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# SC DEPOSIT AND INVESTMENT INSURANCE (INDĖLIŲ IR INVESTICIJŲ DRAUDIMAS) 2021 ACTIVITY REPORT

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# DIRECTOR'S FOREWORD

Dear All,



2021 was a year of challenges and achievements for the State Company Deposit and Investment Insurance (Indėlių ir investicijų draudimas, IID). A key contribution of our company to sustainability is our commitment to promoting the financial sustainability of individuals and society as a whole. Our business strategy includes commitments to promote social responsibility in the fields of finance, environment and social relations. Timely payment of deposit insurance claims is the foundation of a sustainable society. IID has consistently upheld its commitment to the public to pay timely deposit compensation in the event of the insolvency of a credit institution, thereby contributing to the promotion of social development and the creation of a sound financial market. We have achieved our objectives by improving the management of internal processes and the quality of our services.

After record deposit growth in 2020, economists' predictions of rising consumption and a significant decline in deposit balances in credit institutions in 2021 did not materialise, and deposits continued to grow rapidly. Core insured deposits in credit institutions grew at a similar pace, with a 16% increase compared to 2020. Nevertheless, the Deposit Guarantee Fund has managed to accumulate the necessary funds to maintain the target level of financial resources for the Deposit Guarantee Fund as regulated by EU legislation that was reached in 2019.

The past year remained challenging in the investment environment, despite a slight upturn in investment yields during the year, driven by rising inflation and signs of pandemic containment in Europe. With the European Central Bank's policy of asset purchases still active during the pandemic, all market participants, including IID, had to face the challenges of investing funds in 2021, finding ways to invest safely and earn a return on investment, and to ensure profitable business operation.

In ensuring the security of deposits and liabilities to investors in the event of financial institution failure, we recognise that we have many responsibilities, including sustainable operations. We understand that financial sustainability goes hand in hand with both environmental and social responsibility, and building a strong financial market requires active efforts to ensure financial, environmental and social sustainability.

Furthermore, in 2021, by maintaining a quality management system compliant with the requirements of the ISO 9001:2015 quality management standard, we have further refined IID's business processes, improving their management and control, thus further enhancing operational efficiency for better results.

Same as every year, IID strives to implement a sustainability-based approach to its operations, with a constant focus on objectives and effective oversight of IID's governing bodies, their accountability and responsibility to IID's founder, the Ministry of Finance of the Republic of Lithuania. The company has a strong focus on sustainability and voluntarily integrates social, environmental and transparency principles in its operations.

As a financial market player that actively fights corruption, we contribute to the strengthening of financial markets. In order to contribute to the country's objective to overcome corruption, we adhere to the clearly defined anti-corruption policy of the Government of the Republic of Lithuania and the Ministry of Finance of the Republic of Lithuania, whose provisions have been transposed in IID's internal documents, ensuring full compliance therewith.

When it comes to the environment, our goal is to minimise our impact on climate change. Therefore, we try to reduce the climate impact of our travel, energy consumption and stationery use. Wherever possible, we encourage staff to hold meetings remotely and avoid travel that is detrimental environmentally. We also encourage *green procurement*, the reuse of stationery and the use of electronic means to reduce paper consumption.

As part of our commitment to social sustainability, we focus on workplace safety, health and employee development. Our commitment to social sustainability, not only internally but also externally, means that the company promotes social sustainability in society by sharing knowledge and information. Therefore, articles and reports related to deposit insurance education are regularly updated and published.

Employees are the foundation of the company's success, and we continuously strive to be a growing company that invests in the knowledge and competences of IID employees. With highly qualified staff, the company aims to ensure the efficiency of the funds it manages, to increase the attractiveness of the deposit insurance system, and to ensure the efficiency of the company's operations. It is only thanks to our professional team that we are a company that is valued among the members of the European Forum of Deposit Insurers (EFDI) as one of the most efficient companies and an example for implementing the best foreign practices.

I believe that together we can overcome new challenges and further strengthen public confidence in the stability of the Lithuanian deposit and investor liability insurance systems, and that the company's efficient operations 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
Authorised capital:	EUR 8 995 358
Date of incorporation:	16-12-1996
Company code:	110069451
Authority exercising the 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
Date of registration of the current articles of association:	19 March 2021 (wording of Order No. 1K-92 of 19 March 2021 of the Minister of Finance of the Republic of Lithuania)
Telephone number:	(8-5) 213 56 57
Email address:	<a href="mailto:idf@idf.lt">idf@idf.lt</a>
Website:	<a href="http://www.iidraudimas.lt">www.iidraudimas.lt</a>

## 2. GENERAL INFORMATION

IID is the only entity in the Republic of Lithuania that insures the deposits of depositors and liabilities to investors in accordance with the Law of the Republic of Lithuania on Insurance of Deposits and Liabilities to Investors (the “Law”) and other legislation, and performs other functions related to the implementation of the Law. IID manages the Deposit Insurance Fund, the Investors’ Liabilities Insurance Fund and the Resolution Fund (hereinafter referred to as the “Funds”).

At present, the Lithuanian Deposit and Investor Liability insurance system is aligned with European Union (EU) law and is compliant with the key principles of deposit and investor liability insurance systems in EU countries.

### **IID Governance**

The governing bodies of IID are the authority exercising the rights and obligations of the owner of IID (the Ministry of Finance of the Republic of Lithuania), the Council of IID and the sole governing body – the Chief Executive Officer of IID (the Director of IID) (Table 1).

The Council of IID for a 4-year term of office was approved by the Order No. 1K - 164 of 2 June 2020 of the Minister of Finance of the Republic of Lithuania “On Appointment of the Council Members and Approval of the Composition of the State Company’s Indėlių ir investicijų draudimas Council”. As of 31 December 2021, the Council consisted of 5 members:

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

Deputy Chair of the Council: Lina Frejutė, Senior Advisor of Project Management Division in the Ministry of Finance;

Members of the Council– Audrutė Dziskienė, Credit and Payment Markets Division Adviser of the Financial Markets Policy Department of the Ministry of Finance; Renata Bagdonienė, Director of the Banking and Insurance Supervision Department at the Bank of Lithuania; Jokūbas Markevičius, Director of Financial Stability Department at the Bank of Lithuania. The Board Members are not remunerated for their participation in Board activities.

Executive Officer of IID – Director Aurelija Mažintienė.

The IID administration consists of the Director, Deputy Director, Chief Accountant, and Compliance Officer.

IID is organised through four departments (Fund Administration, Insurer Inspection, Process Administration, and Operational Organisation) headed by the Heads of Departments.

*Table 1. IID Governance*

Governing body	Key functions
<p><b>Authority exercising the rights and obligations of the owner of IID (Ministry of Finance of the Republic of Lithuania)</b></p>	<ul style="list-style-type: none"> <li>- approves IID’s operational strategy;</li> <li>- approves the annual estimates of revenue and expenditure of IID and the Funds;</li> <li>- establishes the structure of IID;</li> <li>- approves the Articles of Association of IID;</li> <li>- makes the decision to change the registered office of IID;</li> <li>- appoints and dismisses 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, and approves the job description of the Director of IID;</li> <li>- approves the Activity Report of IID for the reporting financial year;</li> <li>- approves the annual financial statements of IID and of the Funds and the distribution of the profit/loss of IID;</li> <li>- fixes the annual rate of periodic (<i>ex ante</i>) deposit insurance premiums subject to the IID Council’s opinion, and the amount of special (<i>ex post</i>) deposit insurance premiums subject to the opinion of the Supervisory Authority;</li> <li>- subject to the opinion of the Supervisory Authority, determines the methodology for the calculation of the Resolution Fund’s administrative contributions and approves the amount of the Resolution Fund’s administrative contributions for a given year;</li> <li>- decides on IID borrowing from Deposit Guarantee Schemes of other Member States or the lending to Deposit Guarantee Schemes of other Member States in accordance with the procedure established by the Council of IID;</li> <li>- approves the reporting schedule to the authority exercising the rights and obligations of the owner of IID and to the Council of IID on the representation of IID in the insolvency of credit institutions;</li> <li>- selects a certified auditor or audit company to audit the annual financial statements of IID. The National Audit Office of the Republic of Lithuania audits the annual financial statements of the Funds;</li> <li>- takes a decision on the restructuring of IID, except for the exceptions established in the Law on State and Municipal Enterprises of the Republic of Lithuania;</li> <li>- takes a decision to reorganise IID;</li> <li>- takes a decision to dissolve IID and to terminate the dissolution of IID;</li> <li>- appoints and dismisses the liquidator of IID;</li> <li>- approves the annual plans of IID on asset acquisition and/or borrowing;</li> <li>- approves the methods and rates of depreciation of fixed assets to be established by IID;</li> <li>- approves the investment procedures of IID’s equity capital;</li> <li>- submits a letter to IID on the expectations of the government;</li> <li>- addresses other matters falling within its competence under the Law, the Law on State and Municipal Enterprises of the Republic of Lithuania, other legislation regulating the rights and obligations of the owner of IID and IID’s Articles of Association.</li> </ul>
<p><b>Council of IID (5 members)</b></p>	<ul style="list-style-type: none"> <li>- annually and no later than by 1 December, submits opinions, observations, and proposals, if any, regarding the operational strategy of IID to the authority exercising the rights and obligations of the owner of IID;</li> <li>- takes a decision on the termination of insurance of deposits and liabilities to investors;</li> <li>- approves the regulations which it is empowered by law to approve, governing the following: the procedure for calculating deposit insurance claims; the procedure for selecting the payment service provider(s) through which insurance claims will be paid; the procedure for admission to and withdrawal from the Deposit Guarantee Scheme of the Republic of Lithuania; the procedure for calculation and payment of periodic (<i>ex ante</i>) and special (<i>ex post</i>) deposit insurance premiums and the procedure for calculation and payment of the first (advance) premiums; the procedures for calculating and paying interest on unpaid deposit insurance</li> </ul>

premiums; the procedures for borrowing from and lending to Deposit Guarantee Schemes of other Member States; the procedure for supplementary insurance of investor liabilities; the procedure for the calculation and payment of the premium for insurance of investor liabilities; the procedure for stress testing of the Deposit Guarantee Scheme; the procedure for the investment of the funds of the Deposit Insurance Fund and the Insurance Fund of Liabilities to Investors; the procedure for the provision of information on deposit insurance and insurance of investor liabilities in the customer service offices, on websites, in contracts and in account statements;

- approves the estimates of administrative expenses of the Deposit Insurance Fund and the Insurance Fund of Liabilities to Investors;
- performs other functions established in the law.

**Director of IID**

- hires and dismisses employees, concludes and terminates their employment contracts;
- determines the methods and rates of depreciation to be applied by IID, with the approval of the authority exercising the rights and obligations of the owner of IID;
- 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 authority exercising the rights and obligations of the owner of IID, specifying the amount of resources required for the next financial year, as well as information about events of material significance for the operations of IID;
- enters into transactions in their personal capacity, except for transactions requiring the prior approval of the authority exercising the rights and obligations of the owner of IID. Transactions of a value exceeding EUR 30 000 shall be concluded with the approval of the authority exercising the rights and obligations of the owner of IID, with the exception of the following: investments of the IID's equity capital and/or the Funds in accordance with the approved rules; public procurement contracts concluded with the successful tenderer in accordance with the procedure established in the Law on Public Procurement of the Republic of Lithuania;
- assumes the responsibility for the submission of the annual financial statements of IID and the Funds to the authority exercising the rights and obligations of the owner of IID for approval within 4 (four) months after the end of the financial year at the latest;
- submits the Activity Report of IID and of the Funds for the reporting financial year to the authority exercising the rights and obligations of the owner of IID;
- submits the Risk Assessment Report of IID and of the Funds to the authority exercising the rights and obligations of the owner of IID;
- disposes of the assets of the Funds and of IID in accordance with the procedures established by the legislation;
- takes decisions on the investment of the Deposit Insurance Fund, the Insurance Fund of Liabilities to Investors and the equity capital of IID, in accordance with the rules for investing the funds of the Deposit Insurance Fund, the Insurance Fund of Liabilities to Investors and the equity capital of IID, and selects the financial brokers to make the investments;
- takes decisions on the investment of the Resolution Fund in accordance with the procedures for the investment of funds established by the Resolution Authority, and selects the financial brokers to make the investments;
- prepares and submits the materials and draft documents to the Council of IID that are necessary for the performance of the Council's functions;
- provides the authority exercising the rights and obligations of the owner of IID with the information necessary for the performance of its functions;
- establishes the procedure for identifying the information that is considered confidential by IID;
- approves the rules regulating the processing of personal data by IID;
- assumes the responsibility for the actions which the Executive Officer of IID is obliged to perform under the Law on State and Municipal Enterprises of the Republic of Lithuania, the Law, and other legislation regulating the competences of the Executive Officer of IID.

## **Key legislation regulating the activities of IID and the Funds managed 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 2014/49/EU”);
  - 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:
  - The Law;
  - Sub-legislative executive acts of the Law, regulating the calculation and payment of insurance premiums, interest, supplementary insurance, payment of insurance claims, investment, borrowing, etc.
- Legislation governing bankruptcy proceedings of bankrupt participants, or those in ongoing bankruptcy proceedings:
  - Law on Insolvency of Legal Entities of the Republic of Lithuania (entered into force on 1 January 2020);
  - Law on Bankruptcy of Companies of the Republic of Lithuania (applicable to bankruptcy proceedings until 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 function of IID directly related to the management of the Funds**

The objectives of IID operations as established in the Law 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 Law and other legislation. In fulfilling its statutory objectives, IID performs the following key functions:

- Calculating and collecting *ex ante* and *ex post* deposit insurance premiums, insurance of liability to investors premiums and Resolution Fund contributions, and accumulating these in an appropriate managed fund or using them for the purposes established in the Law;
- Calculating and paying deposit insurance claims and insurance of liability to investor claims;
- Investing the equity capital of IID and the resources of the managed Funds;
- Keeping the accounts of the managed Funds, preparing the financial statements and estimates of revenue and expenses, and submitting them for approval to the authority exercising the rights and obligations of the owner of IID;
- Supervising the compliance of participants in the Deposit Guarantee Scheme and the Insurance of Liability to Investors Scheme with the requirements established in the Law and the executive legislation;
- Evaluating the conditions of insuring (reimbursing) or otherwise guaranteeing the safety of deposits or liabilities to investors of third countries whose credit institutions, brokerage firms and financial management companies have branches in the Republic of Lithuania;
- Assessing the risk of IID, 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;



- Performing stress tests of the Deposit Guarantee Scheme;
- Participating in the financing of the resolution of a bank or a central credit union;
- Administering the list of participants of the Deposit Guarantee Scheme and of the Liabilities to Investors Guarantee Scheme;
- Performing other functions provided for in the Law related to its execution and to the security of the operations of IID.

All the functions performed by IID, as established by the Law, are classified as special obligations, i.e., the administration of the Statutory Funds. IID *does not perform any commercial functions* as defined in the Guidelines for Establishing and Providing Information on Special Obligations of State Companies, approved by the Order No 4-1100 of 20 December 2013 of the Minister of Economy of the Republic of Lithuania “On the Approval of the Guidelines for Establishing and Providing Information on Special Obligations of State Companies”.

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

#### Mission of IID

Ensuring the security of deposits and liabilities to investors in the event of the insolvency of financial institutions, thereby contributing to maintaining financial market stability and increasing public confidence in financial companies.

#### Vision of IID

Being a company that ensures attractive deposit and liability to investors insurance for financial institutions in the EU Member States in the Baltic Sea Region.

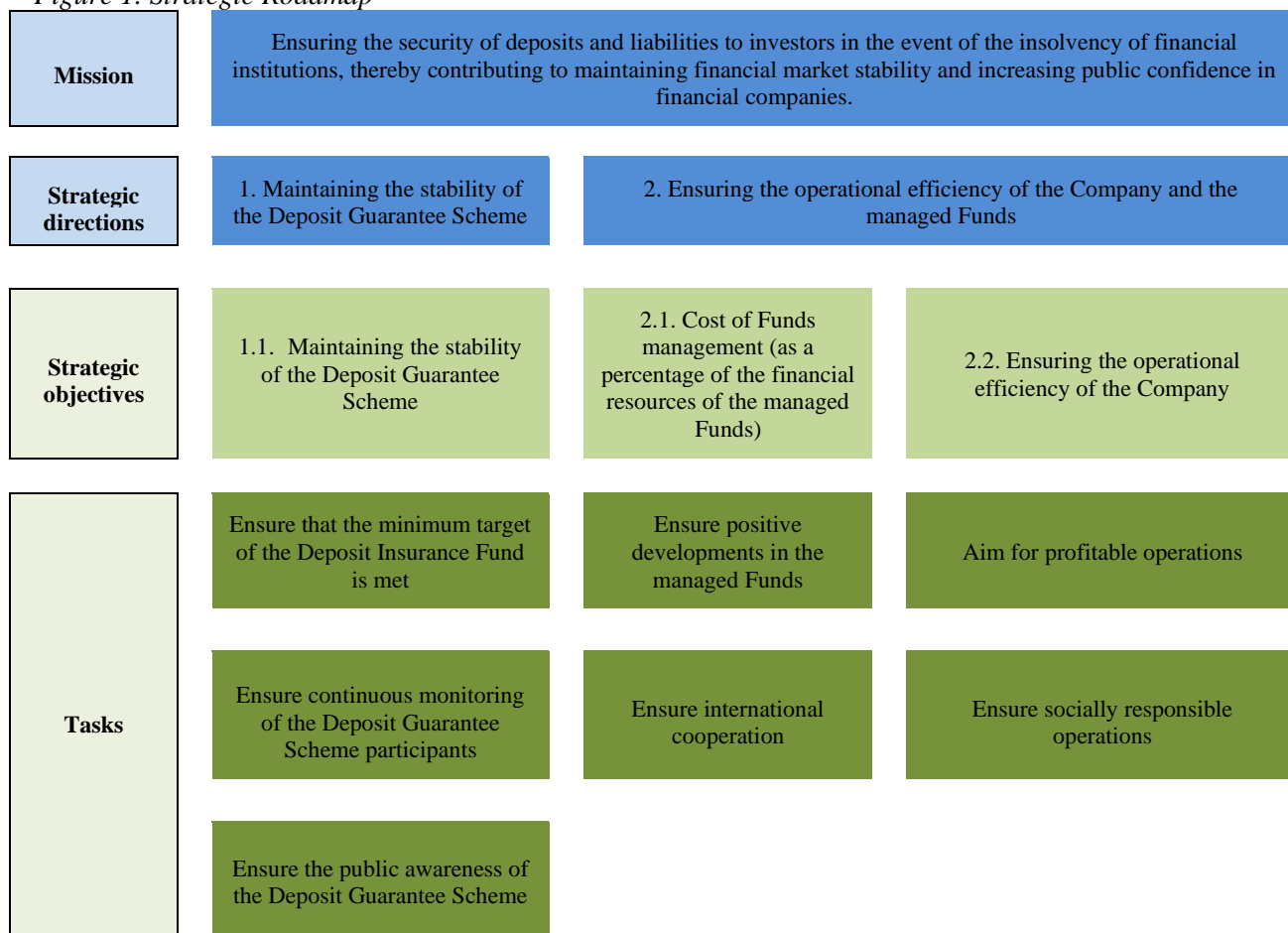
#### Values of the State Company Indēliņ ir investīciju draudimas

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

*Results* – achieving better results in shorter timeframes.

*Efficiency* – our transparent and socially responsible corporate practices have a positive impact on the stability and soundness of the financial sector.

Figure 1. Strategic Roadmap



The strategic objectives, the means to achieve them, and their achievement by the end of 2021 are presented in Table 2.

Table 2. Criteria for assessing the performance of the State Company Indėlių ir investicijų draudimas for 2021 and their implementation

Strategic objective	Task	Measures		Criterion	Target value and deadline for the criterion		Responsible person
					Plan for 2021	Fact in 2021	
<b>1. Maintaining the stability of the Deposit Guarantee Scheme</b>	<b>Effect</b>			<b>National target level of the Deposit Insurance Fund</b>	<b>≥0.8</b>	<b>0.8</b>	<b>Director</b>
	1.1. Ensure that the minimum target of the Deposit Insurance Fund is met	Result		Minimum target level of the Deposit Insurance Fund achieved (as a percentage of core insured deposits)	≥0.8	0.8	Deputy Director
		Collecting the revenues of the Deposit Insurance Fund	Result	Deposit Insurance Fund income from insurance premiums, investments and from bankrupt credit institutions (payment of creditors' claims) (EUR million)	19.0	21.01	Head of Fund Administration Div. / Head of Process Administration Div.
	1.2. Ensure continuous monitoring of the Deposit Guarantee Scheme participants	Result		Share of the inspected Deposit Guarantee Scheme participants found deficient out of all the inspected Deposit Guarantee Scheme participants (%)	≤40	10	Director
		Monitoring of Deposit Guarantee Scheme participants	Output	Stress testing of the Deposit Guarantee Scheme and its participants	1	1	Head of Policyholder Review Division
			Result	Inspections of participants in the Deposit Guarantee Scheme in the high and medium inspection categories (%)	100	100	Head of Policyholder Review Division
			Result	Assessment of the quality of the data provided by all the Deposit Guarantee Scheme participants on deposits eligible for insurance on 31 December (%)	100	100	Head of Policyholder Review Division
	1.3. Ensure the public awareness of the Deposit Guarantee Scheme	Result		Awareness of Deposit Guarantee Scheme (%)	_*	-	Director
		Informing the public	Result	Implementation of the measures established in the communication plan (%)	100	100	Head of General Affairs Division
		Consulting the Deposit Guarantee Scheme participants	Output	Number of seminars organised for the Deposit Guarantee Scheme participants (pcs)	3	3	Head of Policyholder Review Division
<b>2. Ensuring the operational efficiency of the managed Funds</b>	<b>Effect</b>			<b>Cost of Funds management (as a percentage of the financial resources of the managed Funds)</b>	<b>≤0.7</b>	<b>0.47</b>	<b>Director</b>
	2.1. Ensure positive developments in the managed Funds	Result		Changes in the managed Funds (% of financial resources)	≥10	15	Deputy Director
		Accumulation of financial resources of the managed funds	Result	Deposit Insurance Fund financial resources (EUR million)	140.3	152.6	Head of Fund Administration Division
			Result	Insurance Fund of Liabilities to Investors financial resources (EUR million)	2.88	2.89	Head of Fund Administration Division
			Result	Resolution Fund financial resources (EUR thousand)	7	7	Head of Fund Administration Division

	2.2. Ensure international cooperation		Result	Participation in working groups, projects (pcs)	3	6	Director or Deputy Director
		Participation in projects, working groups, seminars of the European Forum of Deposit Insurers and other international organisations	Result	Participation in seminars, meetings, missions (number of times)	20	56	Director or Deputy Director, or Compliance Officer, or Head of General Affairs Division
<b>3. Ensuring the operational efficiency of IID</b>	<b>Effect</b>			<b>EBITDA (EUR thousand)</b>	<b>65</b>	<b>70</b>	<b>Director</b>
	3.1. Aim for profitable operations	Result		Net profit (EUR thousand)	41	55.3	Deputy Director or Chief Accountant
		Financial investment activities	Result	IID investment income (EUR thousand)	45	59.7	Deputy Director or Head of Fund Administration Division
		Monitoring the quality management system	Output	Audit or certification of the quality management system	1	1	Compliance Officer
	3.2. Ensure socially responsible operations	Result		Survey of Insurance Funds participants	1	1	Head of General Affairs Division
		Monitoring staff job satisfaction	Result	Employee job satisfaction survey results (index)	≥3.5	4.1	Head of General Affairs Division
			Result	Equal opportunities. Cases identifying discrimination violations (pcs)	0	0	Head of General Affairs Division
		Reducing negative environmental impacts	Result	Application of green criteria in public procurement (%)	≥50	100	Head of General Affairs Division
		Transparent and value-adding activities for stakeholders	Result	Information communication to interest-groups (related parties with common interests)	100	100	Head of General Affairs Division or Head of Policyholder Review Division
	Result		Cases identifying corruption displays (pcs)	0	0	Compliance Officer	

\*This criterion will be assessed in 2022

## 4. OVERVIEW OF IID ACTIVITIES IN 2021

### 4.1. Key events in 2021

Below are the key events related to the activities of IID and the managed Funds (Table 3).

*Table 3. Key events in 2021*

<b>January</b>	<ul style="list-style-type: none"> <li>- A new version of the Law on Insurance of Deposits and Liabilities to Investors came into force on 1 January 2021. This has led to changes in the sub-legislation. The rules approved by the Council of IID were coordinated with the stakeholders (Ministry of Finance, Bank of Lithuania, Association of Lithuanian Banks and credit union associations).</li> </ul>
<b>February</b>	<ul style="list-style-type: none"> <li>- In February, the European Commission's project Review of the Lithuanian Deposit Guarantee Scheme (DGS) was completed with the participation of IID representatives.</li> <li>- On 10 February 2021, the Supreme Court of Lithuania issued a ruling in the civil case No. 3K-3-14-611/2021, in which the Court of Cassation reversed the decisions of the Court of First Instance and of the Court of Appeal, deciding to uphold the cassation applicant's claim for interest on the untimely payment of the insurance claim for the shares that did not come into effect, according to the cassation applicant. In adopting the above ruling, the Supreme Court followed the case-law established in 2020 per analogous cases.</li> </ul>
<b>March</b>	<ul style="list-style-type: none"> <li>- On 19 March 2021, by Order No 1K-92 of the Minister of Finance of the Republic of Lithuania, the Articles of Association of IID were amended and registered in the Register of Legal Entities.</li> <li>- In light of the change in the Law, the Council of IID approved:               <ul style="list-style-type: none"> <li>- The rules for the calculation and payment of periodic (<i>ex ante</i>) and special (<i>ex post</i>) insurance premiums and the calculation and payment of the first (advance) insurance premiums, as well as the rules for the calculation and payment of interest on the delayed deposit insurance premiums for investors;</li> <li>- The rules on the calculation and payment of deposit insurance claims, advance deposit insurance claims and insurance claims on liability to investors;</li> <li>- The rules on the information communication on deposit insurance at customer service offices, on websites and in account statements;</li> <li>- The rules on the selection of payment services providers with regards to insurance claims.</li> </ul> </li> </ul>
<b>April</b>	<ul style="list-style-type: none"> <li>- By Order No 1K-128 of 20 April 2020 of the Minister of Finance "On Amendments to Order No 1K-164 of 2 June 2020 of the Minister of Finance "On Appointment of the Members of the Council and Approval of the Composition of the State Company's Indėlių ir investicijų draudimas Council", the Minister of Finance has appointed a new member of the Council of IID, Mr. Jokūbas Markevičius, the Director of the Financial Stability Department at the Bank of Lithuania.</li> <li>- On 9 April 2021, a complaint was lodged with the European Commission through the Bar Association regarding the actions of the administrator of the Swedish Deposit Guarantee Scheme (DGS) in relation to the transfer of Nordea Bank's deposits to the Lithuanian Deposit Guarantee Scheme in 2017, and the possible incorrect transposition of the provisions of Article 14(3) of the Directive 2014/49/EU into the national law of Sweden (the Nordea Case).</li> </ul>
<b>May</b>	<ul style="list-style-type: none"> <li>- Order No 1K-165 of 7 May 2021 of the Minister of Finance of the Republic of Lithuania approves the following: the financial statements of IID and the managed</li> </ul>

	<p>Funds for the year 2020, the allocation of IID's profits for the year 2020, and the Activity Report of IID for 2020.</p> <ul style="list-style-type: none"> <li>- On 26 May 2021, the specialised bank SME Digital Financing UAB became a member of the Deposit Guarantee Scheme. On 31 May, SME Digital Financing UAB changed its name to SME Bank UAB.</li> </ul>
June	<ul style="list-style-type: none"> <li>- By Order No. 1K-226 of 29 June 2021 of the Minister of Finance of the Republic of Lithuania "On Fixing the Annual Rate of Periodic (<i>ex ante</i>) Deposit Insurance Premiums", it was decided that the annual rate of periodic (<i>ex ante</i>) deposit insurance premiums to be paid to the Deposit Insurance Fund by all participants in the Deposit Guarantee Scheme for the period from 1 July 2021 to 30 June 2022 shall be 0.1 percent of the amount of the core insured deposits of all the participants in the Deposit Guarantee Scheme.</li> </ul>
July	<ul style="list-style-type: none"> <li>- As of 1 July 2021, a new cycle of periodic (<i>ex ante</i>) Deposit Guarantee Scheme (DGS) premiums was introduced, whereby DGS participants are given their calculations to pay their premiums on a quarterly basis, instead of the previous practice of calculating premiums annually and paying them monthly.</li> </ul>
August	<ul style="list-style-type: none"> <li>- Risk assessment of IID and the managed Funds was performed in August – the Risk Management Plan for 2021-2022 was approved.</li> </ul>
September	<ul style="list-style-type: none"> <li>- On 20 September 2021, after a 5-year maturity, the insurance payments to the depositors of BCC CU Amber were completed.</li> <li>- An ISO 9001:2015 surveillance audit was carried out on 23 September 2021 by the certification body Bureau Veritas Lit UAB. The audit did not identify any deficiencies.</li> <li>- On 30 September 2021 BCC CU Taupkasė paid EUR 3.2 million to the Deposit Insurance Fund's account, thus covering 100% of its second-rank creditor claim.</li> </ul>
October	<ul style="list-style-type: none"> <li>- IID participated in the International Stress Test of the Deposit Guarantee Scheme in October 2021. The test simulated an insured event of a bank with a branch in Lithuania. Procedures were carried out to simulate the payment of insurance claims in Lithuania.</li> </ul>
November	<ul style="list-style-type: none"> <li>- On 16 November 2021, a survey of financial market participants (insurance schemes) was carried out in order to assess the quality of IID's work. The overall result assessing the performance of IID is 9.28 out of 10.</li> <li>- The Ministry of Economy and Innovation has prepared a plan of measures for the transformation and centralisation of the management of State Enterprises, which was approved by the Government Meeting on 10 November 2021. The objective of the restructuring of State Enterprises is to promote efficiency and transparency in therein. Given this, it is proposed to transform the State Enterprise Indėlių ir investicijų draudimas into a public institution.</li> </ul>
December	<ul style="list-style-type: none"> <li>- On 23 December 2021, the brokerage firm Revolut Securities UAB became a participant in the Insurance of Liabilities to Investors Scheme.</li> <li>- On 21 December 2021, the Order No. V-144 of the Director of IID approved a new schedule of the procedures for monitoring the performance of participants in the Deposit Guarantee Scheme and participants in the Insurance of Liabilities to Investors Scheme.</li> </ul>

## 4.2. Key financial indicators of IID

IID manages 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 managed by IID which acts on their behalf. IID and the Funds' accounting is handled separately. IID keeps its accounts and prepares its set of financial statements in accordance with the legal acts governing accounting and financial reporting and the Business Accounting Standards (Article 45(1) of the Law). IID handles the accounting of each Fund individually, preparing separate financial statements in accordance with the Law on Public Sector Accountability of the Republic of Lithuania (Article 45(2) of the Law).



### *IID revenue and expenses*

The structure of IID's revenue and expenses is established in the Law (Article 44)

The main revenue 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 Funds 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 performance in 2021 and their comparison with the corresponding period of the previous year are presented in Table 4.

Table 4. IID financial indicators (EUR thousand)

	2019	2020	2021
<b>IID key indicators</b>			
<b>1. Revenue, including:</b>	<b>795.1</b>	<b>802.5</b>	<b>789.5</b>
1.1. remuneration for the administration of Funds, total:	737.1	739.0	729.8
1.1.1. remuneration for the Deposit Insurance Fund administration	734.9	737.0	727.2
1.1.2. remuneration for the Insurance of Liabilities to Investors Fund administration	1.2	1.0	1.6
1.1.3. contributions for the Resolution Fund administration	1.0	1.0	1.0
1.2. revenue from financial and investment activities	58.0	63.5	59.7
1.3. other operating revenue	-	-	-
<b>2. Expenses, including:</b>	<b>740.1</b>	<b>742.7</b>	<b>734.2</b>
2.1. Administration costs of the Deposit Insurance Fund, the Insurance of Liabilities to Investors Fund, and the Resolution Fund:	737.1	739.0	729.8
2.1.1. Staff costs of IID	584.4	572.3	610.2
2.1.2. administrative costs and asset use and maintenance costs	120.5	144.0	100.7
2.1.3. asset depreciation and amortisation costs	23.2	18.2	14.4
2.1.4. tax expenses	4.5	4.5	4.5
2.2. Expenses from financing and investment activities	3.0	3.7	4.4
<b>3. Net profit (loss)</b>	<b>55.0</b>	<b>59.8</b>	<b>55.3</b>
<b>4. EBITDA</b>	<b>78.2</b>	<b>78.0</b>	<b>70.0</b>
<b>5. ROE</b>	<b>0.3</b>	<b>0.4</b>	<b>0.3</b>

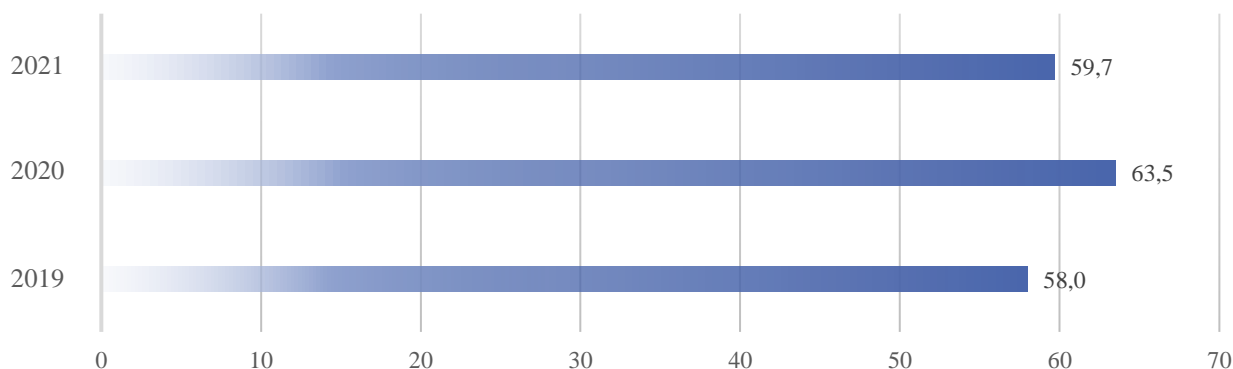
During the reporting period, the income of IID from fund administration was EUR 729.8 thousand and income from investment activities was EUR 59.7 thousand. *IID's income from fund administration is equal to the expenses of fund administration.*

Table 5. IID income from financial and investment activities (EUR thousand).

	2019	2020	2021
<b>Income from investment</b>	<b>58.0</b>	<b>63.5</b>	<b>59.7</b>
Investment income from government securities	54.4	59.9	59.7
Bank interest on funds in accounts	3.6	3.6	-

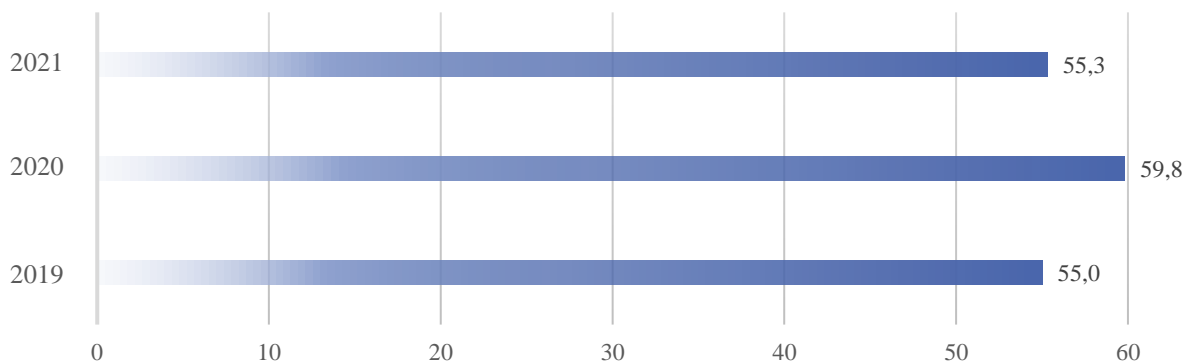
IID's investment income for the reporting period was EUR 59.7 thousand (Table 5). The decrease in investment income is due to the fact that in 2021 IID did not invest any funds in fixed-term deposits, as banks no longer provide fixed-term deposit services, which were subject to interest payments in 2019-2020. The investment results were also affected by an increase in the safekeeping fees for government securities. (Figure 2).

Figure 2. Financial and investment income of IID in 2019-2021 and its changes (EUR thousand).



Despite the situation in financial markets, where yields on low-risk financial instruments were close to zero or negative in 2021, IID generated income from the investment of equity funds, which enabled IID to secure a profit (Figure 3). The net profit of the company in 2021 was EUR 55.3 thousand and was 7.5% lower compared to 2020.

Figure 3. Changes in IID profit in 2019–2021 (EUR thousand).



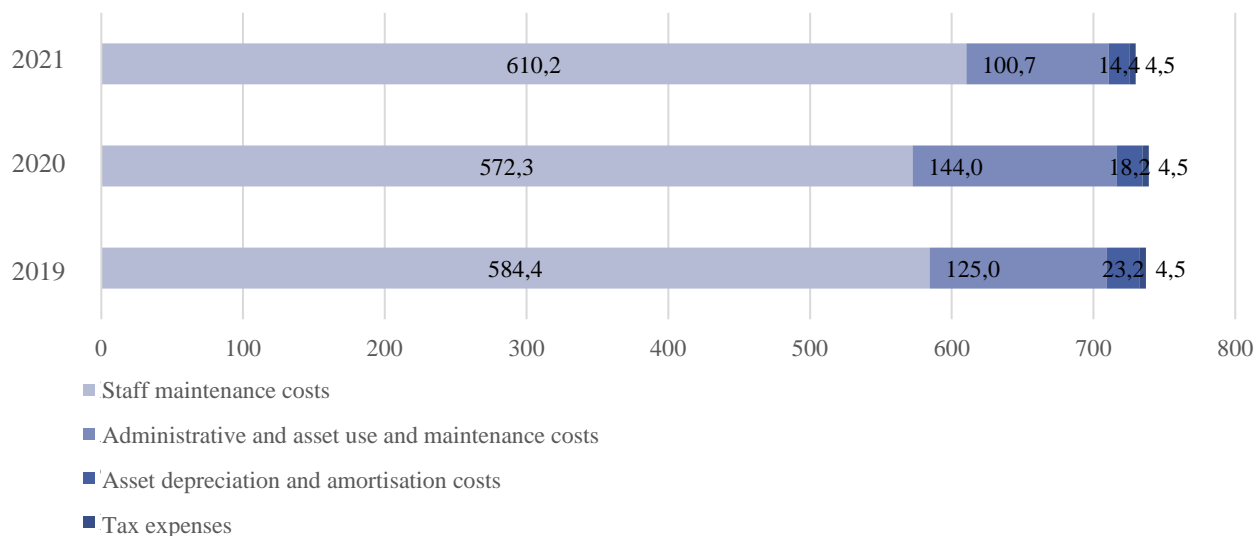
IID's equity funds are invested in low-risk assets, i.e. in Lithuanian Government securities, and held in the accounts of highly rated banks (at least A3 (Moody's) or A(-) (Fitch Ratings and S&P) and the Bank of Lithuania in accordance with the schedule of the procedure for investing equity capital funds of the State Company Indėlių ir investicijų draudimas, approved by the Order No. 1K-257 of the Minister of Finance of the Republic of Lithuania of 23 June 2016 (the wording of the Order No. 1K-28 of 2 February 2021 of the Minister of Finance of the Republic of Lithuania effective at the end of the reporting period) (hereinafter - the Schedule).

During the reporting period, IID's costs for the administration of the Funds came to EUR 729.8 thousand, the majority of which were staff costs of EUR 610.2 thousand, administrative costs and asset use and maintenance costs of EUR 100.7 thousand, asset depreciation and amortisation costs of



EUR 14.4 thousand, and operating tax expenses of EUR 4.5 thousand. The change in expenses in the last 3 years is shown in Figure 4.

Figure 4. Distribution of IID expenses and their changes in the period of 2019-2021 (EUR thousand).



The estimates of IID's income and expenditure for the reporting period and the plan for the acquisition of assets approved by the Order No. 1K-67 of 4 March 2021 of the Minister of Finance of the Republic of Lithuania are presented in Annex 1 and Annex 2.



### *IID equity capital and assets*

On 31 December 2021, based on the audited data, the assets of IID came to EUR 16 181.5 thousand and the equity amount came to EUR 16 094.1 thousand, an increase of EUR 55.3 thousand since the beginning of the year. The increase in the equity of IID is due to the profit generated by IID from its investment activities.

The assets of IID and the managed Funds at the end of the reporting period and their changes compared to the same period of the previous year are presented in Table 6.

Table 6. Assets of IID and the managed Funds (EUR thousand).

	2019	2020	2021
<b>1.IID assets</b>	<b>16 045.5</b>	<b>16 120.7</b>	<b>16 181.5</b>
<b>2.Equity capital</b>	<b>15 979.0</b>	<b>16 038.8</b>	<b>16 094.1</b>
2.1. Owner's capital	8 995.4	8 995.4	8 995.4
2.2. Reserves	6 928.6	6 983.7	7 043.4
2.3. Profit (loss)	55.0	59.8	55.3*
<b>3.Assets of the managed funds</b>	<b>207 928.6</b>	<b>210 478.0</b>	<b>211 743.9</b>
3.1. Deposit Insurance Fund	205 166.1	207 648.6	208 847.5
3.2. Insurance Fund of Liabilities to Investors	2 755.5	2 823.4	2 889.4
3.3. Resolution Fund	5.0	6.0	7.0
<b>Assets of IID and the managed Funds</b>	<b>223 974.1</b>	<b>226 598.7</b>	<b>227 925.4</b>

\*Retained profit.

The majority of IID's assets (~99%) consisted of financial assets (investments in government securities) and cash. The carrying amount of the investment portfolio of government securities on 31 December 2021 was EUR 14 575.7 thousand. IID's investment portfolio of government securities consisted of Lithuanian government securities denominated in euros. The other portion of the assets

– funds in bank accounts – was EUR 1 545.6 thousand at the end of the reporting period. IID’s equity funds are invested in accordance with the Schedule.

### *IID’s liabilities*

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During the reporting period, IID had no outstanding debt liabilities.

### *Investment projects*

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



### *Audit of IID financial statements*

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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 financial statements of IID. The financial statements of the Funds managed by IID are audited by the National Audit Office of the Republic of Lithuania.

In accordance with the signed contract, the annual financial statements for 2021 of IID and of the Funds managed by IID shall be audited by UAB Provisus.



### *Taxes*

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Pursuant to 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 to the state budget for the use of state assets held in trust. The annual tax rate is 0.05% of the IID owner’s capital (Article 5(1) of the Law on the Use of State Assets Held in Trust of the Republic of Lithuania).

# ABOUT THE FUNDS MANAGED BY IID

## 5. OPERATIONS OF FUNDS MANAGED BY IID

### 5.1. Key indicators of the managed funds

Below are the key indicators of the managed 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).

Overall fund indicators	2019	2020	2021
<b>1. Total revenue (income)</b>	<b>49 184.1</b>	<b>26 017.5</b>	<b>21 149.2</b>
1.1. Insurance premiums	11 283.1	12 704.9	15 372.3
1.2. Proceeds from bankrupt credit institutions	37 779.0	13 220.2	5 613.9
1.3. Other income (insurance claims not collected in 5 years)	43.2	-	120.0
1.4. Investment income	78.8	92.4	26.1
1.5. Insurance claims recovered	-	-	16.9
<b>2. Total expenses</b>	<b>3 518.5</b>	<b>1 385.1</b>	<b>814.6</b>
2.1. Insurance claims	474.3	625.6	54.1
2.2. Fund administration costs	736.1	738.0	728.8
2.3. Transfers of insurance premiums to other DGS	2 298.4	-	-
2.4. Expenses from investment activities	9.7	21.5	31.7
<b>3. Other indicators</b>			
3.1. Loans (end of year)	-	-	-
<b>4. Financial resources accumulated in the funds managed by IID</b>			
4.1. Financial resources (end of year)	110 608.9	135 289.0	155 477.4
<b>Deposit Insurance Fund</b>			
<b>5. Total income</b>	<b>49 117.4</b>	<b>25 950.5</b>	<b>21 079.4</b>
5.1. Insurance premiums	11 224.8	12 646.6	15 311.2
5.2. Proceeds from bankrupt credit institutions	37 779.0	13 220.2	5 613.9
5.3. Other income (insurance claims not collected in 5 years)	43.2	-	120.0
5.4. Investment income	70.4	83.7	17.4
5.5. Insurance claims recovered	-	-	16.9
<b>6. Total expenses</b>	<b>3 516.9</b>	<b>1 383.2</b>	<b>812.4</b>
6.1. Insurance claims	474.3	625.6	54.1
6.2. Fund administration costs	734.9	737.0	727.2
6.3. Transfers of insurance premiums to other DGS	2 298.4	-	-
6.4. Expenses from investment activities	9.3	20.6	31.1
<b>7. Other indicators</b>			
7.1. Loans (end of year)	-	-	-
<b>8. Accumulated resources</b>			
8.1. Financial resources (end of year)	107 846.4	132 459.6	152 581.0
<b>Insurance Fund of Liabilities to Investors (IIDF)</b>			
<b>9. Total income</b>	<b>65.7</b>	<b>67.0</b>	<b>68.8</b>
9.1. Insurance premiums	57.3	58.3	60.1
9.2. Investment income	8.4	8.7	8.7
<b>10. Total expenses</b>	<b>1.6</b>	<b>1.5</b>	<b>2.2</b>
10.1. Claims	-	-	-
10.2. Fund administrations costs	1.2	1.0	1.6
10.3. Expenses from investment activities	0.4	0.5	0.6
<b>11. Other indicators</b>			
11.1 Loans	-	-	-
<b>12. IIDF accumulated resources</b>			
12.1. Financial resources (end of year)	2 757.5	2 823.4	2 889.4
<b>Resolution Fund</b>			
<b>13. Total income</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>
13.1. Insurance premiums	1.0	1.0	1.0
<b>14. Total expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1. Financial resources (end of year)	5.0	6.0	7.0



## *Deposit Insurance Fund (Indėlių draudimo fondas, IDF)*

**Deposit Insurance Fund** is a fund that accumulates funds for the payment of deposit insurance claims pursuant to the Law and for the financing of measures for the resolution of financial sector entities pursuant to the Law on Financial Sustainability of the Republic of Lithuania.

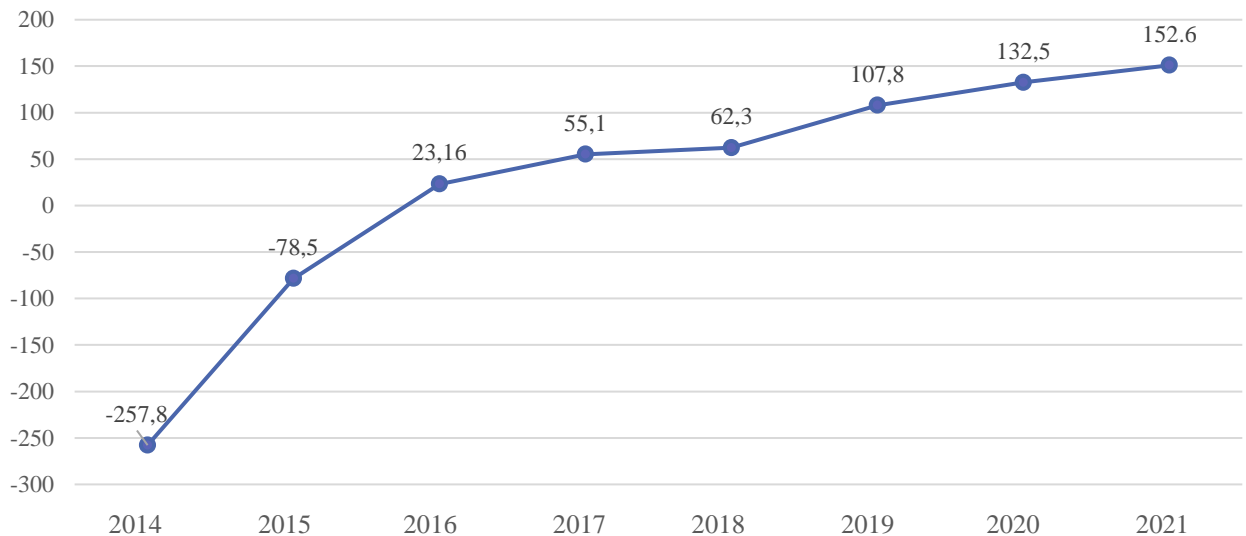
During the reporting period, the IDF's main income consisted of insurance premiums paid by participants of EUR 15 311.2 thousand; funds received from credit institutions in bankruptcy of EUR 5 613.9 thousand; income from investment activities, including negative interest charged by banks on bank balances, of EUR 17 400.4 thousand (Table 7).

During the reporting period, the IDF's main expenses consisted of deposit insurance payments to depositors of bankrupt credit institutions of EUR 54.1 thousand (including procedural interest on court judgments), IDF administration costs of EUR 727.2 thousand and investment activity costs of EUR 31.1 thousand (Table 7).

As at 31 December 2021, the assets of the Deposit Insurance Fund were EUR 208 847.5 thousand, of which EUR 38 239.9 thousand consisted of cash held in bank accounts, EUR 114 341.0 thousand in investments in government securities, and other assets of the Fund, including an estimated credit receivable of EUR 55 736.0 thousand. The assets of the Deposit Insurance Fund increased by 0.6% compared to the same period in 2020.

The Deposit Insurance Fund's financial resources (cash and government securities), including liabilities, were EUR 150 882.1 thousand on 31 December 2021 (EUR 152 581.0 thousand in financial resources and EUR 1 698.9 in IDF liabilities, namely insurance claims payable). The trends in the financial resources of the Deposit Insurance Fund are presented in Figure 5.

*Figure 5. Trends in the financial resources of the Deposit Insurance Fund in 2014-2021 (EUR million)*



## *Insurance Fund of Liabilities to Investors (Įsipareigojimų investuotojams draudimo fondas, IĮDF)*

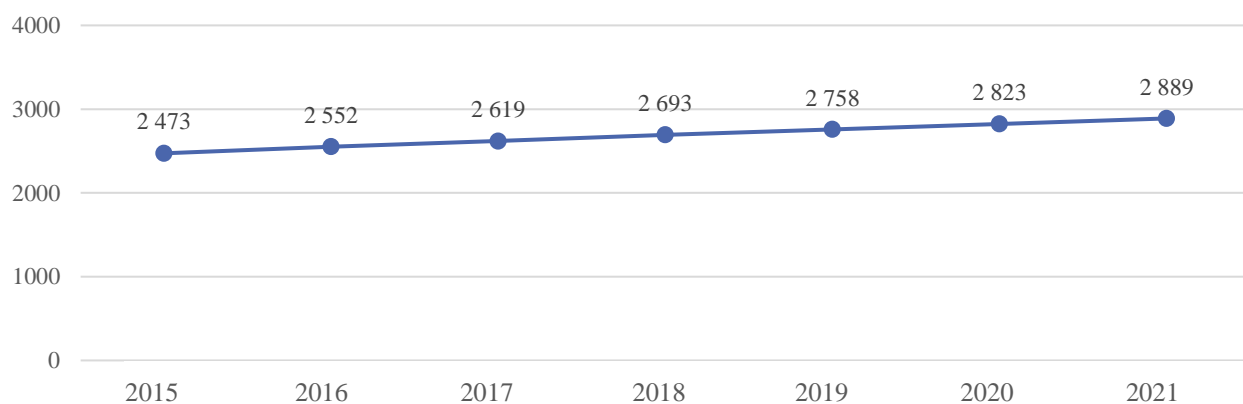
**The Insurance Fund of Liabilities to Investors** is a fund that accumulates funds for the purpose of paying out claims in accordance with the Law.

During the reporting period, the main income of the IĮDF consisted of insurance premiums paid by participants of EUR 60.1 thousand and income from financial investment activities of EUR 8.7 thousand.

During the reporting period, the main expenses of the IĮDF were administration costs of the IĮDF of EUR 1.6 thousand and investment activity costs of EUR 0.6 thousand.

As at 31 December 2021, the assets of the IIDF came to EUR 2 889.4 thousand, of which EUR 873.6 thousand were cash in bank accounts and EUR 2 015.9 thousand were investments in government securities. The assets of the IIDF increased by 2.3% compared to the corresponding period in 2020 (Figure 6).

Figure 6. Trends in the financial resources of the Insurance Fund of Liabilities to Investors in 2014-2021 (EUR thousand)



### Resolution Fund (*Pertvarkymo fondas, PF*)

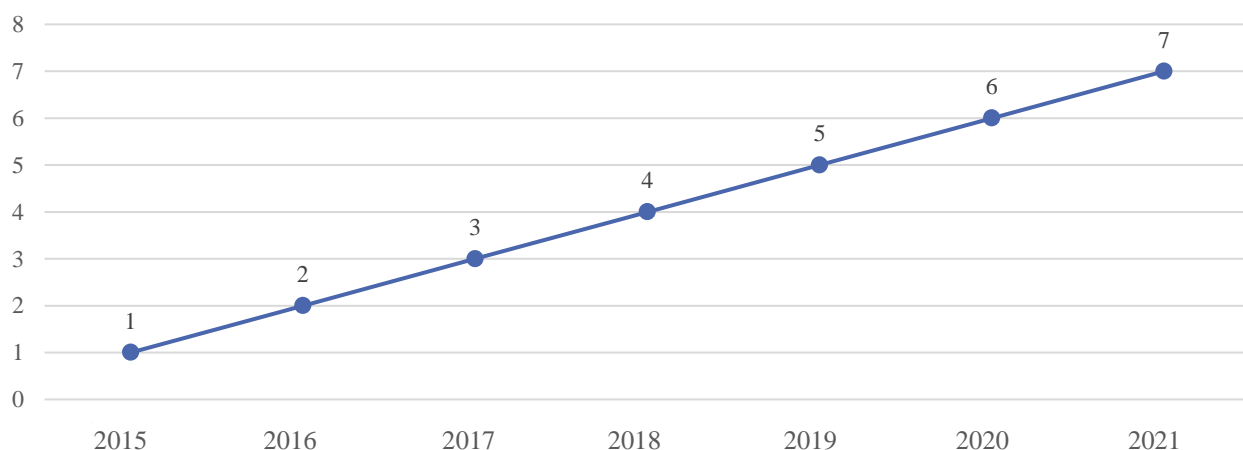
**Resolution Fund** is a fund that accumulates funds to be used for the resolution of problematic Resolution Fund participants, i.e., to cover the costs incurred for the purposes referred to in Article 103 of the Law on Financial Sustainability of the Republic of Lithuania. The resolution authority (the Bank of Lithuania) shall decide on the application of the Resolution Fund.

During the reporting period, the income of the Resolution Fund consisted of an annual periodic (*ex ante*) contribution of EUR 1.0 thousand paid by the participant.

The Resolution Fund did not incur any expenses during the reporting period.

As at 31 December 2021, the assets of the Resolution Fund came to EUR 7.0 thousand (Figure 7). All of the Fund's assets consisted of cash in a bank account.

Figure 7. Trends in the size of the Resolution Fund in 2015–2021 (EUR thousand)



## 5.2. Participants, participant groups and insurance contributions in managed funds



### *Participants, insurance premiums, and core insured deposits in the Deposit Guarantee Scheme*

As at 31 December 2021, 73 credit institutions were participating in the deposit insurance scheme, including 11 banks (including 5 specialised banks) and 62 credit unions (Table 8). Compared to the end of 2020, the number of policy holders has increased by 1 participant. The change is due to the fact that the specialised bank SME Bank UAB became a participant of the Deposit Guarantee Scheme on 26 May 2021. It is further noted that on 13 December 2021, the specialised bank UAB Revolut Bank was granted a banking licence by the European Central Bank.

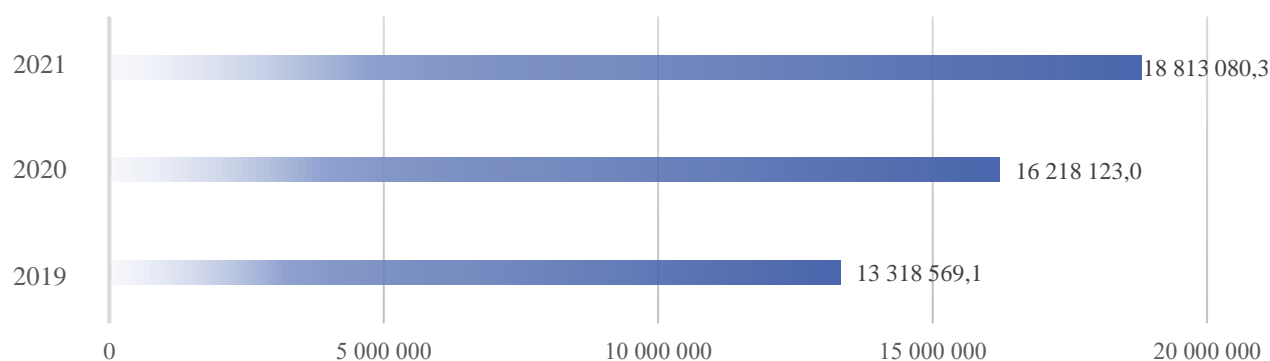
*Table 8. Number of Deposit Guarantee Scheme participants*

Deposit Guarantee Scheme participants	2019	2020	2021
Total number of banks	8	10	11
Credit unions	65	62	62
<b>Total</b>	<b>73</b>	<b>72</b>	<b>73</b>

Economists' predictions that, after record deposit growth in 2020, consumption would pick up after the end of the first lockdown and deposit balances in credit institutions would decline significantly in 2021 did not materialise, as deposits continued to grow rapidly. The core insured deposits, i.e., deposits up to EUR 100,000 which are covered by deposit insurance, also grew at a rapid pace. At the end of 2020, core insured deposits of credit institutions participating in the Lithuanian Deposit Guarantee Scheme grew by 21.7% over the year. By 31 December 2021, deposits had grown by 16% over 2021. The highest growth in core insured deposits was recorded in December at 4.6%.

As at 31 December 2021, credit institutions participating in the Lithuanian Deposit Guarantee Scheme had accumulated EUR 18 813 080.3 thousand of core insured deposits, i.e., deposits that are subject to deposit insurance and do not exceed EUR 100 thousand (Figure 8).

*Figure 8. Core insured deposits at credit institutions at the end of the period (EUR thousand).*



Considering the amount of core insured deposits and the financial resources accumulated by the Deposit Insurance Fund, information on reaching the target level of the Deposit Insurance Fund is given below (Table 9). The minimum target level of financial resources of the Deposit Insurance Fund set by the Directive 2014/49/EU and the Law (the “Target Level”), i.e. financial resources in the amount of at least 0.8 per cent of the core insured deposits of all participants in the Deposit Guarantee Scheme, adjusted for the Deposit Insurance Fund’s debt liabilities, which must be accumulated in the Deposit Insurance Fund by 3 July 2024, was met as of 31 December 2019.

It should be noted that the target level has been maintained in the year 2021 (Table 9).

Table 9. IDF financial resources and target level achieved (EUR thousand).

	2019	2020	2021
a) IDF financial resources adjusted for liabilities	107 846.4	130 705.7	150 882.1
b) Core insured deposits held with credit institutions at the end of the period	13 318 569.1	16 218 123.0	18 813 080.3
<b>Target level achieved (%) (Ratio of rows (a) and (b))</b>	<b>0.81</b>	<b>0.81</b>	<b>0.80</b>

As of 31 December 2021, the target level of the Deposit Insurance Fund's financial resources was 0.80%, i.e., the provision of Directive 2014/49/EU and the Law providing for the objective of IDF reaching the minimum target level by 3 July 2024 has been met.

Considering the distribution of the main insured deposits in credit institutions, it can be noted that the majority of deposits are held by legal and natural persons in banks, i.e., as at 31 December 2021, 95.3% of the total amount of the core insured deposits were held in banks operating in Lithuania, including specialised banks (Table 10).

Table 10. Distribution of core insured deposits held with credit institutions (EUR thousand)

Distribution of deposits up to EUR 100,000 across credit institutions	2019		2020		2021	
	%	amount	%	amount	%	amount
Banks	94.9 %	12 643 971.8	95.1 %	15 419 865.4	95.3 %	17 922 194.3
Credit unions	5.1 %	674 597.3	4.9 %	798 257.6	4.7 %	890 885.9
<b>Total</b>	<b>100.0 %</b>	<b>13 318 569.1</b>	<b>100.0 %</b>	<b>16 218 123.0</b>	<b>100.0%</b>	<b>18 813 080.3</b>

During the reporting period, insurance premiums paid by banks and specialised banks represented EUR 14 425.5 thousand or 94.2% of total insurance premiums paid by credit institutions, while insurance premiums paid by credit unions represented EUR 885.7 thousand or 5.8% of total insurance premiums paid by credit institutions. The increase in the amount of insurance premiums compared to the same period of the previous year was due to the growth of core insured deposits in credit institutions. The increase in the collection of premiums was also influenced by the amendments to the Law on Insurance of Deposits and Liabilities to Investors of the Republic of Lithuania, which entered into force as of 1 January 2021. This changed the procedure for fixing (ex ante) deposit insurance premiums as of 30 June 2021. The (ex ante) insurance premiums are calculated quarterly. The distribution of insurance premiums across the credit institution sectors is presented in Table 11.

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

Deposit Insurance Fund premiums	2019		2020		2021	
	%	amount	%	amount	%	amount
Banks	94.5 %	10 606.6	94.3 %	11 918.1	94.2 %	14 425.5
Credit unions	5.5 %	618.3	5.7 %	728.5	5.8 %	885.7
<b>Total</b>	<b>100.0 %</b>	<b>11 224.9</b>	<b>100.0 %</b>	<b>12 646.6</b>	<b>100.0 %</b>	<b>15 311.2</b>



## *Participants and insurance premiums of the Insurance Fund of Liabilities to Investors*

As at 31 December 2021, 24 participants, including 4 banks, the Central Credit Union of Lithuania, 9 financial brokerage firms and 10 management companies, insured their liabilities to investors.

Participants in the Insurance Fund of Liabilities to Investors pay premiums annually in January. The amount of insurance premiums paid by the participants of the Insurance Fund of Liabilities to Investors for the year 2021 came to EUR 60.1 thousand, an increase of EUR 1.8 thousand, or 3.1%, compared to the year 2020. The increase in the collected insurance premiums is due to the fact that the brokerage firm Revolut Securities UAB, paid its first insurance premium for the period 2021 into the Insurance Fund of Liabilities to Investors and became a participant in the Insurance Scheme of Liabilities to Investors on 23 December 2021.

In 2021, brokerage firms paid the largest share of insurance premiums, or 47.1% of the total insurance premiums, into the Insurance Fund of Liabilities to Investors.

The breakdown of insurance premiums paid by all financial institutions is given in Table 12.

*Table 12. Insurance premiums paid by participants in the Insurance Fund of Liabilities to Investors to the Fund in 2019-2021 (EUR thousand).*

Insurance premiums to Insurance Fund of Liabilities to Investors	2019		2020		2021	
	%	amount	%	amount	%	amount
Banks	35.4 %	20.3	34.8 %	20.2	33.7 %	20.2
Lithuanian Central Credit Union	5.1 %	2.9	5.0 %	2.9	4.8 %	2.9
Financial brokerage firms	44.9 %	25.7	45.4 %	26.5	47.1 %	28.3
Financial management companies	14.6 %	8.4	14.9 %	8.7	14.4 %	8.7
<b>Total</b>	<b>100.0 %</b>	<b>57.3</b>	<b>100.0 %</b>	<b>58.3</b>	<b>100.0 %</b>	<b>60.1</b>



## *Resolution Fund participants and insurance premiums*

During the reporting period, 1 brokerage firm participated in the Resolution Fund. The annual insurance premiums for the participants of the Resolution Fund are set and calculated by the Bank of Lithuania. The participant in the Resolution Fund paid the annual recurring (ex ante) premium of EUR 1.0 thousand for 2021 in May.



### 5.3. Insured events, insurance claims and insolvency proceedings



#### *Insured events and claims of the Deposit Insurance Fund*

At the end of the reporting period, through claims paying agents, IID paid claims to depositors of 7 bankrupt credit unions. By 31 December 2021, the depositors of these bankrupt credit unions had not collected their insurance claims in the amount of EUR 528.6 thousand, which represents around 0.6% of the amount of the insurance claims accrued to the depositors. On 24 September 2021, after a 5-year maturity, the insurance payments to the depositors of BCU Amber for the insured event were completed. Depositors of the above credit union have not withdrawn EUR 120 000 in insurance claims, which represents 0.6 % of the total amount of insurance claims calculated. The unclaimed insurance payments were returned to the Deposit Insurance Fund (Table 13).

*Table 13. Claimed/unclaimed insurance payments to depositors on 31 December 2021 (EUR thousand)*

Bankrupt Credit Union	Bank (payment agent)	Insurance claims transferred to banks	Insurance payments claimed by depositors	Insurance payments claimed by depositors, %	Insurance payments unclaimed by depositors	Deadline for paying insurance claims
Žemaitijos išdas	UAB Medicinos bankas	1 634.6	1 632.9	99.9 %	1.7	07.03.2022
Pajūrio kredito unija	UAB Medicinos bankas	2 147.9	2 130.1	99.2 %	17.8	17.03.2022
Baltija	AB Šiaulių bankas	11 529.6	11 494.0	99.6 %	35.6	25.09.2022
Namų kredito unija	AB Šiaulių bankas	1 381.3	1 368.0	99.0 %	13.3	25.09.2022
Vilniaus kreditas	AS Citadele banka Lithuanian Branch	20 359.0	20 174.7	99.1 %	184.2	10.11.2022
Centro taupomoji kasa	UAB Medicinos bankas	10 555.0	10 304.1	97.6 %	250.9	16.01.2023
Taupkasė	AS Citadele banka Lithuanian Branch	18 683.9	18 658.6	99.9 %	25.2	13.02.2023
<b>Total</b>		<b>66 291.1</b>	<b>65 762.5</b>	<b>99.2 %</b>	<b>528.6</b>	

During the reporting period, the Deposit Insurance Fund paid out EUR 54.1 thousand directly through IID to the holders of BC SNORAS bank's shares, bonds and deposits (including procedural interest in performing court judgments). Insurance claims paid through IID from the Deposit Insurance Fund are given in Table 14.

IID continues to pay insurance claims from the Deposit Insurance Fund to the holders of BC SNORAS bank's inactive shares and bonds. On 29 August 2018, IID paid insurance claims to all holders of inactive shares and bonds of BC SNORAS Bank, regardless of whether the holders filed lawsuits in court or not in accordance with the ruling of the Court of Justice of the European Union, the case-law formulated by the Supreme Court of Lithuania 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. Altogether, it is expected that a total of EUR ~9.1 million will be paid to the holders of the outstanding shares and bonds. By the end of 2021, EUR 7,557.2 thousand, or ~83% of the estimated amount, has been paid out.

At the end of the reporting period, approximately EUR 1 698.9 thousand of insurance claims for the shares and bonds were not yet settled.

*Table 14. Deposit insurance claims paid from the Deposit Insurance Fund (EUR thousand)*

	2019	2020	2021
Insurance claims paid through IID from the Deposit Insurance Fund	474.3	625.6	54.1



## Administered insolvency proceedings of credit institutions

At the end of the reporting period, as the largest creditor representing the Deposit Insurance Fund, IID was involved in the insolvency proceedings of 15 credit institutions.

During the reporting period, IID participated in 63 meetings of creditor assemblies/committees of the insolvent credit institutions on issues related to the administration of the insolvency of the bankrupt credit institutions.

During the reporting period, the insolvent credit institutions paid EUR 5 613.9 thousand to IID for the settlement of second-rank creditors claims. The sale of the main asset classes of the bankrupt credit institutions led to a decrease in the amounts settled compared to previous periods. Information on the recoveries from each of the administered credit institutions and the percentage of IID's claims settled is presented in Table 15.

It should be noted that BCU Taupkasė has paid EUR 3 213,9 thousand into the account of the Deposit Insurance Fund, thus settling 100 % of the second-rank creditor claim.

Table 15. IDF funds received from insolvent credit institutions (EUR thousand) and settlement of creditor claims (%)

Bankrupt credit institution and date of the insured event	Paid by 31 12 2021 (second-rank creditors claim)	Received by 31 12 2021 (second-rank creditors claim)	Received in 2021 (second-rank creditors claim)	Settlement of second-rank creditors claims, %	Fourth-rank creditors claim	Settlement of fourth-rank creditors claims, %
Snoras 21.11.2011	1 191 009.1	847 971.0	-	71.2 %	1 445.9	0 %
Ūkio bankas 18.02.2013	269 252.9	53 958.2	1 000.0	20.0 %	587.8	0 %
Nacionalinė kredito unija 21.01.2013	34 838.1	19 610.9	-	56.3 %	-	0 %
Švyturio taupomoji kasa 24.01.2013	5 043.2	3 297.7	-	65.4 %	0.7	0 %
Laikinosios sostinės kreditas 09.05.2013	6 664.0	2 204.2	-	33.1 %	-	0 %
Naftininkų investicijos 30.04.2014	3 427.2	1 627.5	-	47.5 %	0.6	0 %
Vilniaus taupomoji kasa 17.01.2014	64 088.0	42 975.0	-	67.1 %	-	0 %
Amber 20.09.2016	19 966.7	15 200.0	100.0	76.1 %	50.5	0 %
Žemaitijos izėdas 07.03.2017	1 634.6	1 025.0	-	62.7 %	1.4	0 %
Pajūrio kredito unija 17.03.2017	2 147.9	1 034.3	-	48.2 %	2.7	0 %
Baltija 25.09.2017	11 529.5	5 057.7	400.0	43.9 %	8.7	0 %
Namų kredito unija 25.09.2017	1 381.3	730.0	-	52.8 %	0.7	0 %
Vilniaus kreditas 10.11.2017	20 358.9	13 900.0	400.0	68.3 %	18.8	0 %
Centro taupomoji kasa 16.01.2018	10 555.0	8 570.0	500.0	81.2 %	8.9	0 %
Taupkasė 13.02.2018	18 683.9	18 683.9	3 213.9	100.0 %	5.8	0 %
<b>Total</b>	<b>1 660 580.2</b>	<b>1 035 845.4</b>	<b>5 613.9</b>	<b>62.4 %</b>	<b>2 132.5</b>	<b>0 %</b>

*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 the funds managed by IID



### *Investment of resources of the Deposit Insurance Fund*

On 31 December 2021, the IDF's financial resources came to EUR 152 580.9 thousand. A portion of the IDF's resources was invested in the Lithuanian, Latvian and Estonian government securities. On 31 December 2021, the carrying amount of the IDF's portfolio of GS investments was EUR 114 341.0 thousand and the remaining portion of EUR 38 239.9 thousand was held in banks with a long-term investment grade rating of at least A3 (Moody's) or A(-) (Fitch Ratings and S&P), as well as in the Bank of Lithuania.

The investment of IDF funds is regulated by the Rules for the Investment of the Deposit Insurance Fund and the Insurance Fund of Liabilities to Investors approved by the IID Council's Resolution No. 02-5-2.1 of 4 April 2016 (wording of Minutes No. 02-1 of 6 January 2022) (hereinafter referred to as the "Rules"). It is noted that, given the challenging investment environment the Rules are regularly reviewed and, where necessary, updated in order to optimise the IDF's investment portfolio. It is also noted that amendments to the Law on Insurance of Deposits and Liabilities to Investors of the Republic of Lithuania entered into force on 1 January 2021, which, inter alia, provide for the possibility to keep the funds of the IID and the resources of the managed funds in the Bank of Lithuania. Accordingly, IID has opened an account with the Bank of Lithuania to which IDF transfers its funds as of Q2 2021. These were taxed at (-) 0.5% in 2021, i.e., in the same way as in banks that meet the criteria set out in the Rules. This ensures greater security of the Fund's resources, given the uniform taxation of funds.

The investment environment remained challenging in 2021, despite a slight upturn in government securities yields during the year, driven by rising inflation and signs of pandemic containment in Europe. With the European Central Bank's policy of asset purchases still active during the pandemic, yields of both developed European countries and the Republic of Lithuania fluctuated throughout the year, but yields of 10-year German government securities, traditionally considered an indicator of the investment environment, remained negative in 2021. The yields of the Republic of Lithuania maintained a minimal positive return for the 8–11-year maturity only, with yields of shorter-term government securities staying in the negative. In early 2022, yields started to rise in anticipation of an ECB rate hike, resulting in a positive yield of 0.008% on 10-year German government securities in January for the first time since May 2019. As German government securities yields are rising, Lithuanian government bond yields are following suit as well. Uncertainty in financial markets is likely to persist in the near future and the investment environment is likely to remain difficult to predict, partly reflecting economic developments, the ECB's actions and the continued containment of the pandemic.

Regardless of the difficult situation in the financial markets, in 2021 the IDF earned 30.3% more income from investing in government securities than in 2020. However, the negative interest rates applied by banks (including the Bank of Lithuania) on funds in bank accounts significantly reduced the investment income. The IDF's preliminary income from investment activities in the reporting period came to EUR 17.9 thousand or 4.7 times less than in the corresponding period of the previous year. The result of the investment activities benefited from the increase in the investment portfolio and the efficient management of the investments, while the negative impact was due to the increase in the investment portfolio, which led to a 50.9 % increase in investment costs (safekeeping fees of the securities) and to the negative interest rate of up to -0,5 % on the funds in bank accounts. The comparison of the annual financial investment performance of IDF funds with the corresponding period of the previous year is given in Table 16.

*Table 16. IDF income from financial investment activities (EUR thousand).*

	2019	2020	2021
<b>Investment income</b>	<b>70.4</b>	<b>83.7</b>	<b>17.4</b>
Investment income from securities	70.4	126.3	164.6
Bank interest on funds in bank accounts	-	-42.6	-147.2



## *Investment of resources of the Insurance Fund of Liabilities to Investors*

As of 31 December 2021, the investment portfolio of the IIDF was EUR 2 889.4 thousand. Part of the IIDF's funds were invested in Lithuanian government securities. On 31 December 2021, the carrying amount of the IIDF's government securities investment portfolio was EUR 2 015.9 thousand and cash in bank accounts with a long-term investment rating of at least A3 (Moody's) or A(-) (Fitch Ratings and S&P) was EUR 873.6 thousand.

The investment of IIDF's funds (analogous to the IDF) is regulated by the Rules. IID faces the same challenges when investing IIDF funds as it does with IDF funds.

In the reporting period, the IIDF's investment income was EUR 8.7 thousand. The income remained essentially unchanged compared to the same period last year. A comparison of the results of the financial investment activities of the IIDF in 2021 with the corresponding period of the previous year is presented in Table 17.

*Table 17. IIDF income from financial investment activities (EUR thousand).*

	2019	2020	2021
<b>Investment income</b>	<b>8.4</b>	<b>9.7</b>	<b>8.7</b>
Investment income from securities	7.8	8.7	8.7
Bank interest on funds in bank accounts	0.6	1.0	-



## *Investment of resources of the Resolution Fund*

The resources accumulated in the Resolution Fund (EUR 7 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 and other disputes



### *Representation of IDF interests in legal disputes*

As at 31 December 2021, IID was involved in 7 pending legal proceedings as a defendant or a third party, with claims representing EUR 6.98 million. As part of its functions, IID is involved in legal disputes related to claims against the Deposit Insurance Fund for payment of insurance claims for bonds and shares issued by BC SNORAS Bank and/or 5 % interest per annum on insurance claims for bonds and shares of BC SNORAS Bank which the claimants consider to have been paid out too late. Claims are also made for the award of compensatory interest, for recognising the share as a deposit and for renewing the 5-year deadline for claiming the insurance claim provided for by the Law.

The trends of legal proceedings involving IID in 2018-2021 is presented in Table 18.

Table 18. Trends of legal proceedings in 2019–2021

	2019	2020	2021
Number of legal proceedings	48	11	7
Amount of claims (EUR million)	7.9	7.1	7.0

On 31 December 2021, the majority of legal proceedings (97.7%), measured by the amount of the claim, were related to the bonds issued by BC SNORAS Bank that had become effective.

During the reporting period, the Supreme Court of Lithuania established case law and adopted five rulings relevant to IID's activities:

- On 10 February 2021, the Supreme Court of Lithuania issued a ruling in the civil case No. 3K-3-14-611/2021, in which the Court of Cassation reversed the decisions of the Court of First Instance and of the Court of Appeal, deciding to uphold the cassation applicant's claim for interest on the untimely payment of the insurance claim for the shares that did not come into effect, according to the cassation applicant. In adopting the above ruling, the Supreme Court followed the case-law established in 2020 per analogous cases.

- On 28 April 2021, the Supreme Court issued a ruling in civil case No e3K-3-86-684/2021, in which the Court of Cassation upheld IID's cassation appeal, annulled the ruling of the Court of Appeal declaring the person an investor, annulled the award of procedural interest and ruled that the costs of the proceedings be paid to IID.

- - On 28 October 2021, the Supreme Court of Lithuania issued a ruling in civil case No e3K-3-253-611/2021, in which the Court of Cassation examined the cassation appeal of IID (the defendant) and issued a ruling annulling the judgments of the Court of First Instance and the Court of Appeal and remanded the case back to the Court of First Instance for a new hearing. The Supreme Court noted that the courts, by misapplying the legal norms in the Law and by failing to follow the relevant interpretations of the Court of Cassation, had reached the unsubstantiated conclusion that the claimant had not missed the deadline in the Law for exercising their entitlement to the payment of the deposit insurance claim, thereby partially upholding the cassation appeal of IID.

The number of pending cases decreased by 36% (from 11 to 7) compared to the same period last year. At the end of the reporting period, the staff of IID were handling 100% of all court cases.



### *Dispute with the administrator of the Swedish Deposit Guarantee Scheme*

In 2021, IID lodged a complaint with the European Commission under the administrative procedure regarding the actions of the Swedish Deposit Guarantee Scheme Administrator ("the Swedish DGS") in the 2017 transfer of Nordea's deposits to the Lithuanian Deposit Guarantee Scheme and the possible incorrect transposition of Article 14(3) of Directive 2014/49/EU into Swedish national law ("the Nordea Case"). On 9 April 2021, IID's complaint regarding the *Nordea Case* was submitted to the European Commission.

On 6 September 2021, the European Commission issued a favourable reply to IID, which stipulates that the period for which contributions are collected should be the decisive factor in determining which contributions should be transferred, and not the actual dates on which contributions are paid<sup>1</sup>.

On 15 September 2021, the European Commission's formal reply to IID's complaint was received, essentially stating that it would not initiate infringement proceedings, noting that "the interpretation of Union law is a matter for the Court of Justice", but essentially upholding IID's position.

On 9 December 2021, on this basis, IID requested the Ministry of Finance of the Republic of Lithuania, as the authority exercising the rights and obligations of the owner of IID, to initiate proceedings against the Swedish DGS under Article 259 of the Treaty on the Functioning of the European Union.

## 5.7. Participant inspection operations



### *Inspection of Deposit Guarantee Scheme participants regarding premiums*

During the reporting period (until 20 March 2021), IID conducted inspections of the data on the insurance premiums of all participants in the Deposit Guarantee Scheme ("DGS participants"), a total of 72 inspections of these data that were submitted by the DGS participants.

The purpose of the insurance premium inspections was to assess the data declared by all DGS participants for the calculation of insurance premiums (the data declared on 31 December 2020 were assessed), to assess the correct payment of the periodic (*ex ante*) deposit insurance premiums in 2020, and to assess the compliance with the deadlines for submission of the data to IID in 2020.

Inspections of 72 DGS participants (5 banks, 5 specialised banks, 2 central credit unions and 60 credit unions) were conducted in order to revise the declared data on the amounts of core insured deposits and the number of core insured depositors as at 31 December 2020. Following the inspections and re-declaration of the DGS participants, the total amount of core insured deposits increased by EUR 4 271.7 thousand due to the number of entities whose deposits were not covered by deposit insurance.

2 DGS participants (the credit unions) were found to be non-compliant with insurance premium payment deadlines. 4 DGS participants (the credit unions) were found in minor non-compliance for late payment of the insurance premiums (1 calendar day).



### *DGS participant inspection regarding claims and insurance information communication*

During the reporting period, as part of the inspection plan, IID conducted 45 inspections of the insurance claims data and insurance information of the DGS participants (from 1 April 2021).

39 DGS participants inspected were found to be in compliance.

For 6 DGS participants (1 bank, 1 specialised bank and 4 credit unions), non-compliance was found in relation to their readiness to provide data for the calculation of deposit insurance claims (data for the calculation of deposit insurance claims did not comply with the established requirements) and to the communication about deposit insurance (non-compliance with the established requirements for the communication of information on deposit insurance). Recommendations were made to these DGS participants (1 bank, 1 specialised bank and 4 credit unions) to address the identified violations, with deadlines set for their implementation.

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<sup>1</sup> [https://www.europarl.europa.eu/meps/en/125214/BRONIS\\_ROPE/other-activities/written-questions-other#detailedcardmep](https://www.europarl.europa.eu/meps/en/125214/BRONIS_ROPE/other-activities/written-questions-other#detailedcardmep)

Table 19. Trends in DGS participant inspections in 2019-2021

	2019	2020	2021
Number of inspected participants (pcs)	124	118	117
Identified violations (number)	11	13	12
Percentage of participants with violations	9 %	11 %	10 %



### *Inspection of Liabilities to Investors Guarantee Scheme participants regarding premiums*

During the reporting period (until 20 March 2021), IID conducted inspections of the data on the insurance premiums of all participants in the Liabilities to Investors Guarantee Scheme (“LIGS participants”), a total of 23 inspections of these data that were submitted by the LIGS participants.

*The purpose of the insurance premium inspections* was to assess the data declared by all LIGS participants for the calculation of insurance premiums (the data declared on 31 December 2020 were assessed), to assess the correct payment of liabilities to investors insurance premiums for 2021, and to assess the compliance with the deadlines for submission of the data to IID.

Inspections of 21 LIGS participants (4 banks, 1 central credit union, 7 financial brokerage firms and 9 management companies) showed that all were in compliance.

2 LIGS participants (1 brokerage firm and 1 management company) were found to be non-compliant or minorly non-compliant regarding the deadlines for the payment of insurance premiums and the declaration of data.



### *Inspection of Liabilities to Investors Guarantee Scheme participants regarding claims and insurance information communication*

During the reporting period, as part of the inspection plan, IID conducted 21 inspections of the insurance claims data and insurance information of the LIGS participants (from 1 April 2021).

21 LIGS participants inspected were found to be in compliance.

### *Results of the software development for IID data inspection*



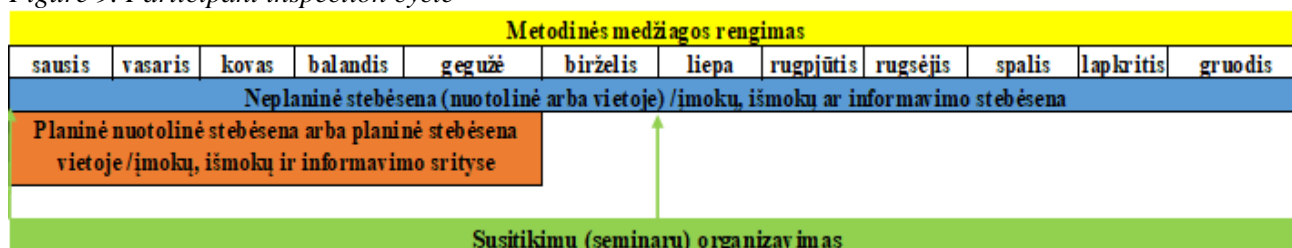
During the reporting period, new software was developed and tested to inspect that the data required for the calculation of deposit insurance and investor liability insurance claims are compiled in accordance with the requirements.

The software has been made available to the participants in the Schemes providing data for the calculation of deposit insurance and investor liability insurance claims. It will be used within IID to monitor the readiness of participants in the DGS and the LIGS to provide the data necessary for the calculation and payment of deposit insurance claims and/or investor liability insurance claims (“claims monitoring”);

The new software will only process the personal data of participants’ clients on the information systems (computers/servers) of the scheme participants for the purpose of monitoring claims. The aim is to maximise the protection of personal data by limiting the communication of the final report on the inspection results to IID without any personal data.

It should be noted that on 21 December 2021, a new Procedure Schedule for the Monitoring of DGS Participants and LIGS Participants was approved by Order No. V-144 of the Director of IID, which, as of 2022, establishes the cycle for the monitoring of the scheme participants (Figure 9) and new requirements for monitoring the scheme participants, including a change to the monitoring deadline, procedures for submitting the data, procedures for conducting the monitoring, etc.:

Figure 9. Participant inspection cycle



### Conferences (seminars)

In order to ensure the provision of correct and accurate information to depositors on deposit insurance, to minimise non-compliance by the DGS and the LIGS participants with the implementation of the provisions of the Law, and to introduce new scheme participants to the specifics of the provisions application of the Law, IID has organised and conducted 3 scheduled remote conferences (seminars) with the DGS and the LIGS participants (a total of 92 scheme participants) in the course of 2021. During the conferences (seminars), the participants were presented with an overview of the most frequent errors (clusters of errors) made during inspections, the updated Guidelines for Participants, the new Procedure Schedule and the process for monitoring the DGS and the LIGS participants, the results of the surveys, and answers to the questions from the participants. It should be noted that, on an ongoing basis, individual advice is also provided to scheme participants on the application of the provisions of the Law and on other issues related to deposit and investor liability insurance, as required.

## 5.8. Stress testing



### International testing of the Deposit Guarantee Scheme

Pursuant to the provisions of Directive 2014/49/EU and the EBA Guidelines on Stress Testing of Deposit Guarantee Schemes (the “Guidelines”), an international stress test of the Deposit Guarantee Scheme (the “DGS”) was carried out during the reporting period.

The stress testing of DGS is performed to enhance the readiness of all European deposit insurance/guarantee schemes to pay out deposit insurance claims and the readiness of DGS participants to provide timely and error-free data for the calculation and payment of deposit insurance claims.

Pursuant to Items 4 and 5 of the Schedule of the Procedures for the Stress Testing of the Deposit Guarantee Scheme approved by the IID Council’s Resolution No. 02-16 of 15 July 2021 (hereinafter referred to as the “Stress Testing Schedule”), a programme for the Second Phase of Stress Testing of the Deposit Guarantee Scheme for the period of 2020-2022 (the “Stress Testing Programme”) has been prepared and adopted by the IID Council.

In accordance with the Stress Testing Programme, the second phase of stress testing started on 1 September 2021 and was completed by 31 December 2021. The programme simulated a type of claims pay-out scenario and tested the international cooperation between the original DGS (Deposit Guarantee Scheme of another EU country) and the receiving DGS (Deposit Guarantee Scheme of Lithuania or “Lithuanian DGS”). The Testing Commission assessed the indicators defined in the Guidelines:

- a. *i16: Time taken to prepare and send payment order files to the authorities of the receiving Member State (the Lithuanian DGS), from the moment the participating bank sends the Single-Customer-View files to the Latvian DGS (quantitative indicator);*
- b. *i17: Assessment of the quality of the channels for sending payment order files;*



- c. i18: Confirmation by the Lithuanian DGS that the payment order files contain sufficient information to release funds to depositors;*
- d. i19: Ability to meet the deadlines specified in the Guidelines on Deposit Guarantee Schemes Cooperation Arrangements under Directive 2014/49/EU.*

The stress testing concludes that the Lithuanian DGS is able to meet the deadlines specified in the DGS Guidelines for cooperation agreements.

Having assessed the progress of the stress testing, the Testing Commission proposed to IID to revise the Stress Testing Schedule in accordance with the provisions of the 2021 Guidelines by 14 February 2022, and to further (clarify) the procedures for the planning, execution, reporting and corrective action phases of the stress testing process, the roles of the persons involved in these phases (Test Organisers, Test Executors, Test Participants, etc.), in the revised Stress Testing Schedule, to ensure that it clearly addresses the issues and facilitates the proper conduct of the stress testing.

# SOCIAL RESPONSIBILITY

Social responsibility activities are based on IID's values and define IID's approach to its operations by integrating social, environmental and transparency principles into IID's internal processes. IID has consistently taken the view that the way it delivers results is important. Therefore, based on the best practices of national and international organisations, IID strives to improve its operational practices, introduce modern human resource management and, to the extent possible, contribute to the development of technologies that are sustainable in terms of natural resources. In pursuing its strategic objectives in a socially responsible manner, IID is guided in its operations by the Government Resolution of the Republic of Lithuania No. 1160 of 11 September 2003 on the adoption and implementation of the National Sustainable Development Strategy, the Organisation for Economic Co-operation and Development (OECD) Guidelines, the principles of the United Nations Global Compact and the United Nations Sustainable Development Goals. IID has an approved Social Responsibility Policy.

IID's socially responsible practices are based on social partnership and environmental protection, which are connected by the idea of delivering public and national benefits. IID's relations with its employees are based on the principles of social responsibility, which are embedded in the principles of ethical and transparent practices. These principles guide IID's relations with other stakeholders. IID's core values are based on best management practices, respect for its employees, stakeholders and society, cohesive teamwork, efficiency, openness and continuous improvement.

IID's social responsibility is implemented through targeted and consistent actions in the following areas: (a) employee relations; (b) environmental protection; and (c) society, thus ensuring efficient and transparent operations.

## 6. SOCIAL AND ENVIRONMENTAL ASPECTS



### *Employee relations*

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 IID by Order No. 1K-88. IID has 21 approved positions.

The key objectives of IID are to ensure the strengthening of employee leadership and work culture and the improvement of processes and measures governing occupational health and safety.

As part of its efforts to develop an occupational safety culture, IID provides a safe and healthy working environment for its employees and continuously applies all preventive measures to preserve performance, health and life at work. These measures are used and planned at all stages of IID's operations to protect its employees from occupational risks and to reduce them.

In ensuring healthy and safe working conditions, special attention is paid to the prevention of illnesses among IID employees. Voluntary health insurance is provided to keep the employees healthy and safe.

A variety of tangible (such as bonuses, participation in conferences and seminars) and intangible motivational measures (such as additional leave, flexible working hours, etc.) are designed and granted to employees as a means of motivation and encouraging loyalty.

An actively developed and maintained HR management system also contributes to ensuring high-quality and efficient recruitment, selection and hiring processes, which help IID secure its human resources. The recruitment process in IID is based on an analysis of needs and positions (candidates are subject to the same requirements), with a strong focus on subject skills and personal characteristics. This ensures a more successful adaptation of the new employee and at the same time

creates the conditions for reducing (and maintaining) the turnover rate of IID staff and building the potential of the necessary skills.

IID has a strong commitment to employees and to providing employment and career opportunities for people of all ages and backgrounds. The existing competency development framework at IID is shaped by the current and future needs of IID and the individual needs of each staff member.

IID fosters a culture of trust and openness. Staff members are able to raise, analyse, evaluate and actively address any problems in their work through various meetings and discussions, and to seek solutions together with their colleagues. In addition, at least once a quarter, meetings are organised for all IID staff to discuss IID's performance and the implementation of ongoing and planned projects. IID encourages collaboration and fosters a culture of feedback by assessing staff knowledge, skills, innovative creativity and, most importantly, motivation in order to reduce staff turnover.

Each year, IID conducts a staff survey. The survey gives all employees the opportunity to anonymously rate their working environment, well-being, loyalty and other factors that contribute to their commitment to IID, and to identify areas for improvement. Based on the results collected and analysed, IID makes corrective decisions.

IID operates an adaptation programme for new hires. Annual staff interviews are held each year to assess the level of performance against the previous year's objectives and to plan the next year's work and targets. There are also mid-year interviews with staff to review progress on objectives and targets and discuss the next steps. Depending on the results of the annual interviews, IID considers further training, motivational measures and career opportunities for staff members.

During the reporting period, IID employees actively participated in continuous professional development training and seminars on personal data protection, human resources management, public procurement, leadership and project management skills and other competences.

The authorised salary fund for 2021 was EUR 683.6 thousand and the actual use of the salary budget was EUR 610.2 thousand. The data on salaries are presented in Table 20.

Table 20. Average salary data (EUR)

Salary	2020	2021
Director	5 658	5 667
Deputy Director	4 817	4 831
Head of Department	3 341	3 374
Chief Expert	2 206	2 267
Experts and other employees	1 625	1 762

IID respects human rights and upholds the principles of non-discrimination and equal opportunity in relation to human rights in its relations with its existing and prospective employees. IID strives to ensure that no human rights violations are identified. During 2021, IID has not been found to have acted in a discriminatory manner or otherwise violated any human rights.



### Other stakeholders

IID continuously evaluates and implements measures to increase public (depositors' and investors') access to its services, while at the same time striving to raise public awareness of deposit and liability to investors insurance, thereby providing additional information to the public on deposit and liability to investors insurance and IID's operations. In this way, IID aims to ensure and increase the public awareness of the Deposit Guarantee Scheme.

IID actively promotes information on social networks and other media freely accessible to the public, such as public transport. Each year, IID runs an educational video on public transport, which briefly introduces relevant information for depositors, expands its communication channels geographically in other major cities of Lithuania, cooperates with participants of the Deposit

Guarantee Scheme on communication at customer service offices and uses other channels to promote information.

The IID measures the opinion and knowledge of the public and of the participants in the guarantee schemes about deposit and liability to investors insurance and IID's operations by conducting regular public and guarantee scheme participant surveys.

In November 2021, IID conducted a survey of insurance scheme participants to assess the quality of IID's work. The survey was conducted in November 2021 and the results were presented to the participants during the meetings. Participants were asked to answer questions and rate four areas (processes):

- *the insurance premiums administration process, which the participants rated 9.3 (out of 10);*
- *the monitoring/inspection process, which was rated 9.12 (out of 10);*
- *the communication process, which was rated 9.29 (out of 10);*
- *the most recent experience of cooperating with IID, which was rated 9.43 (out of 10).*

The overall IID performance score is 9.28 (out of 10). IID will continue to conduct this type of survey every year and will improve the quality of its services according to the results of the survey and the recommendations made.

In order to assess the public's awareness of the Deposit Guarantee Scheme, public surveys will be conducted at least once a year from 2022.

IID provides the necessary information to insurance scheme participants in an efficient manner through channels that are convenient for the participants, thus reducing administrative burden and saving time, providing free advice or guidance, and organising training on deposit and liability to investors insurance.

IID regularly organises seminars and conferences free of charge and provides individual advice to the employees of credit institutions in an effort to ensure that depositors are correctly informed and to minimise credit institutions' errors in complying with the requirements of the Law.

IID has a public information communication policy and a public information plan is prepared on the basis of this policy every year. In this way, IID also creates a sense of security and confidence in the financial system.



## *Environmental protection*

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IID does not engage in any activities that could have a direct impact on the environment. Nevertheless, IID promotes and employs advanced measures in its activities that comply with ecological standards and help reduce negative environmental impacts. IID places a strong emphasis on waste recycling and promotes rational management and use of resources.

IID's operations aim to be environmentally friendly and to use natural resources sparingly, thereby promoting rational management and use of water, paper, fuel, energy and other resources. It should be noted that IID has switched to electronic documents and has completely eliminated the use of paper records. It also recycles waste responsibly and has designated waste recycling points.

IID has continuously pursued "green procurement" and/or incorporated "green" criteria in the procurement of goods through public procurement, along with resource-saving initiatives, in an effort to reduce its negative environmental impact and to promote the rational use of resources.

## 7. EFFICIENT AND TRANSPARENT OPERATIONS

IID builds and maintains open and constructive relationships with all stakeholders and is accountable to the authority exercising the rights and obligations of the owner - the Ministry of Finance of the Republic of Lithuania, the IID Council and the public for its operations.

In order to ensure transparency and efficiency of decision-making, IID has internal working groups and commissions which take decisions on certain issues related to IID's own operations and the operations of the funds managed by IID.

During the reporting period, IID Council held 26 meetings and discussed 96 issues.

IID is committed to ethical, transparent and honest engagement with stakeholders and works to facilitate access to services for stakeholders. New technologies enable credit institutions' customers to access services remotely, resulting in faster and more secure communication of information, better service quality and greater opportunities to raise the awareness of the Deposit Guarantee Scheme.

IID's accounting is performed in accordance with the requirements of the legislation regulating financial accounting in the Republic of Lithuania, the Law, and the accounting standards. The annual financial statements of IID and of the Funds it manages are audited annually.

IID discloses all required information to the stakeholders as specified in Chapter IV of the Guidelines for Transparency in the Operations of State Enterprises approved by the Resolution No. 1052 of 14 July 2010 of the Government of the Republic of Lithuania.



### *Prevention of corruption*

IID is committed to the established corruption prevention policy, which underpins IID's integrity and transparency in its operations. IID requires its employees to comply with all contractual obligations, applicable laws and regulations, in particular those related to fair competition, prevention of corruption, avoidance of conflict of interest, ethical behaviour of external suppliers of goods or services, and the principle of not offering or receiving any direct or indirect remuneration, services or financial benefits.

IID does not tolerate any form of corruption and is principled in its efforts to prevent it both internally and externally, to apply corruption prevention measures and to prevent instances where corruption prevention measures are not effective.

IID's prevention of corruption is guided by:

1. the Law on Prevention of Corruption of the Republic of Lithuania;
2. Law on the Protection of Whistle-blowers of the Republic of Lithuania;
3. Description of the Corruption Prevention Procedure, approved by Order No. 1K-261 of 20 September 2007 of the Minister of Finance of the Republic of Lithuania "On the Prevention of Corruption in the Areas of Governance Assigned 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 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;

Managing information on non-compliance;

IID employee training.

It should be noted that an internal audit of the Corruption Prevention Management Process was carried out in February 2021, which included an assessment of the existing corruption prevention measures and recommendations (improvement measures) to improve IID's corruption prevention policy.

In addition, following the change in the declaration of private interests, IID employees have been instructed to declare their private interests on the PINREG system and all IID employees have re-declared their private interests.

During the reporting period, the Working Group established by the Order of the Director of IID analysed and evaluated the operational area defined in Item 11 of the Order No. 1K-211 of 8 June 2021 of the Minister of Finance (*participant activity monitoring in the Deposit Guarantee Scheme and the Liabilities to Investors Guarantee Scheme for the compliance with the requirements of the Law of the Republic of Lithuania on Deposit Insurance and Insurance of Liabilities to Investors and the executive legislation*), which is exposed to a high probability of corruption.

Based on the analysis and evaluation of the probability of corruption, during the reporting period IID implemented the following measures for the implementation of the corruption prevention programme for 2021, approved by the Order of the Director of IID: preparation and approval of the Procedure Schedule for monitoring the activities of participants in the Deposit Guarantee Scheme and the Liabilities to Investors Guarantee Scheme.

In 2021, IID employees participated in 8 corruption prevention events and training sessions.



### *Personal data protection*

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IID's protection of personal data is governed by:

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

IID has a designated Data Protection Officer who continuously monitors how IID employees handle the personal data of IID clients. IID continuously reviews and improves its organisational and technical safeguards for the protection of personal data and provides training to its employees on personal data protection.

Furthermore, IID maintains extremely high standards of personal data protection and invests additionally each year in improving the security of its information systems in this regard. Increasingly, the services provided by IID are being transferred to cyberspace and the publicly communicated threat of cyber-attacks requires the involvement of increasingly more personal data protection professionals, the attention of IT specialists as well as the financial resources for IT development and security.

As part of its consistent implementation of the Cybersecurity Policy, IID has developed and implemented an IT Improvement Plan for 2021.

It should also be noted that in 2021, the Rules on the Processing of Personal Data in the State Company Indėlių ir investicijų draudimas were updated by Order of the Director of IID.

In 2021, IID employees participated in 3 trainings related to the protection of personal data.

Considering that in 2021 IID was implementing the Safetica software to monitor and protect document flows (including confidential information), IID carried out an unscheduled Data Protection Impact Assessment (DPIA), prepared an Informational Memorandum for the attention of the employees and provided further training.

The risk management measures identified in the DPIA have been incorporated (and carried forward) in the IID IS Security Deficiencies and Vulnerabilities and Risk Mitigation Plan 2021-2022, and the identified measures have been implemented within the specified deadlines.

It is also worth noting that in 2021, an external audit of IID's IT security was carried out along with the assessment and implementation of the organisational and technical IT measures for the security of personal data.



### *Internal monitoring system. Risk management*

The annual risk assessment was carried out during the reporting period. One new risk was identified for the new risk assessment period of 2021-2022, namely that IID has implemented a quality management system (in accordance with the requirements of ISO 9001:2015) in 2020, which introduced an additional risk that IID's operations would not comply with the requirements of ISO 9001:2015.

During the reporting period, IID performed 3 planned internal monitoring reviews of IID, with the aim to verify the compliance of IID's Insurer Inspection Department's reviews of the scheme participants with applicable legislation, including the protection of personal data, and to assess whether all IT measures for the security of personal data (according to the level of risk identified in the previous Data Protection Impact Assessment Report) are in place and operational in IID. An internal review of the implementation of the GDPR requirements on IID's work computers was also carried out, assessing staff compliance with rules, procedures, etc.

Following the risk assessment, IID developed a risk management plan for the period of 2021-2022 and a plan for internal monitoring for the period of 2021-2022.



### *Quality management system (ISO 9001:2015)*

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

On 23 September 2021, IID received the report of the first surveillance audit of the quality management system. The audit team leader concluded that the certification of the management system shall be maintained. This audit did not raise any observations or opportunities for improvement.

This certification is an important achievement for the company, demonstrating both locally and internationally that IID consistently delivers a service that meets client expectations and legal requirements.

Although IID's activities are strictly regulated and a systematic approach to management is continuously applied, the introduction of a quality management system has led to further improvements in existing processes.

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

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



### *Public procurement*

IID's Corruption Prevention Policy requires IID to select suppliers of goods or services on the basis of their performance and objective criteria. IID procures all goods and services through public procurement procedures based on the principles of transparency, competition and objective decision-making, which are, inter alia, effective in preventing corruption and malpractice.

IID ensures that the principles of equality, non-discrimination, mutual recognition, proportionality and transparency are respected in the procurement procedures and in the award of the contract.

In line with the principle of transparency, IID has carried out 85 procurements for a total value of EUR 242 812 in 2021 (EUR 115 537 more than in 2020), of which 22 were for goods, 62 for services and 1 for works.

During 2021, IID renewed access to the Legal Information Database, renewed licences for Office 365 Business Essentials and Exchange Online Plan 1, purchased programming and installation services for the Single Client Perspective file, services for the safeguarding of Government Securities, and maintenance/administration of IID Information Systems, legal consultancy services, postal and courier services, rental and maintenance of two virtual workstations (servers), employee health insurance, it upgraded computer equipment and participated in other procurements necessary for the everyday operations of IID, such as staff recruitment, supplies for health protection and disinfection, stationery, etc.



## *International cooperation*

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.

IID employees are actively involved in EFDI committees and working groups, such as the European Union Committee, the Stress Testing Working Group, the Public Affairs and Communications Working Group and the Investor Commitment Guarantee Scheme Working Group. The EFDI brings together deposit insurers from across Europe and aims to establish a framework for transnational cooperation to ensure the seamless payment of insurance claims in the event of the failure of a credit institution, thereby ensuring confidence in the financial system across Europe. The EFDI shares the best practices of EU legislation on Deposit and Investor Liability Insurance Schemes and is actively involved in the development of a unified EU Deposit Guarantee Scheme.



During the reporting period, IID participated in 35 Council meetings, working groups, conferences and seminars organised by the EFDI.

IID representatives are also participating in working groups of the European Banking Authority (EBA), including the working group on the review of the Deposit Guarantee Directive. During 2021, IID representatives participated in 13 EBA Working Group meetings.

IID regularly participates in member surveys of EFDI and IADI (The International Association of Deposit Insurers) and shares its best practices in the administration of processes concerning the Deposit Guarantee Scheme. During 2021, IID representatives also participated in 5 IADI working group meetings.



## *Reform of the Deposit Guarantee Scheme*



In 2021, IID representatives took part in the Deposit Guarantee Scheme Reform Working Group together with representatives of the Ministry of Finance of the Republic of Lithuania and the Bank of Lithuania. The working group reviewed the current legislation on the Deposit Guarantee Scheme,



with reference to the European Commission's 2020 project "Review of the Lithuanian Deposit Guarantee Scheme (DGS)". The working group has prepared new draft legislation with the main objective of introducing measures in the national legislation to allow a credit institution that does not qualify for resolution to transfer its assets and liabilities to another credit institution in the event of insolvency, provided that this would be more financially advantageous for the Deposit Insurance Fund than the payment of deposit insurance claims in the event of the institution's liquidation due to insolvency. This would also include the possibility to pay the deposit insurance claims directly through the participant in the Deposit Guarantee Scheme affected by the insured event, by using the liquid assets and infrastructure available to this participant.

Such measures would allow for the effective management of credit institution failures by minimising the financial burden they impose on the Deposit Guarantee Scheme and on the use of public funds. Such measures would also mitigate losses for creditors, while at the same time maintaining depositors' confidence in the stability and soundness of credit institutions and the overall financial stability by minimising the adverse impact of such failures on markets.

Director

Aurelija Mažintienė