimates)	-10	-36	Chief Accountant
		Strengthening the quality management system	Result	Implement quality management system	1	1	Compliance Officer
	3.2. To ensure socially responsible activities	Result		Employee work satisfaction (index)	>3.5	>4.2	Head of Activity Organisation Department
		Improve relationships with employees and employee work satisfaction	Output	Motivational measures intended for IID employees (%)	100	100	Head of Activity Organisation Department
			Result	Ensuring equal opportunities. Cases of discriminatory violations (pcs)	0	0	Head of Activity Organisation Department
		Reduce negative environmental impact	Result	Application of Green Criteria regarding public procurement of office supplies (%)	100	100	Head of Activity Organisation Department
		Conduct transparent activities that create added value for interested groups	Result	Meeting requirements for additional information	100	100	Head of Activity Organisation Department/ Head of Insurer Verification Department
			Result	Corruption cases identified (pcs)	0	0	Compliance Officer

FA – Fund administration, IVD – Insurer Verification Department, PAD – Process Administration Department, AOD – Activity Organisation Department.

4. REVIEW OF IID ACTIVITIES IN 12 MONTHS OF 2020

4.1. Corporate events of 2020

Corporate events related to the activities of IID and administered funds are presented below (Table 3).

Table 3. Corporate events in 12 months of 2020.

January	<ul style="list-style-type: none"> - The Supreme Court of Lithuania (hereinafter – SCL) adopted a ruling on 13 January 2020 in the civil case No. e3K-3-116-378/2020, in which the Court of Cassation conclusively formed the court practice on granting procedural interest to the deposit certificate holders of BAB bankas SNORAS (hereinafter - Snoras), dismissed the claimants' claims, and decided that the IID was not required to pay procedural interest in cases arising from the certificates of deposit. - On 29-30 January 2020, the European Banking Authority (EBA) held the strategic meeting of the working group in Vilnius.
February	<ul style="list-style-type: none"> - The SCL adopted a ruling on 20 February 2020 in the civil case No. e3K-3-25-916-2020, in which the Court of Cassation dismissed the cassation complaint of applicant G.Ž. due to terms renewal for receiving the deposit insurance payment. In the above case, the Court found that pregnancy and rearing of young children cannot be taken as a basis for renewing the term for receiving the deposit insurance payment. This ruling is also relevant in that the SCL declared that application to IID should be made within a factual term of one year. In the case under review, the Court indirectly established an application term of one year to IID for the deposit certificate holders of Snoras by specifying the following: regardless of there being a 5-year term established in the Statute for receiving the deposit insurance payment and regardless of the fact that IID began paying deposit insurance payments for deposit certificates in November 2015, the applicant had enough time – i.e. one year – to apply but failed to do so. - On 27 February 2020, by the Order of the IID Director, the updated list of office was approved, i.e. IID approved 22 positions.
March	<ul style="list-style-type: none"> - The SCL adopted a ruling on 12 March 2020 in the civil case No. e3K-3-58-611/2020, in which the Court of Cassation dismissed the cassation complaint by IID and created a new court practice to award procedural interest to the holders of inactive bonds of Snoras. - On 24 March 2020, the specialised bank UAB GF bankas paid the first (advance) payment into the Deposit Insurance Fund and became the participant of the Deposit Guarantee Scheme. - Starting from 16 March 2020, IID employees worked remotely. - On 20 March 2020, IID performed a risk assessment with regards to the unfavourable situation caused by COVID-19 and submitted a risk management plan with respective measures to the Ministry of Finance. - Audit of IID financial statements was concluded. The conditional opinion of the independent auditor has not been published.
April	<ul style="list-style-type: none"> - On 17 April, the Bank of Lithuania removed credit union licences of Naftininkų Credit Union, Sedos Credit Union, and Skuodo Bankelis Credit Union by incorporating them to the Mažeikių Credit Union. - On 2 April 2020, IID concluded a consulting services contract with SIA Businessstage, under which IID began to implement the quality management system (in accordance with the requirements of ISO 9001:2015 standard).
May	<ul style="list-style-type: none"> - On 14 May 2020, rules for resource investment of the Deposit Insurance Fund (hereinafter – DIF) and the Insurance Fund of Liabilities to Investors (hereinafter – IFLI) were updated in accordance with the Correction of Protocol No. 02-9 of the IID Board (Resolution No. 02-5-2.1 of 4 April 2016). - On 19 May 2020, the Order No. 1K-141 of the Minister of Finance approved the amount of EUR 13 318 569 of annual regular (<i>ex ante</i>) deposit insurance contributions for the period of 01.07.2020 to 30.06.2021, which constitutes 0.1% of the sum of all principal insured deposits in credit institutions as at 31.12.2019.

	<ul style="list-style-type: none"> - Board of IID approved the second cycle programme of stress testing the Deposit Guarantee Scheme for 2020-2022. The programme was submitted to the Ministry of Finance, Bank of Lithuania, and the European Banking Authority. - As at 25 May 2020, part of the IID employees returned to the IID office and some continued to work from home as established by the health protection recommendations.
June	<ul style="list-style-type: none"> - Pursuant to the measures set out in the Deposit Insurance Scheme Participant Verification Process Improvement Plan approved by IID Director's Order No. V-29 of 6 March 2020 On Approval of the Participant Verification Process Improvement Plan, IID began to coordinate the requirements for IS with the Deposit Guarantee Scheme participants to process data on DIS participants' devices (computers/servers) only. This aims to ensure the maximum protection of personal data.
July	<ul style="list-style-type: none"> - On 31 July 2020, The SCL adopted a ruling in the civil case No. e3K-3-226-969/2020, in which the Court of Cassation dismissed the cassation complaint by IID and formulated a court practice to award procedural interest to the holders of inactive shares of Snoras. - On 29 July 2020, the Director of IID approved the First Stage Testing Scenario of the second cycle programme of stress testing the Deposit Guarantee Scheme 2020-2022. Expected start of testing is 1 October 2020.
August	<ul style="list-style-type: none"> - In August 2020, the implementation of quality management system was concluded (the consulting services contract with SIA Businessstage was concluded). In accordance, we organised the quality management system training for all IID employees and internal auditors as well as carried out internal audits and management evaluative analysis. IID prepared to certify the implemented quality management system.
September	<ul style="list-style-type: none"> - On 24 September 2020, IID participated in the general annual members meeting of the European Forum of Deposit Insurers, which was held remotely for the first time. - Remote seminar for specialised banks took place on 25 September 2020 that discussed the verification processes of insurance contributions, insurance payments, and means of information.
October	<ul style="list-style-type: none"> - On 26 October, Bank UAB PayRay paid the first (advance) contribution into the Deposit Insurance Fund and became a participant of the Deposit Guarantee Scheme. - On 5 October 2020, the Bank of Lithuania supplemented the financial brokerage firm licence of the Evernord UAB with two services, thus awarding it a B category financial brokerage firm licence by adopting the decision No. V 2020/(21.25.E-2100)-241-232. This licence gives the firm the right to store client money or financial instruments. - In October 2020, stress testing of the selected bank was performed. Testing simulated the deposit insured event and evaluated (tested) two areas of the Deposit Guarantee Scheme (hereinafter – DGS): <ol style="list-style-type: none"> 1) Testing the operational capacity of the Lithuanian DGS (including Single Client Perspective case); 2) And testing of the financial capacity of the Lithuanian DGS.
November	<ul style="list-style-type: none"> - On 13 November 2020, the State Company Indėlių ir investicijų draudimas, which is one of the first participants of the European Union Deposit Guarantee Schemes, was awarded the ISO 9001:2015 Certificate.
December	<ul style="list-style-type: none"> - During the Session of 22 December 2020, the Parliament of the Republic of Lithuania adopted the adjustments of the Statute on Insurance of Deposits and Liabilities to Investors of the Republic of Lithuania that came to effect on 1 January 2021. The adjustments include changes to the calculation procedure of deposit insurance contributions, they include the regulation of the obligation to inform investors, and establish the legal opportunities to open accounts to hold resources of IID and the administered funds in the Bank of Lithuania; - The Insurer Verification Department of IID together with the Activity Organisation Department organised a remote meeting (seminar) for the participants of the Deposit Guarantee Scheme, where it presented the results of the public survey commissioned by IID on the awareness of the deposit insurance. There was a discussion on opportunities to improve the informing of depositors and to increase the awareness of deposit insurance.

- According to the data as at 31 December 2020, credit institutions participating in the Lithuanian Deposit Guarantee Scheme had accumulated a record sum of principal insured deposits, i.e. deposits that are the object of deposit insurance whose sum does not exceed EUR 100 thousand, which amounted to EUR 16.22 billion, having increased by 21.7% during 2020.
- On 31 December 2020, the first stage of stress testing the Deposit Guarantee Scheme was concluded in accordance with the second cycle programme of stress testing the Deposit Guarantee Scheme 2020-2022 approved by the Board of IID.

4.2. Key financial indicators of IID

IID administrates three Funds: the Deposit Insurance Fund, the Insurance Fund of Liabilities to Investors, and the Resolution Fund. The Funds administered by IID are not legal entities. They are administered by IID which acts on their behalf. IID and the Funds' accounting is handled separately. IID accounting records are kept and its financial statements are prepared according to the legislation regulating financial accounting and reporting in accordance with the Business Accounting Standards (Article 45(1) of the Statute). IID handles the accounting of each Fund individually, preparing separate financial statements in accordance with the Statute on Public Sector Accountability of the Republic of Lithuania (Article 45(2) of the Statute).

IID income and expenses

The structure of IID income and expenses is established by the Statute (Article 44).

The main income of IID consists of the resources of the Deposit Insurance Fund and of the Insurance Fund of Liabilities to Investors for covering the costs of Fund administration; the contributions paid by the participants of the Resolution Fund for the administration of the Resolution Fund; income from investing IID equity capital. The main expenses of IID consist of administrative expenses of the Funds (employee maintenance costs, administrative expenses, asset use and maintenance costs, depreciation and amortisation expenses), equity capital investment costs. The key indicators of IID for 12 months of 2020 and their comparison with those of the previous year are given in Table 4.

Table 4. Financial indicators of IID (EUR thousand)

	2018	2019	2020 fact	2020 plan	2020 implemented plan, %
Key indicators of IID					
1. Income, including:	721.9	795.1	802.5	934.7	85.9
1.1. fee for Funds' administration, total:	675.5	737.1	739.0	890.7	83.0
1.1.1. fee for administration of Deposit Insurance Fund	673.5	734.9	737.0	888.7	82.9
1.1.2. fee for administration of Insurance Fund of Liabilities to Investors	1.0	1.2	1.0	1.0	100.0
1.1.3. Contributions for administration of Resolution Fund	1.0	1.0	1.0	1.0	100.0
1.2. income from financing and investing activities	39.9	58.0	63.5	44.0	144.3
1.3. income from other activities	6.5	-	-	-	-
2. Expenses, including:	676.5	740.1	742.7	895.2	83.0
2.1. administrative expenses for the Funds:	675.5	737.1	739.0	890.7	83.0
2.1.1. IID staff maintenance costs	513.2	584.4	572.3	664.2	86.2
2.1.2. Administrative and asset use and maintenance costs	127.2	120.5	144.0	198.5	72.5
2.1.3. Asset depreciation and amortisation costs	26.1	23.2	18.2	28.0	65.0
2.1.4. Tax expenses	4.5	4.5	4.5	4.5	100.0
2.2. Expenses from financing and investing activities	1.0	3.0	3.7	4.5	82.2
3. Net profit (loss)	45.4	55.0	59.8	39.5	151.4
4. EBITDA	71.5	78.2	78.0	67.5	115.6
5. ROE	0.3	0.3	0.4	0.2	151.0

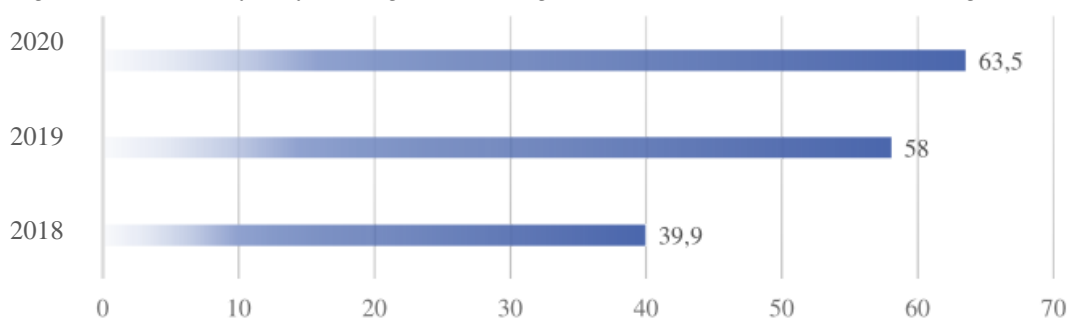
In the reporting period, the income of IID from the administration of the Funds amounted to EUR 739.0 thousand, income from investing activities – EUR 63.5 thousand. *The income of IID for the administration of the Funds is equal to the expenses of the administration of the Funds.*

Table 5. Results from the investing activities of IID (EUR thousand)

	2018	2019	2020
IID investment income	39.9	580	63.5
Investment expenses (fee for safekeeping of GS)	1.0	3.0	3.7
Results from investing activities	38.9	55.0	59.8

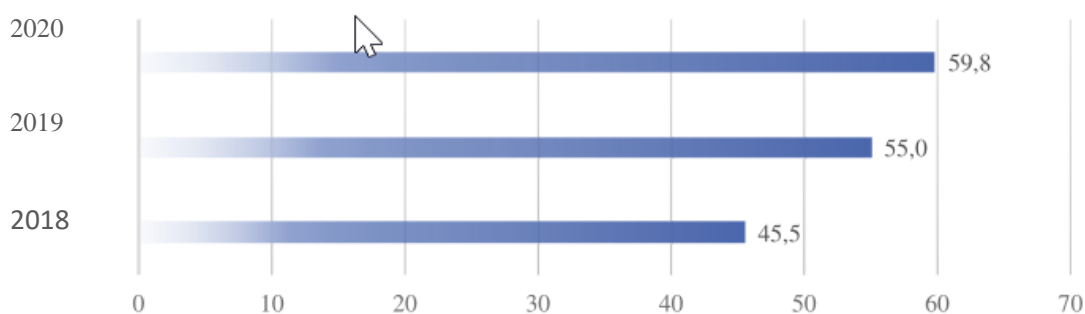
In the reporting period, the income of IID from investing activities amounted to EUR 63/5 thousand, including EUR 59.9 thousand investment income from government securities (hereinafter – GS) and EUR 3.6 thousand from interest for time deposits in banks, and resources in the IID account (Table 5). In comparison with the respective period in the previous year, the income from investing activities increased by EUR 5.4 thousand or 9.3%. The increase of investment income was caused by the increase of the IID investment portfolio (Figure 2).

Figure 2. IID income from financing and investing activities in 2018-2020 and their changes (EUR thousand)



Regardless of the situation in the financial markets, where the profitability of low-risk financial instruments is close to zero or negative, IID earned income from investing equity capital resources, which ensured profit for IID (Figure 3). Net profit of the Company in 2020 amounted to EUR 59.8 thousand and increased by 39.5% compared to 2019.

Figure 3. Changes in IID profit in 2018-2020 (EUR thousand)

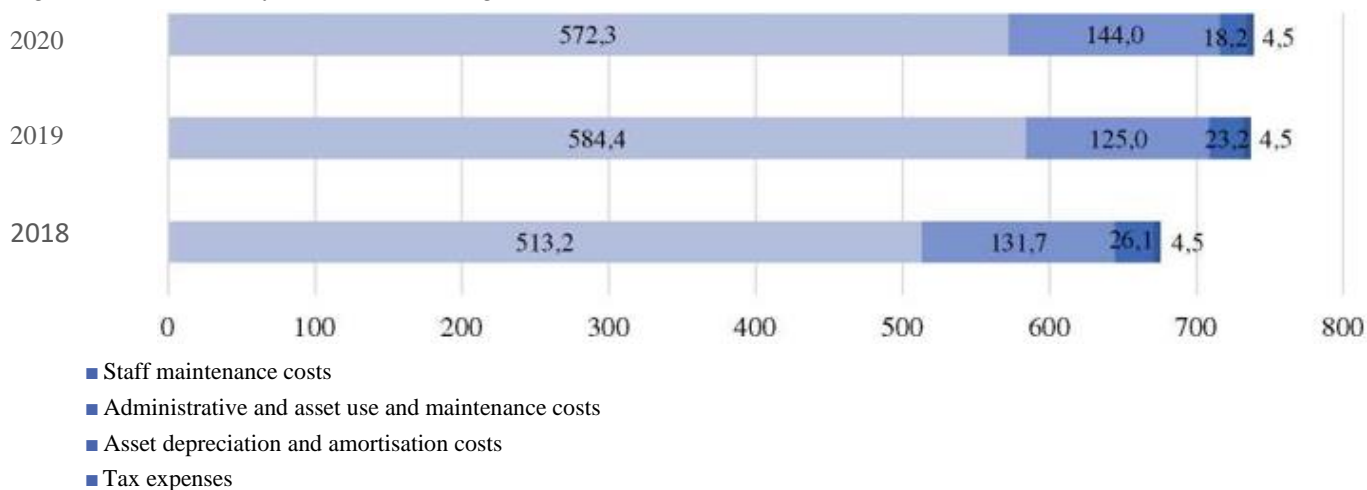


IID equity capital resources are invested in low-risk assets, i.e. the GS of the Republic of Lithuania, and are held in the accounts of high-rating banks (at least Baa1/BBB+/BBB+) in accordance with the Schedule on the Procedure of Investing Equity Capital of SC Indėlių ir investicijų draudimas approved by the Order No. 1K-257 of 23 June 2016 of the Minister of Finance of the Republic of Lithuania (wording of the Order No. 1K-437 of 14 December 2018 of the Minister of Finance of the Republic of Lithuania valid at the end of the reporting period) (hereinafter – the Schedule).

In the reporting period, IID expenses amounted to EUR 739.0 thousand, the majority of which consisted of IID staff maintenance costs at EUR 572.3 thousand, administrative and asset use and maintenance costs at EUR 144.0 thousand, asset depreciation and amortisation costs at EUR 18.2 thousand, and operating tax expenses at EUR 4.5 thousand. Expenses in the reporting period remained stable compared to 2019. Changes in the expenses in the last three years is given in Figure 4.

Estimates of IID income and expenses and asset acquisition plan in the reporting period were approved on 27 December 2020 by the Order No. 1K-404 of the Minister of Finance of the Republic of Lithuania. Realisation is presented in Annex 1 and Annex 2.

Figure 4. Distribution of IID costs and changes in 2018-2020 (EUR thousand)



IID equity capital and assets

As at 31 December 2020, according to the unaudited data, IID assets amounted to EUR 16 120.7 thousand; according to the unaudited data, equity capital amounted to EUR 16 038.8 thousand and increased by EUR 59.8 thousand since the beginning of the year. The increase in IID equity capital was caused by IID profit earned from investing activities.

Assets of IID and the administered funds at the end of the reporting period and their changes in comparison with the corresponding period of the previous year are given in Table 6.

Table 6. Assets of IID and the administered funds (EUR thousand)

	2018	2019	2020 fact	2020 plan	2020 implemented plan, %
1.IID assets	15 987.3	16 045.5	16 120.7	16 003.0	100.7
2.Equity capital	15 924.0	15 979.0	16 038.8	15 963.0	100.5
2.1. Owner's capital	8 995.4	8 995.4	8 995.4	8 995.0	100.0
2.2. Reserves	6 883.3	6 928.6	6 983.7	6 968.0	100.2
2.3. Profit (loss)	45.3	55.0	59.8*	39.5	151.4
3.Assets of the administered funds	202 059.4	207 928.6	210 478.0	117 877.0	178.6
3.1. Deposit Insurance Fund	199 362.3	205 166.1	207 648.6	115 052.0	180.5
3.2. Insurance Fund of Liabilities to Investors	2 693.1	2 755.5	2 823.4	2 820.0	100.1
3.3. Resolution Fund	4.0	5.0	6.0	6.0	100.0
Assets of IID and the administered funds	218 046.7	223 974.1	226 598.7	133 880.0	169.3

The majority of IID assets (~99%) is comprised of financial assets (investments in government securities) and money. As at 31 December 2020, the carrying amount of GS investment portfolio was EUR 13 320.5 thousand. IID investment portfolio consisted of Lithuanian GS in Euros. The other share of the assets is resources in bank accounts, which made up EUR 2 465.5 thousand at the end of the reporting period. IID equity capital resources are invested in accordance with the Schedule.

IID liabilities

During the reporting period, IID did not have any debt liabilities.

Investment projects

During the reporting period, IID did not pursue any investment projects.

Audit of IID financial statements

In accordance with the subclause 14.14 of the IID Articles of Association, the Ministry of Finance of the Republic of Lithuania selects a certified auditor or an auditing company to audit the IID financial statements. The financial statements of the Funds administered by IID are audited by the National Audit Office of the Republic of Lithuania.

Under the concluded contract, the audit of IID financial statements of 2020 is carried out by Provisus LLC. The payment agreed in the contract for the annual audit of financial statements is EUR 4 537.5.

Taxes

In accordance with Article 3(2)(5) of the Law on Corporate Income Tax of the Republic of Lithuania, IID is not subject to corporate income tax. Since 2005, IID has been paying tax into the state budget for the right to be entrusted with the state assets at the tax rate of 0.05% of the Company owner's capital or EUR 4.5 thousand annually (Article (5)(1) of the Law on the Right to be Entrusted with State Assets of the Republic of Lithuania).

ABOUT THE FUNDS ADMINISTERED BY IID

5. ACTIVITIES OF THE IID ADMINISTERED FUNDS

5.1. Key indicators of the administered funds

The following are the key indicators of the administered funds (Table 7).

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

General indicators of the Funds	2018	2019	2020 fact	2020 plan	2020 implemented plan, %
1. Inflows, total	44 594.1	49 184.1	26 018.5	17 338.0	150.1
1.1. Insurance contributions	12 465.2	11 283.1	12 704.9	12 301.0	103.3
1.2. Income from bankrupt CI	32 090.7	37 779.0	13 220.2	5 000.0	264.4
1.3. Other inflows (insurance compensation not withdrawn within 5 years)	29.9	43.2	-	-	-
1.4. Investment income	8.3	78.8	92.4	37.0	249.7
2. Expenses, total	37 317.4	3 518.5	1 385.1	3 006.0	46.1
2.1. Insurance compensations	36 641.9	474.3	625.6	2 100.0	29.8
2.2. Administration expenses of the Funds	6755	736.1	738.0	890.0	82.9
2.3. Transfers of insurance contributions to other DGS	0.0	2 298.4	-	-	-
2.4. Expenses from investing activities	0.0	9.7	21.5	16.0	134.4
3. Other indicators					
3.1. Loans (end of year)	-	-	-	-	-
4. Resources accumulated by IID administered Funds					
4.1. Financial resources of Funds (end of period)	64 963.1	110 608.9	135 289.0	117 777.0	114.9
Deposit Insurance Fund					
5. Inflows, total	44 519.7	49 117.4	25 950.5	17 272.0	150.3
5.1. Insurance contributions	12 396.4	11 224.8	12 646.6	12 242.0	103.3
5.2. Income from bankrupt CI	32 090.7	37 779.0	13 220.2	5 000.0	264.4
5.3. Other inflows (insurance compensation not withdrawn within 5 years)	29.9	43.2	-	-	-
5.4. Investment income	2.7	70.4	83.7	30.0	279.0
6. Expenses, total	37 315.4	3 516.9	1 383.2	3 005.0	46.0
6.1. Insurance contributions	36 641.9	474.3	625.6	2 100.0	29.8
6.2. Fund's administrative expenses	673.5	734.9	737.0	889.0	82.9
6.3. Transfers of insurance contributions to other DGS	0.0	2 298.4	-	-	-
6.4. Expenses from investing activities	0.0	9.3	20.6	16.0	128.8
7. Other indicators					
7.1. Loans	-	-	-	-	-
8. Accumulated resources					
8.1. Financial resources (end of period)	62 266.0	107 846.4	132 459.6	114 952.0	115.2
Insurance Fund of Liabilities to Investors					
9. Inflows, total	73.4	65.7	67.0	65.0	103.1
9.1. Insurance contributions	67.8	57.3	58.3	58.0	100.5
9.2. Investment income	5.6	8.4	8.7	7.0	124.3
10. Expenses, total	1.1	1.6	1.5	2.0	75.0
10.1. Compensations	-	-	-	-	-
10.2. Fund's administrative expenses	1.0	1.2	1.0	1.0	100.0
10.3. Expenses from investing activities	0.1	0.4	0.5	1.0	50.0
11. Other indicators					
11.1. Loans	-	-	-	-	-
12. IFLI accumulated resources					
12.1. Financial resources (end of period)	2 693.1	2 757.5	2 823.4	2 820.0	100.1
Resolution Fund					
13. Inflows, total	1.0	1.0	1.0	1.0	100.0
13.1. Collected insurance contributions	1.0	1.0	1.0	1.0	100.0
14. Expenses, total	0.0	0.0	0.0	0.0	-
14.1. Financial resources (end of period)	4.0	5.0	6.0	6.0	100.0

Deposit Insurance Fund (DIF)

Deposit Insurance Fund is a fund that accumulates resources for paying insurance compensations in accordance with the Statute and for the financing of resolution measures of financial sector entities under the Law on Financial Sustainability of the Republic of Lithuania.

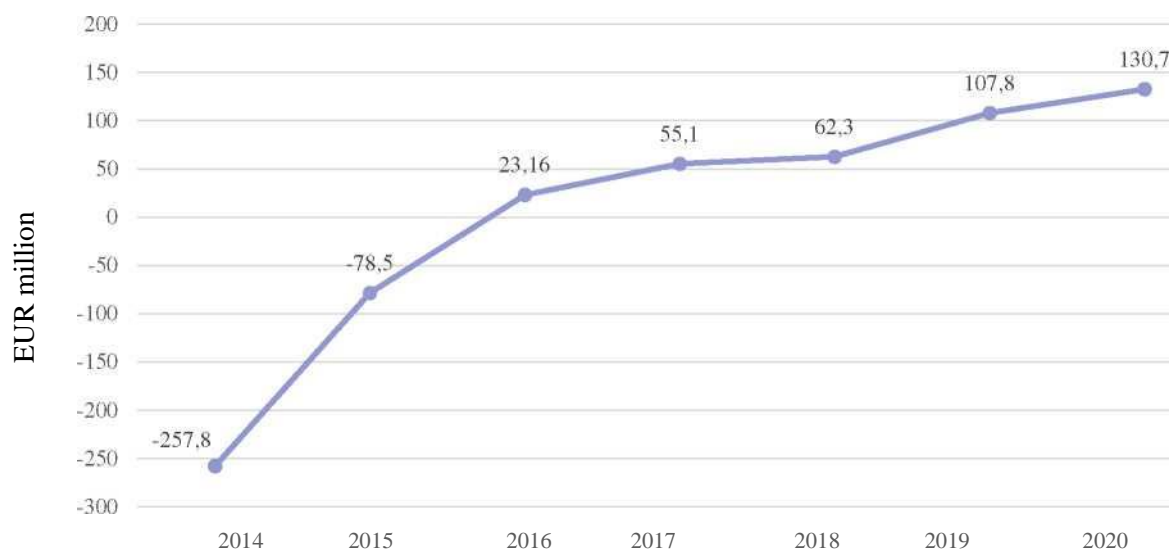
In the reporting period, the principal income of DIF consisted of the following: insurance contributions paid by the participants at EUR 12 646.6 thousand; resources received from bankrupt credit institutions at EUR 13 220.2 thousand; income from investing activities at EUR 83.7 thousand (Table 7).

In the reporting period, the principal expenses of DIF consisted of deposit insurance compensations to the depositors of bankrupt credit institutions at EUR 625.6 thousand (including procedural interest due to legal proceedings); administrative expenses of DIF at EUR 737.0 thousand; expenses from investing activities at EUR 20.6 thousand (Table 7).

As at 31 December 2020, assets of the Deposit Insurance Fund amounted to EUR 207.6 million, of which EUR 35835.5 thousand was cash in bank accounts; EUR 96 624.1 thousand was invested in GS, and other assets of the fund, including the estimated receivable credit claim of EUR 74 349.6 thousand. Assets of the Deposit Insurance Fund increased by 1.2 % compared to 2019.

As at 31 December 2020, the financial resources of the Deposit Insurance Fund (i.e. monetary resources and GS), having taken account of the liabilities, amounted to EUR 130 705.7 thousand (of which EUR 132 459.6 thousand was financial resources and EUR 1 753.9 thousand was DIF liabilities). Dynamics of the Deposit Insurance Fund's financial resources are given in Figure 5.

Figure 5. Dynamics of the Deposit Insurance Fund's financial resources in 2014-2020 (EUR million)



Insurance Fund of Liabilities to Investors (IFLI)

Insurance Fund of Liabilities to Investors is a fund that accumulates resources to pay insurance compensations of liabilities to investors in accordance with the Statute.

In the reporting period, the principal income of IFLI consisted of the following: insurance contributions paid by the participants at EUR 68.3 thousand and income from investing activities at EUR 8.7 thousand.

In the reporting period, the principal expenses of IFLI consisted of administrative expenses of IFLI at EUR 1.0 thousand and expenses from investing activities at EUR 0.5 thousand.

As at 31 December 2020, assets of IFLI amounted to EUR 2 823.4 thousand, of which EUR 657.9 thousand was monetary resources in bank accounts, EUR 2 615.5 thousand was investments in GS. Assets of IFLI increased by 2.4% compared to the corresponding period in 2019 (Figure 6).

Figure 6. Dynamics of financial resources of Insurance Fund of Liabilities to Investors in 2014-2020



Resolution Fund

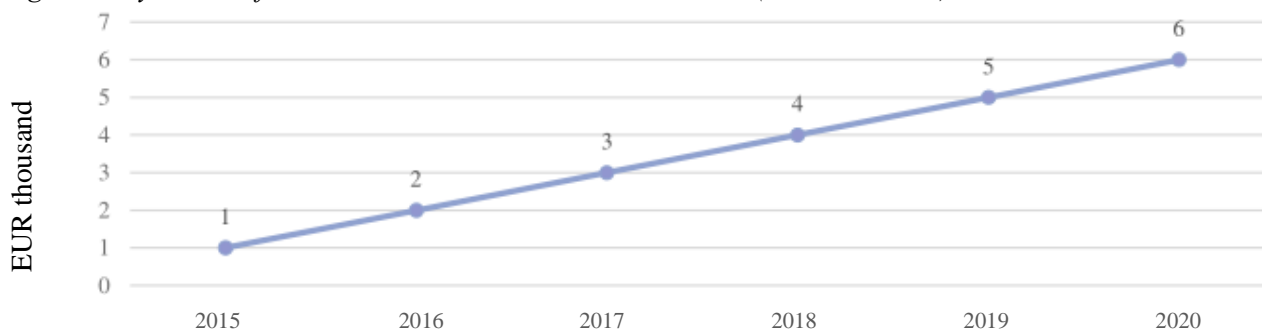
Resolution Fund is a fund that accumulates resources used for the resolution of problematic participants in the Resolution Fund, i.e. it is designed to cover expenses as provided for in Article 103 of the Law of Financial Sustainability of the Republic of Lithuania. The use of Resolution Fund's resources is determined by the Resolution Authority (Bank of Lithuania).

In the reporting period, income of RF consisted of the annual regular (*ex ante*) contribution paid by the participant of EUR 1.0 thousand.

In the reporting period, RF did not experience any expenses.

As at 31 December 2020, assets of the Resolution Fund amounted to EUR 6.0 thousand (Figure 7). All assets were monetary resources in the bank account.

Figure 7. Dynamics of the Resolution Fund's size in 2015-2020 (EUR thousand)



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

Participants of the Deposit Guarantee Scheme, insurance contributions, and principal insured deposits

As at 31 December 2020, the participants of the Deposit Guarantee Scheme were 72 credit institutions, including 10 banks (including 5 specialised banks) and 62 credit unions (Table 8). In comparison with the end of 2019, the number of insurers decreased by 1 participant. This change was caused by the fact that in 2020, the Deposit Guarantee Scheme had 2 new banks (on 24 March 2020, specialised bank UAB GF bankas became the participant of the Deposit Guarantee Scheme, and on 26 October 2020, bank UAB PayRay also joined the scheme) and 4 credit unions were incorporated into one (on 17 April, Bank of Lithuania cancelled the credit union licences of Naftininkų Credit Union, Sedos Credit Union, and Skuodo bankelis Credit union by incorporating them within Mažeikių Credit Union).

Table 8. Number of participants in the Deposit Guarantee Scheme

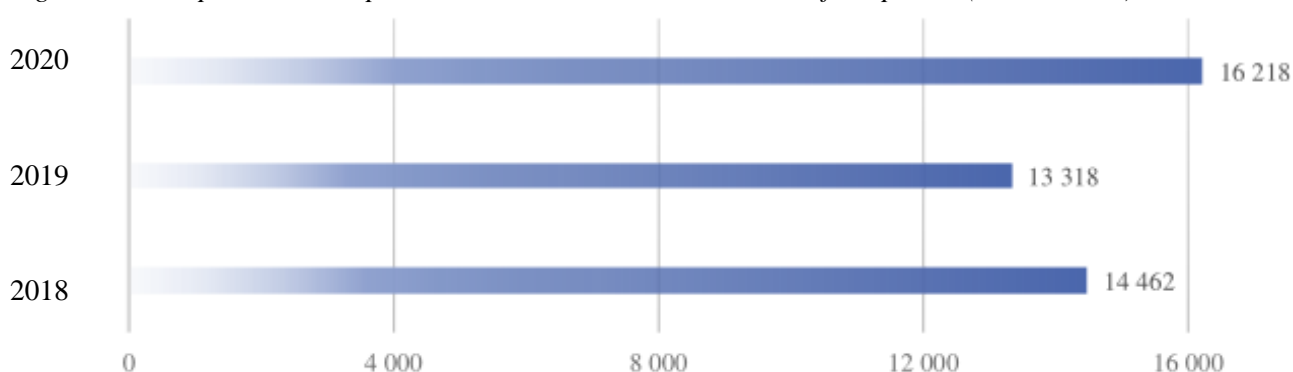
Participants of the Deposit Guarantee Scheme	2018	2019	2020
Banks	7	8	10
Credit unions	67	65	62
Total	74	73	72

2020 was unique for Lithuania not only because of the pandemic that affected all countries in the world, but also in terms of the record growth of deposits in credit institutions in Lithuania.

Throughout 2020, there was a significant increase in deposits held with credit institutions. Insured deposits grew at a similar rate, i.e. deposits up to EUR 100 thousand that are covered by deposit insurance. By the end of 2019, after eliminating the principal insured deposits of Luminor Bank AB and AB Citadele bankas, the principal insured deposits of credit institutions participating in the Lithuanian Deposit Guarantee Scheme increased by 11.7% over the year. As at 31 December 2020, deposits increased by as much as 21.7%. The highest growth of principal insured deposits was recorded in December and amounted to 5.1%.

As at 31 December 2020, credit institutions participating in the Lithuanian Deposit Guarantee Scheme had accumulated principal insured deposits in the amount of EUR 16.2 billion, i.e. deposits that are the object of deposit insurance and their amount does not exceed EUR 100 thousand (Figure 8).

Figure 8. Principal insured deposits in credit institutions at the end of the period (EUR million)



Given the amount of the principal insured deposits and the accumulated financial resources of the Deposit Insurance Fund, information on achieving the target level of the Deposit Insurance Fund is given below (Table 9). The minimum target level of the Deposit Insurance Fund's financial resources set by the Directive 2014/49/EU and the Statute (hereinafter – the target level) is the amount of financial resources that is no less than 0.8 % of the total insured deposits of all Deposit Guarantee Scheme participants, taking into account the Deposit Insurance Fund's debt liabilities, which must be accumulated in the Deposit Insurance Fund by 3 July 2024, but was achieved by 31 December 2019.

It should be noted that the achieved target level was also maintained in 2020 despite the record growth of principal insured deposits (Table 9).

Table 9. DIF financial resources and the achieved target level

	2018	2019	2020
a) DIF financial resources, taking into account liabilities (EUR million)	62.3	107.9	130.7
b) Principal insured deposits in CI at the end of period (EUR million)	14 462.4	13 318.6	16 218.1
Achieved target level (%) (ratio of lines a) and b))	0.43	0.81	0.81

As at 31 December 2020, the target level of financial resources of the Deposit Insurance Fund was 0.81%, i.e. the provision established in the Directive 2014/49/EU and the Statute, providing for the objective of achieving the minimum target level of the DIF by 3 July 2024, was implemented.

Given the distribution of the principal insured deposits in credit institutions, it should be noted that the majority of deposits are held by legal and natural persons in banks, i.e. as at 31 December 2020, the banks operating in Lithuania, including specialised banks, accumulated 95.1% of the total amount of the principal insured deposits (Table 10).

Table 10. Distribution of principal insured deposits in credit institutions (EUR million)

Distributions of deposits not exceeding EUR 100 000 across credit institutions	2018		2019		2020	
	%	amount, EUR million	%	amount, EUR million	%	amount, EUR million
Banks	96.0	13 881.5	94.9	12 645.6	95.1	15 419.9
Credit unions	4.0	581.9	5.1	674.5	4.9	798.3
Total	100.0	14 463.4	100.0	13 320.1	100.0	16 218.1

In the reporting period, insurance contributions of banks and specialised banks accounted for EUR 11.9 million or 94.3% of total insurance contributions paid by credit institutions, whereas insurance contributions paid by credit unions accounted for EUR 0.7 million or 5.8% of total insurance contributions paid by credit institutions, respectively. The increase in the amount of insurance contributions compared to the corresponding period of the previous year was due to the growth of the principal insured deposits in credit institutions. The distribution of insurance contributions across the credit institution sectors is presented in Table 11.

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

Contributions to the Deposit Insurance Fund	2018		2019		2020	
	%	amount, EUR million	%	amount, EUR million	%	amount, EUR million
Banks	95.2	11.8	94.5	10.6	94.3	11.9
Credit unions	4.8	0.6	5.5	0.6	5.7	0.7
Total	100.00	12.4	100.00	11.2	100.00	12.6

As at 31 December 2020, liabilities to investors were insured by 23 participants, including 4 banks, the Central Credit Union of Lithuania, 8 financial brokerage firms and 10 management companies.

Participants of the Insurance Fund of Liabilities to Investors pay insurance contributions once a year in January. The amount of insurance contributions paid by the participants of the Insurance Fund of Liabilities to Investors for 2020 amounted to EUR 58.3 thousand. Compared to 2019, the amount of insurance contributions increased by EUR 1.0 thousand or 1.8%. The increase in the collected contributions was influenced by the fact that on 5 October 2020, the Bank of Lithuania supplemented the financial brokerage firm license of Evernord UAB FBF with two additional services by granting them category B financial brokerage firm license in accordance with the Decision No. V 2020 / (21.25.E-2100)-241-232, which entitles the firm to hold customers' money or financial instruments. It should be noted that for this reason Evernord UAB FBF additionally paid a difference of the annual contribution (EUR 488.94) to the Insurance Fund of Liabilities to Investors in proportion to the date when the category B financial brokerage firm license was granted.

In 2020, the largest share of insurance contributions or 45.4% of all insurance contributions was paid by financial brokerage firms to the Insurance Fund of Liabilities to Investors.

The distribution of insurance contributions paid by all financial institutions is given in Table 12.

Table 12. Contributions of the participants of the Insurance Fund of Liabilities to Investors paid into the Insurance Fund of Liabilities to Investors in 2018-2020 (EUR thousand)

Contributions to Insurance Fund of Liabilities to Investors	2018		2019		2020	
	%	amount	%	amount	%	amount
Banks	46.6	31.6	35.4	20.3	34.8	20.3
Central Credit Union of Lithuania	4.3	2.9	5.1	2.9	5.0	2.9
Financial brokerage firms	37.6	25.5	44.9	25.7	45.4	26.5
Management companies	11.50	7.8	14.6	8.4	14.9	8.7
Total	100.00	67.8	100.00	57.3	100.00	58.3

Participants and insurance contributions of the Resolution Fund

1 financial brokerage company participated in the Resolution Fund in the reporting period. The annual insurance contributions for the participants of the Resolution Fund are set/calculated by the Bank of Lithuania. The insurance contributions of the Resolution Fund are paid once a year before 13 June of the current year. The annual regular (*ex ante*) contribution for 2020 of EUR 1.0 thousand was paid by the participant of the Resolution Fund in April.

5.3. Insured events, insurance compensations, and bankruptcy proceedings

Insured events and insurance compensations of the Deposit Insurance Fund

No new insured events occurred during the reporting period. At the end of the reporting period, via the Insurance Compensation Payment Agents, IID paid the compensations to the depositors of 8 credit unions that had gone bankrupt in the previous periods. By 31 December 2020, the depositors of the above-mentioned bankrupt credit unions had not withdrawn a total of EUR 837.5 thousand of insurance compensations, which is less than 1% of the amount of insurance compensations accrued for the benefit of the depositors (Table 13).

Table 13. Insurance compensations withdrawn/not withdrawn by depositors as at 31 December 2020 (EUR thousand)

No.	Bankrupt credit union	Bank (payment agent)	Insurance compensation 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	Deadline for paying insurance compensations
1	Amber	UAB Medicinos bankas	19 966.7	19 846.4	99.4 %	120.3	20.09.2021
2	Žemaitijos izdas	UAB Medicinos bankas	1 634.6	1 631.1	99.8 %	3.5	07.03.2022
3	Pajūrio	UAB Medicinos bankas	2 147.9	2 126.1	99.0 %	21.8	17.03.2022
4	Baltija	AB Šiaulių bankas	11 534.7	11 482.1	99.5 %	47.5	25.09.2022
5	Namų	AB Šiaulių bankas	1 381.3	1 366.5	98.9 %	14.8	25.09.2022
6	Vilniaus kreditas	AS "Citadele bankas" Lithuanian branch	20 359.0	20 074.0	98.6 %	285.0	10.11.2022
7	Centro taupomoji kasa	UAB Medicinos bankas	10 555.0	10 278.5	97.4 %	276.6	16.11.2023
8	Taupkasė	AS "Citadele banka" Lithuanian branch	18 683.9	18 615.8	99.6 %	68.1	13.02.2023
Total			86 263.1	85 420.4	99.0 %	837.6	

In the reporting period, EUR 625.6 thousand was disbursed directly from the Deposit Insurance Fund through the IID to the depositors of BAB bankas SNORAS inactive shares and bonds (*including procedural interest following the court rulings*) and to BCU CU Vilniaus taupomoji kasa depositors (*following the court ruling*). Insurance compensations from the Deposit Insurance Fund are presented in Table 14.

IID continues to pay insurance compensations from the Deposit Insurance Fund to the holders of Snoras inactive shares and bonds. On 29 August 2018, IID paid insurance compensations to all holders of inactive shares and bonds of BAB Bank SNORAS, regardless of whether holders filed lawsuits in court or not in accordance with ruling of the Court of Justice of the European Union, the practice formulated by the SCL with regards to the inactive bonds and shares of Snoras, and the Decision of the European Law Department under the Ministry of Justice of the Republic of Lithuania. The intention is to pay a total of EUR ~9.1 million in insurance compensations to the holders of inactive shares and bonds. At the end of 2020, EUR 7.6 million or ~ 83% of the planned amount was disbursed.

At the end of the reporting period, approximately EUR 1.6 million of insurance compensations were outstanding for inactive shares and bonds.

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

	2018	2019	2020
Insurance contributions from the Deposit Insurance Fund	36 791.0	474.3	625.6

Administered bankruptcy proceedings of credit institutions

At the end of the reporting period, as the largest creditor representing the Deposit Insurance Fund, IID participated in the bankruptcy proceedings of 15 credit institutions. In the reporting period, IID participated in 56 meetings/committee meetings of the bankrupt credit institution creditors on issues related to the administration of bankruptcies of the bankrupt credit institutions.

In the reporting period, the bankrupt credit institutions transferred EUR 13.2 million to IID to satisfy tier two credit claims. The main groups of assets of bankrupt credit institutions were sold and this resulted in a decrease in the amounts covered by the credit claim compared to the previous periods. Information on recoveries from the bankruptcy proceedings of each administered credit institution and on the IID credit claim coverage percentage is provided in Table 15.

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

BCI and date of the insured event	Disbursed amount, fact	Recovered, total	2013-2018	2019	2020 fact	2020 plan	Credit claim coverage
Snoras 24.11.2011	1 190 982.2	847 971.0	831 971.0	9 000.0	7 000.0	2 000.0	71.2%
Ūkio bankas 18.02.2013	269 253.9	52 958.2	51 758.2	1 200.0		500.0	19.7%
Nacionalinė kredito unija 24.01.2013	34 838.1	19 610.9	19 010.9	600.0		-	56.3%
Švyturio taupomoji kasa 24.01.2013	5 043.2	3 297.7	3 297.7	-		-	65.4%
Laikinosios sostinės kreditas 09.05.2013	6 664.0	2 204.2	2 204.2	-		-	33.1%
Naftininkų investicijos 30.04.2014	3 427.2	1 627.5	1 367.5	260.0		-	47.5%
Vilniaus taupomoji kasa 17.01.2014	64 088.0	42 975.0	41 725.0	1 200.0	50.0	-	67.1%
Amber 20.09.2016	19 966.7	15 100.0	11 750.0	3 350.0		-	75.6%
Žemaitijos išdas 07.03.2017	1 634.6	1 025.0	965.0	60.0		-	62.7%
Pajūrio kredito unija 17.03.2017	2 147.9	1 034.3	400.0	634.3		-	48.1%
Baltija 25.09.2017	11 529.5	4 657.7	3 462.7	484.9	710.2	1 500.0	40.4%
Namų kredito unija 25.09.2017	1 381.3	730.0	420.0	310.0		-	52.8%
Vilniaus kreditas 10.11.2017	20 358.9	13 500.0	5 800.0	7 000.0	700.0	100.0	66.3%
Centro taupomoji kasa 16.01.2018	10 555.0	8 070.0	5 100.0	1 400.0	1 570.0	-	76.5%
Taupkasė 13.02.2018	18 683.9	15 470.0	-	12 280.0	3 190.0	900.0	82.8%
Total	1 660 553.4	1 030 231.5	979 232.2	37 779.1	13 220.2	5 000.0	62.0%

The participants of the Insurance Fund of Liabilities to Investors and of the Resolution Fund did not experience any insured events.

5.4. Financial liabilities

At the end of the reporting period, the Deposit Insurance Fund, the Insurance Fund of Liabilities to Investors, and the Resolution Fund did not have any debt liabilities.

5.5. Investment of resources of IID administered funds

Investment of resources of the Deposit Insurance Fund

As at 31 December 2020, the financial resources of DIF amounted to EUR 132.5 million. Part of the DIF resources was invested in the GS of the Republics of Lithuania and Latvia: as at 31 December 2020, the carrying amount of the DIF GS investment portfolio was EUR 96.6 million, and the remaining EUR 35.8 million was held with banks with a long-term investment rating of at least: Moody's – Baa1, Standard & Poor's – BBB+, Fitch Ratings – BBB+.

The investment of DIF resources is regulated by the Deposit Insurance Fund and Insurance Fund of Liabilities to Investors Rules of Resource Investment (wording of Protocol No. 02-1 of 30 December 2020) approved by the IID Board's Resolution No. 02-5-2.1 of 4 April 2016 (hereinafter - the Rules). It should be noted that, in view of the complex investment environment and in order to optimise the DIF investment portfolio, the Rules were revised and updated twice in 2020. Given the complex investment environment in the markets and in order to ensure the safety and liquidity of the funds administered by IID, certain items of the Rules were updated on 14 May 2020, thus increasing the allowable share of GS from 50% to 70%, introducing the possibility to open an account with the Bank of Lithuania to hold DIF and IFLI funds in the name of DIF and IFLI, provided that the provisions of the Statute change. Considering that only three banks operating in Lithuania meet the credit rating requirements set out in the Rules and that all the above-mentioned banks apply negative interest rates for holding funds in their accounts, the provisions of the Rules were amended on 30 December 2020 allowing to hold part of the funds in the accounts of banks with a rating of at least Baa1, as well as in the event that the bank applies negative interest rates.

At the end of the first quarter of 2020, the investment environment changed significantly as the COVID-19 pandemic reached Europe and the rest of the world. During the pandemic period, the European Central Bank actively pursued an asset repurchase policy, which caused the yield on the GS of both developed European countries and the Republic of Lithuania to decrease steadily over the year. It should be noted that until the middle of the year, yield on the 12-year, 10-year and 6-year GS of the Republic of Lithuania were still positive. At the end of the year, only the yield on the 12-year GS maintained a minimum positive return, whereas yields on the shorter-term GS were already in the negative. Uncertainty in financial markets is likely to persist in the near future. The investment climate will be difficult to predict and will depend in part on the further development or interruption of the pandemic.

Despite the difficult situation in the financial markets, DIF has managed to earn income from investing activities. In the reporting period, the preliminary income from DIF investments amounted to EUR 83.7 thousand or 18.9 % more than in the corresponding period of the previous year. The results of investing activities were positively affected by the bigger investment portfolio and efficient investment management. On the other hand, the results were negatively affected by the 28.9% increase in investment costs (fees for safekeeping of GS) and negative interest rates on bank balances due to the bigger investment portfolio. The annual comparison of the financial investment results of DIF resources with the corresponding period of the previous year is shown in Table 16.

Table 16. Results of financial investing activities of DIF (EUR thousand)

	2018	2019	2020
DIF income from investments (taking into account negative interest applied by banks)	2.7	70.4	83.7
Investment expenses (fee for GS safekeeping)	0.0	9.3	20.6
Result of investing activities	2.7	61.1	63.1

Investment of resources of the Insurance Fund of Liabilities to Investors

As of 31 December 2020, the IFLI investment portfolio amounted to EUR 2.8 million. Part of the IFLI resources were invested in the GS of the Republic of Lithuania: as at 31 December 2020, the carrying amount of the IFLI GS investment portfolio was EUR 2.2 million, whereas cash in banks that have a long-term

investment rating of at least: Moody's – Baa1, Standard & Poor's – BBB+, Fitch Ratings – BBB+ - amounted to EUR 0.7 million.

The investment of IFLI resources (the same as with DIF) is regulated by the Rules. The IID faces the same challenges when investing IFLI resources as with DIF resources.

IFLI investment income in the reporting period amounted to EUR 8.7 thousand or 3.6% more than in the corresponding period of the previous year. A comparison of the results of financial investing activities of IFLI resources in 2020 with the corresponding period of the previous year is given in Table 17.

Table 17. Results of financial investing activities of IFLI (EUR thousand)

	2018	2019	2020
IFLI income from investing activities	5.6	8.4	8.7
Investment expenses (fee for GS safekeeping)	0.1	0.4	0.5
Results of investing activities	5.5	8.0	8.2

Investment of resources of the Resolution Fund

The resources accumulated in the Resolution Fund (EUR 6 thousand) during the reporting period were kept in a bank with a long-term investment rating: Moody's – Aa3, Standard & Poor's – AA-, Fitch Ratings – AA. The investment of the Fund's assets is regulated by the Decision No. 03-217 of 31 December 2015 of the Board of the Bank of Lithuania that approved the Rules for Investing the Resources of the Resolution Fund.

5.6. Legal proceedings

Representation of DIF interests in legal disputes

As at 31 December 2020, IID was involved in 11 pending legal dispute cases as a defendant or a third party that amounted to EUR 7.1 million. In performing its functions, IID participates in legal disputes related to the claims addressed to the Deposit Insurance Fund to pay insurance compensations for bonds, shares and/or 5% annual interest distributed by BAB bankas SNORAS for insurance compensations whose payment was delayed, according to the complainants, with regards to BAB bankas SNORAS inactive bonds and shares. There are also claims for the award of compensatory interest, recognition of shares as a deposit, and the renewal of the term of 5 years for receiving an insurance compensation as established in the Statute.

The dynamics of legal disputes in the period of 2018-2020 involving IID are presented in Table 18.

Table 18. Dynamics of legal disputes in 2018-2020

	2018	2019	2020
Number of legal disputes	101	48	11
Claim amount (EUR million)	13.1	7.9	7.1

According to the data of 31 December 2020, the majority of cases (96%) consisted of cases concerning the bonds and inactive shares of BAB Bank SNORAS and procedural interest on the delayed insurance compensations, according to the plaintiffs, the were to be paid under the above securities.

During the period under review, the Supreme Court of Lithuania formulated a court practice and adopted five rulings relevant to the activities of the IID:

- The SCL adopted a ruling on 13 January 2020 in the civil case No. e3K-3-116-378/2020, in which the Court of Cassation conclusively formed the court practice on granting procedural interest to the deposit certificate holders, dismissed the claimants' claims, and decided that the IID was not required to pay procedural interest in cases arising from the certificates of deposit. Given the above ruling of the SCL, claimants in other analogous court cases began to apply for the withdrawal of the claim, i.e. the civil proceedings regarding procedural interest award to the holders of deposit certificates may be terminated without further costs for the IID.

- The SCL adopted a ruling on 20 February 2020 in the civil case No. e3K-3-25-916-2020, in which the Court of Cassation dismissed the cassation complaint of applicant G.Ž. due to terms renewal for receiving the deposit insurance payment. In the above case, the Court found that pregnancy and rearing of young children cannot be taken as a basis for renewing the term for receiving the deposit insurance payment. This ruling is also relevant in that the SCL declared that application to IID should be made within a factual term of one year. In the case under review, the Court indirectly established an application term of one year to IID for the deposit certificate holders by specifying the following: regardless of there being a 5-year term established in the Statute for receiving the deposit insurance payment and regardless of the fact that IID began paying deposit insurance payments for deposit certificates in November 2015, the applicant had enough time – i.e. one year – to apply but failed to do so.

- The SCL adopted a ruling on 12 March 2020 in the civil case No. e3K-3-58-611/2020, in which the Court of Cassation dismissed the cassation complaint by the IID and created a new court practice to award procedural interest to the holders of inactive shares. Given the above ruling, there may be grounds for the obligation of the IID to cover procedural interest of other analogous cases pending in lower instances.

- The SCL adopted a ruling on 3 June 2020 in the civil case No. e3K-3-187-695/2020, in which the Court of Cassation dismissed the cassation complaint by the IID and created a new court practice to award procedural interest to the holders of inactive shares.

- The SCL adopted a ruling on 17 June 2020 in the civil case No. e3K-3-195-403/2020, in which the Court of Cassation dismissed the cassation complaint by the IID and created a new court practice to award procedural interest to the holders of inactive shares.

- On 31 July 2020, The SCL adopted a ruling in the civil case No. e3K-3-226-969/2020, in which the Court of Cassation dismissed the cassation complaint by the IID and formulated a court practice to award procedural interest to the holders of inactive shares.

Compared to the corresponding period of the previous year, the number of pending cases decreased by 77% (from 48 to 11). By the end of the reporting period, the IID staff were managing 100% of all court cases.

5.7. Participant inspection activities

Current inspection of participants

In 2020, the IID performed current inspection of 95 Deposit Guarantee Scheme participants and Liabilities to Investors Guarantee Scheme participants (*before 20 March 2020*). The purpose of the current inspection is to assess all participants in the Deposit Guarantee Scheme and participants in the Liabilities to Investors Guarantee Scheme with regards to the following:

- assessment of the correctness of all data declared by the Deposit Guarantee Scheme participants required to determine the amount of annual regular (*ex ante*) deposit insurance contributions (assessment of data as at 31 December 2019); assessment of the correctness of payment of regular (*ex ante*) deposit insurance contributions during the previous year of 2019 and of compliance with the IID deadlines for data submission;
- assessment of the correctness of all data declared by the participants of the Liabilities to Investors Guarantee Scheme required to calculate the amount of insurance of liabilities to investors contributions (assessment of data as at 31 December 2019); assessment of the correctness of calculation and payment of liabilities to investors insurance contributions for 2020 and of compliance with the IID deadlines.

During the current inspections, 72 participants of the Deposit Guarantee Scheme were inspected, including 4 banks, 3 specialised banks, 2 central credit unions, 63 credit unions; and 23 participants in the Liabilities to Investors Guarantee Scheme, including 4 banks, 1 central credit union, 8 financial brokerage firms and 10 management companies.

The following are the results of the inspection of 95 participants of the Deposit Guarantee Scheme and the Liabilities to Investors Guarantee Scheme:

a) No violations were detected in 66 participants in the Deposit Guarantee Scheme (i.e. 4 banks, 3 specialised banks, 2 central credit unions, and 57 credit unions). During the inspection of 10 participants of the Deposit Guarantee Scheme (2 banks and 8 credit unions), the declared data on the amounts of the principal insured deposits and the number of depositors of the principal insured deposits as at 31 December 2019 were revised. As these Deposit Guarantee Scheme participants submitted revised data by the end of the current inspections (by 20 March 2020) and these were correct, it is considered that these Deposit Guarantee Scheme participants have properly declared the data necessary to determine the amount of insurance contributions (no violation is recorded). After inspections and the revised declaration of data by the Deposit Guarantee Scheme participants, the total amount of the principal insured deposits decreased by EUR 1 534.1 thousand.

b) Violations were detected in 6 Deposit Guarantee Scheme participants that were inspected: 2 credit unions paid contribution incorrectly and 4 credit unions were late in paying insurance contributions (minor violations).

c) No violations were detected during the inspection of 22 participants of the Liabilities to Investors Guarantee Scheme (i.e. 4 banks, 1 central credit union, 7 financial brokerage firms, and 10 management companies). 2 participants in the Liabilities to Investors Guarantee Scheme (banks) revised the data on the liabilities to investors. As the participants of the Liabilities to Investors Guarantee Scheme (2 banks) provided the revised data before the end of the current inspections (by 20 March 2020) and these were correct, it is considered that the participants of the Liabilities to Investors Guarantee Scheme correctly calculated and paid the liabilities to investors insurance contributions for the current calendar year. There were no changes with regards to the contributions previously calculated for the participants of the Liabilities to Investors Guarantee Scheme and the contributions paid into the Liabilities to Investors Guarantee Scheme in 2020 due to the revision of the data.

d) Violations were detected during the inspection of 1 participant of the Liabilities to Investors Guarantee Scheme, i.e. a financial brokerage firm who was late in paying the insurance contributions for the liabilities

to investors by 13 calendar days. Interest on arrears was calculated and paid by the financial brokerage firm, together with the annual contribution for the liabilities to investors.

Violations identified during the current inspections of the Deposit Guarantee Scheme participants and the Liabilities to Investors Guarantee Scheme participants were eliminated.

Participant inspection plan

According to the inspection plan, 23 inspections of the Deposit Guarantee Scheme participants and the Liabilities to Investors Guarantee Scheme participants were performed (from 1 May to 31 December 2020). The purpose of these planned inspections is to assess the activities of the Deposit Guarantee Scheme participants and the Liabilities to Investors Guarantee Scheme participants with regards to the following:

- submission of data required for the calculation of insurance compensations;
- and the implementation of the insurance notification obligation set for the participants in the Schemes.

According to the inspection plan, with regards to the 16 participants of the Deposit Guarantee Scheme (i.e. 2 banks, 5 specialised banks, 2 central credit unions and 7 credit unions) and 7 participants of the Liabilities to Investors Guarantee Scheme (i.e. 2 banks, 1 central credit union, 2 financial brokerage firms) and 2 management companies):

- a) No violations were identified in the 12 Deposit Guarantee Scheme participants;
- b) During the inspections, violations were detected in 4 Deposit Guarantee Scheme participants (2 banks, 1 specialised bank and 1 credit union) with regards to the preparedness to submit data required for the calculation of deposit insurance compensations (i.e. data required for the calculation of deposit insurance compensations did not meet the established requirements);
- c) No violations were identified in 5 participants of the Liabilities to Investors Guarantee Scheme (1 central credit union, 2 financial brokerage firms and 2 management companies);
- d) During the inspections, violations were detected in 2 participants of the Liabilities to Investors Guarantee Scheme (banks) with regards to the preparedness to submit data required for the calculation of insurance compensations for the liabilities to investors (i.e. data required for the calculation of insurance compensations for liabilities to investors did not meet the requirements).

The participants of the Deposit Guarantee Scheme and the participants of the Liabilities to Investors Guarantee Scheme (the bank and the credit Union) were provided with recommendations on the elimination of the identified violations and were given deadlines for their implementation

In 2020, there was a total of 118 inspections (Table 19). The data provided shows that the number of detected violations is decreasing. It could be that this is influenced by the preliminary recommendations provided to the participants, the organisation of seminars (meetings), trainings, and consultations with the IID specialists.

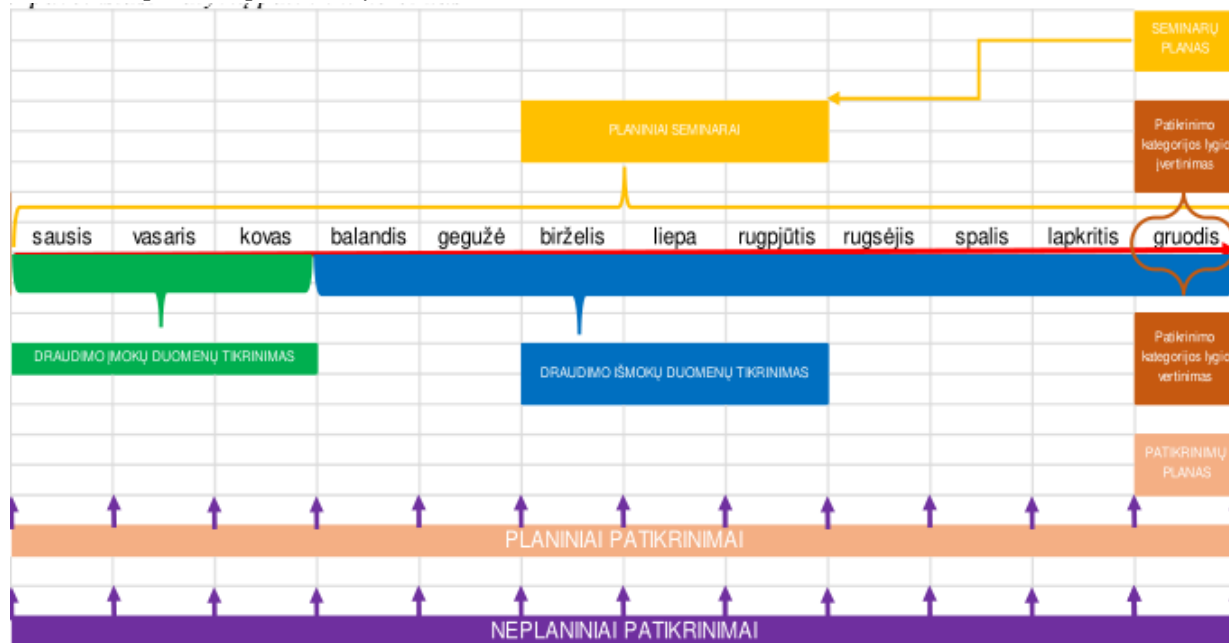
Table 19. Dynamics of DGS participant inspections in 2018-2020

	2018	2019	2020
Number of inspected participants	136	124	118
Detected violations (number)	40	11	13
Share of participants with violations (%)	29	9	11

It should be noted that Order No. V-165 of 10 December 2020 of the IID Director approved the updated rules for inspections of the Deposit Guarantee Scheme participants and the Liabilities to Investors Guarantee Scheme participants. There were changes to the classification of inspections of the Deposit Guarantee Scheme participants and the Liabilities to Investors Guarantee Scheme participants into planned and unplanned inspections, the procedure for inclusion in the planned inspection plan changed, inspection procedures were adjusted, etc.

A new cycle of inspections of Deposit Guarantee Scheme participants and Liabilities to Investors Guarantee Scheme participants has been established for 2021 (Figure 9):

Figure 9. Participant inspection cycle



Meetings (seminars)

In 2020, the IID organised and hosted planned meetings (seminars) with the participants of the Deposit and of the Liabilities to Investors Guarantee Schemes with the aim to ensure the provision of accurate and correct information to depositors about deposit insurance, to minimise violations committed by the participants of Deposits and of Liabilities to Investors related to the implementation of the Statute, to acquaint new participants of the Guarantee Schemes with the specifics of the application of the Statute. During the meetings (seminars), the participants were introduced to the theoretical and practical aspects of the application of the provisions of the Statute, they were presented with the updated recommendations and introduced to the Deposit Guarantee Scheme awareness survey, as well as encouraged to discuss the possible awareness-raising measures. In 2020, 3 remote meetings (seminars) were organised, which were attended by the representatives of 78 financial institutions. It should be noted that, where necessary, the participants are regularly provided with individual consultations on the application of the provisions of the Statute and other issues related to the insurance of deposits and liabilities to investors.

5.8. Stress testing

Stress testing of the Deposit Guarantee Scheme

In accordance with the provisions of Directive 2014/49/EU, a stress test of the Deposit Guarantee Scheme (DGS) was carried out in the reporting period.

Stress testing of the Deposit Guarantee Scheme is performed with the aim to increase the preparedness of all European Deposit Insurance/Guarantee Schemes to pay deposit insurance compensations and the preparedness of the Deposit Guarantee Scheme participants to provide the data required for the calculation and payment of the deposit insurance compensations in a timely manner and without any errors. Accordingly, stress testing:

- (i) tests the ability of DGS to perform the tasks assigned to them under Directive 2014/49/EU, including the cooperation with other Schemes of the European Union;
- (ii) identifies which areas of the DGS need to be improved or which have improved since the previous testing.

In accordance with the Schedule of the Deposit Guarantee Scheme Stress Testing Procedure approved by Items 4 and 5 of the Resolution No. 02-23-2 of 15 November 2019 of the IID Board, the Second Cycle

Programme of the Deposit Guarantee Scheme Stress Testing 2020-2022 was prepared and approved by the IID Board (hereinafter – the Testing Program).

According to the Testing Program, the first testing phase took place on 1 October 2020 and ended on 31 December 2020. The testing ‘simulated’ the deposit insured event (i.e. the bank was declared insolvent) and two areas of testing were assessed (by testing):

- 1) *Testing of the Lithuanian DGS operational capacity (including One Client Perspective Case Testing);*
- 2) *Testing of the financial capacity of the Lithuanian DGS.*

Having completed the testing, it was found that the DGS is prepared to pay insurance compensations on time in the event of an insured event of a Deposit Guarantee Scheme participant. However, several areas for improvement were identified. In December 2020, the second cycle programme for stress testing the Deposit Guarantee Scheme 2020-2022 was prepared and agreed with the Ministry of Finance of the Republic of Lithuania and the Bank of Lithuania. It was approved by Order No. V-178 of 31 December 2021 of the IID Director. The plan is for the elimination of the faults identified during the first stage testing in the year, which provides for the necessary additional measures that will be implemented to make the payment of deposit insurance compensations as streamlined as possible in the case of a deposit insured event.

SOCIAL RESPONSIBILITY

Social responsibility activities are based on the values of the IID and define the approach of the IID to its activities, i.e. focus on the integration of social, environmental, and transparent principles into the internal processes of the IID. In order to achieve its strategic objectives in a socially responsible manner, the IID follows the Government Resolution No. 1160 of 11 September 2003 On the Approval and Implementation of the National Sustainable Development Strategy, the Guidelines of the Organisation for Economic Co-operation and Development (OECD), the principles of the United Nations Global Compact and the United Nations sustainable development goals agenda. There is an approved Social Responsibility Policy established in the IID.

The IID realises social responsibility through targeted and consistent action in the following areas: (a) relations with the employees and society; (b) the environment; (c) and in its aim to conduct transparent activities.

6. SOCIAL AND ENVIRONMENTAL ASPECTS



6.1. Social activities

Employees

The management and organisational structure of the IID has remained unchanged since 18 March 2019, when the Minister of Finance of the Republic of Lithuania approved the organisational structure of the IID by Order No. 1K-88. The IID has 22 approved positions.

The IID consistently aims to improve communication with employees and to invest in the development of employee competencies. The employee policy that is implemented in the IID aims to apply advanced performance management and payment systems, and to create conditions for the development of personal, professional, and general competencies. The IID provides a motivation system for its employees and an adaptation programme for the newly hired employees. There are annual interviews with employees that assess the performance level of the previous year, plan work for the coming year, and set goals. Based on the results of the annual interviews, the IID considers employee training and career opportunities.

The IID regularly assesses the level of employee work satisfaction.

In the reporting period, the IID employees actively participated in professional development trainings and seminars related to personal data protection, employee management, public procurement; they developed leadership skills and improved other competencies.

In 2020, the approved salary fund amounted to EUR 664.2 thousand; the actual use of the salary fund amounted to EUR 572.3 thousand. Salary data are presented in Table 20.

Table 20. Data on the average salary (EUR)

Salary	2019	2020
Director	5 580	5 658
Deputy Director	4 955	4 440
Head of Department	3 228	3 341
Chief Expert	2 324	2 206
Experts and Other Employees	1 625	1 625

The IID pays special attention to its employees and provides employment and successful work opportunities for people of all ages and backgrounds. The IID attracts highly qualified workers by investing in employee training, improving working conditions and time (most employees have a master's degree). The IID listens to the expectations of both its older and younger workers, taking into account the different attitudes of employees towards work (in terms of development, career, stability, competence assessment, etc.).

The IID employs 53% of employees with a degree in economics, 35% - in law, and 12% - in business management

The IID is concerned with the preventive health care of its employees by guaranteeing occupational safety requirements, creating decent working conditions in terms of working hours, holidays, maternity and paternity leave security, etc. Employees are covered by additional health insurance as a means of motivation and loyalty. They receive various material (e.g. premiums, bonuses, participation in conferences, seminars) and intangible means of motivation (e.g. additional leave, flexible working hours, etc.).

24% of the IID employees are aged 25-34, 35% are aged 35-44, 29% of employees are aged 45-54, and 12% of employees 55 and older.

The IID respects human rights. It guarantees the principles of non-discrimination and equal opportunities in the field of human rights in respect of the relationships with existing and potential employees. Accordingly, it aims to ensure that no such violations are identified. In 2020, there were no human rights violations nor discrimination identified in the IID.



Other stakeholders

In order to ensure and increase the awareness of the Deposit Guarantee Scheme, the IID actively publishes information on social networks and other media that is freely available to the public (for example, the activities of the Deposit Insurance Fund have been given publicity on Vilnius public transport, where for the last several years an educational video is played that introduces relevant information to the depositors).



The IID also has an approved public information policy that provides the basis on which the annual public information plan is prepared. As a result, the IID also creates a sense of security and reliability in the financial system.

The IID also regularly organises seminars (meetings) that are free of charge, provides individual consultations to the employees of credit institutions to ensure correct information is given to the depositors and to minimise errors of credit institutions with regards to the compliance with the requirements of the Statute.

6.2. Environmental protection

The IID does not perform any activities that could have a direct and significant impact on the environment. However, the IID promotes and uses ecological standards in line with the progressive measures to reduce negative environmental impacts with a strong focus on recycling and the sustainable management and use of resources.

In order to reduce the negative impact on the environment, the IID continuously carries out 'green procurements' and/or incorporates 'green' criteria in the procurement of goods and the implementation of reduced consumption initiatives, thus promoting the sustainable use of resources.

The IID develops and maintains open business relationships with all interest groups and is accountable for its activities to the institution exercising the rights and obligations of the owner (the Ministry of Finance of the Republic of Lithuania), the IID Board, and the public.

In the reporting period, the Board of the IID held 24 meetings and discussed 90 issues.

The IID aims to establish ethical, transparent, and fair cooperation with stakeholders and operates in a way that facilitates stakeholders' access to the services provided. With the help of new technologies, credit institutions' customers are provided with the opportunity to receive services remotely, which ensures more efficient and secure distribution of information, better service, and wider opportunities to increase the awareness of the Deposit Guarantee Scheme.

The IID provides the stakeholders with all the required information specified in Chapter IV of the Guidelines for Ensuring the Transparency of the Activities of State Companies, approved by the Resolution No. 1052 of 14 July 2010 of the Government of the Republic of Lithuania.



Prevention of Corruption

Prevention of corruption in the IID is carried out in accordance with:

1. the Law on Prevention of Corruption of the Republic of Lithuania;
2. the Law on the Protection of Rapporteurs of the Republic of Lithuania;
3. Description of the Corruption Prevention Procedure approved by the Minister of Finance of the Republic of Lithuania on 20 September 2007 by Order no. 1K-261 On the Prevention of Corruption in the Areas of Management Delegated to the Minister of Finance and the Administration of Information on Violations in the Ministry of Finance;
4. Corruption prevention policy of the State Company Indėlių ir investicijų draudimas, approved by the Order of the Director of the IID;
5. Other legislation regulating corruption prevention.

Table 21. Corruption prevention measures

Corruption prevention measures established and implemented in the IID corruption prevention policy:

Corruption risk analysis and risk management;

Code of Ethics;

Gift policy;

Collection of information about a person seeking or holding a managerial position in the IID;

Conflict of interest management;

Information to the public;

Plan of measures for the implementation of the corruption prevention programme;

Corruption prevention assessment of draft legislation;

Processing of breach information;

IID employee training.

In the reporting period, the working group formed by the Order of the Director of the IID performed the analysis and assessment of the activity area (*representation of the Company in courts and in the bankruptcy proceedings of bankrupt credit institutions*) that has a high risk of corruption as established in Item 11 of the Order No. 1K-160 of 1 June 2020 of the Minister of Finance of the Republic of Lithuania of 1 June 2020 on the Identification of Activity Areas of Institutions and Companies within the Management of the Ministry of

Finance and the Minister of Finance of the Republic of Lithuania that Require a 2020 Corruption Probability Analysis.

Given the analysis and assessment of the probability of corruption, in the reporting period, the IID implemented the following measures for the implementation of the anti-corruption program for 2020 as approved by the Order of the IID Director: 1) the rules for calculation and payment of deposit insurance compensations, advance deposit insurance compensations, and liabilities to investors insurance compensations were changed; 2) the rules for the administration of insurance compensations of the State Company Indėlių ir investicijų draudimas were amended; 3) the procedure for the representation of a participant of the Deposit Guarantee Scheme or the Liabilities to Investors Guarantee Scheme in bankruptcy proceedings was changed; 4) the procedure of representation in courts was changed.

It should be noted that in December 2020, all IID employees participated in the event organised by the Presidency of the Republic of Lithuania for the International Anti-Corruption Day and other corruption prevention trainings.



Personal data protection

The protection of personal data in the IID is carried out in accordance with:

1. The General Data Protection Regulation;
2. the Law on the Legal Protection of Personal Data of the Republic of Lithuania;
3. the Statute;
4. the Rules for the processing of personal data in the State Company Indėlių ir investicijų draudimas approved by the order of the Director of the IID;
5. Other legislation regulating the protection of personal data.

The IID has a designated Data Protection Officer who constantly monitors the processing of the personal data of the IID clients by the IID employees. The IID regularly reviews and improves organisational and technical measures for the protection of personal data and organises training for employees with regards to personal data protection.

It should be noted that the IID complies with extremely high standards of personal data protection. As a result, it annually invests in improving the security of information systems with regards to this issue. The number of services provided by the IID are being transferred to the electronic space. Accordingly, the threat of cyberattacks, which is appropriately communicated to the public, requires more involvement of personal data protection specialists and IT specialists, as well as financial resources for IT improvement and protection.

It should also be noted that the IID carried out an independent risk assessment of its IT systems in 2020 as a step in consistently implementing the Cyber Security Policy. Following the risk assessment, the IID prepared an IT improvement plan for 2021.



Internal monitoring system. Risk management

The IID has adopted internal monitoring and risk management regulations that govern the main objectives of the IID internal monitoring and the internal monitoring operation and system, including the organisation and execution of the financial monitoring process in the IID, as well as the basic principles, procedures, and tools for managing risk in the IID.

The IID risk management process takes place annually to assess risk and plan the IID management measures for one year. The main risk factors related to the activities of the IID and the administered funds are set out in the SWOT analysis of the IID Strategic Action Plan.

In the reporting period, the IID performed a risk assessment of its activities, i.e. risk identification and risk analysis. There were no new (additional) risk factors identified in 2020 that had not been identified in the previous periods of risk assessments of the IID activities.

Following the risk assessment of the IID activities, the Risk Minimisation/Management Measures Plan 2020-2021 was prepared. A plan of internal monitoring inspections was also prepared that informed the internal inspections of the IID in 2021.



Quality management system (ISO 9001:2015)

In 2020, a quality management system was implemented in the IID. In order to implement a quality management system that meets the requirements of the quality management standard ISO 9001:2015, all internal processes of the IID were reviewed, the IID stakeholders, customers and their needs were identified, internal documentation of the IID related to the implementation of the quality management system was updated, internal audits of all key processes of the IID were carried out followed by an evaluative analysis, and improvement actions were planned. In October 2020, the IID was ready to certify the implemented quality management system.

On 13 November 2020, the State Company Indėlių ir investicijų draudimas, one of the first participants in the European Union Deposit Guarantee Schemes, was **issued the ISO 9001:2015 certificate**.

In its activities, the IID constantly improves its processes and ensures good quality of services in accordance with the principles of high quality of professional work. As a result, in order to achieve even higher job quality and to meet customer expectations, the IID implemented a quality management system in 2020 that meets the requirements of the international standard ISO 9001:2015.

The main principle of quality management that guides the IID is the continuous improvement and refinement of processes, taking into account the needs of its customers.

Although the IID activities are strictly regulated and management follows a systematic approach, the implementation of a quality management system has led to further improvements in existing processes.

This certificate is an important achievement for the company, proving locally and internationally that the IID consistently provides services that meet customer expectations and legal requirements.

It is expected that the ISO 9001:2015 certificate issued to the IID will strengthen public confidence in the stability of the Lithuanian Deposit Guarantee Scheme, while the efficient operation of the IID will ensure effective cooperation with financial institutions.



Public procurements

In accordance with the principle of transparency, the IID carried out 115 procurements in 2020 in the amount of EUR 127 275.0 (EUR 4 348.2 less than in 2019), including 46 purchases of goods, 67 purchases of services, 2 purchases of works).

In 2020, the IID renewed access to the legal information database, purchased employee health insurance, purchased assessment services of IT risk, compliance and cyber security, the IID quality management system assessment and approval (certification) services in accordance with the requirements of the ISO 9001:2015 standard, updated computer equipment, and carried out other procurements required for the daily operation of the IID, including employee recruitment, health care and disinfection equipment, stationery, etc.



The IID is actively involved in the international activities of deposit and liabilities to investors insurers. The IID is a full member of the European Forum of Deposit Insurers (EFDI), and the IID Director Aurelija Mažintienė is a member of the EFDI Board responsible for financial and budgetary management.

The IID employees actively participate in the activities of the EFDI committees and working groups, including the European Union Committee, Stress Testing Working Group, Public Relations and Communication working group, etc.

In the reporting period, the IID attended 32 Board member meetings relating to the EFDI activities, working groups organised by the EFDI, conferences and the annual meeting of the EFDI members.

The representatives of the IID also participate in the European Banking Authority's (EBA) working group on the revision of the Deposit Insurance Directive. In 2020, the IID representatives participated in 8 EBA working group meetings.

The IID regularly participates in EFDI and IADI (The International Association of Deposit Insurers) member surveys and shares good practices in the administration of processes related to the Deposit Guarantee Scheme.

European Commission Project



In 2020, the IID representatives participated in the implementation of the European Commission's project Review of the Lithuanian Deposit Guarantee Scheme (DGS). The main objective of the project was to conduct a comprehensive review of the Lithuanian Deposit Guarantee Scheme from a legislative, financial and organisational perspective and having identified its main challenges and defects to explore and propose possible best practice solutions, recommendations, and to highlight key operational, institutional and legal changes needed to successfully implement them in the Lithuanian context. The project took place on 4 November 2019 – 30 January 2021.

Director

Aurelija Mažintienė