INDEPENDENT AUDITOR'S REPORT FINANCIAL STATEMENTS AND ANNUAL REPORT

31 December 2021

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Independent Auditor's Report

To the Shareholders of Šiaulių Bankas AB

Report on the Audit of the Separate and the Consolidated Financial Statements

Opinion

We have audited the separate financial statements of Šiaulių Bankas AB ("the Bank") and the consolidated financial statements of the Bank and its subsidiaries ("the Group"). The Bank's separate and the Group's consolidated financial statements comprise:

- the separate and consolidated statement of financial position as at 31 December 2021,
- the separate and consolidated income statement and statement of other comprehensive income for the year then ended,
- the separate and consolidated statement of changes in equity for the year then ended,
- the separate and consolidated statement of cash flows for the year then ended, and
- notes to the separate and consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the non-consolidated financial position of the Bank and the consolidated financial position of the Group as at 31 December 2021, and of their non-consolidated and consolidated financial performance and their non-consolidated and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements section of our report. We are independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Company code: 111494971
VAT code: LT114949716

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each audit matter and our respective response are described below.

Impairment of loans to customers and finance lease receivable (separate and consolidated financial statements)

The gross amount of loans to customers in the consolidated financial statements as at 31 December 2021: EUR 1,944 million; total allowances for impairment losses as at 31 December 2021: EUR 36 million; of which impairment losses on loans to customers recognised in 2021: EUR 6 million; the gross amount of finance lease receivables as at 31 December 2021: EUR 199 million; total allowances for impairment losses as at 31 December 2021: EUR 4 million; of which impairment losses on finance lease receivable reversed in 2021: EUR 1 million.

The gross amount of loans to customers in the separate financial statements as at 31 December 2021: EUR 1,918 million; total allowances for impairment losses as at 31 December 2021: EUR 28 million; of which impairment losses on loans recognised in 2021: EUR 2 million; the gross amount of finance lease receivables as at 31 December 2021: EUR 198 million; total allowances for impairment losses as at 31 December 2021: EUR 3 million; of which impairment losses on finance lease receivable reversed in 2021: EUR 1 million.

Refer to page 20 (Accounting policies) and Notes 13 Loans to customers and 14 Finance lease receivables.

The key audit matter	How the matter was addressed in our audit
Impairment allowances represent the Management Board's best estimate of the expected credit losses ("ECLs") within the loans to customers and finance lease receivables at the reporting date. We focused on this area as the determination of impairment allowances requires complex and subjective judgment from the Management Board over the amount of any such impairment. Impairment allowances for all performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) (together "collective impairment allowance") are determined by modelling techniques. Historical experience, identification of exposures with a significant deterioration in credit quality, forward- looking information and management judgment are incorporated into the model assumptions.	Our audit procedures in the area included, among others: • obtaining understanding of the Bank's and the Group's ECL impairment methodology and assessing its compliance with the relevant requirements of IFRS 9 standard. As part of the above, we identified the relevant methods, assumptions and sources of data, and assessed whether such methods, assumptions, data and their application are appropriate in the context of IFRS 9 requirements. Additionally, assisted by our own Financial Risk Management ("FRM") specialists, we have challenged the Management Board on whether the level of the methodology's sophistication is appropriate based on our assessment of the entity-level and loan portfolio-level factors; • obtaining an understanding of the Bank's retrospective review of its ECL estimates and its response to the results of the review, and performing our own independent back-test;

For non-performing exposures (Stage 3), the impairment assessment is based on the Bank's and Group's knowledge and understanding of each individual borrower's circumstances and often on estimation of the realizable amount of the related collateral. Related impairment allowances are determined on an individual basis by means of a discounted cash flows valuation. For the above reasons, coupled with the significantly higher estimation uncertainty stemming from the impact of the continued COVID-19 global pandemic on multiple sectors of the economy, impairment of loans and advances to customers and finance lease receivables was considered by us to be a significant risk in our audit, which required our increased attention. Accordingly, we considered the area to be a key audit matter.	• making relevant inquiries of the Bank's and Group's risk management and information technology (IT) personnel in order to obtain an understanding of the impairment allowances and provisioning process, IT applications used therein, key data sources and assumptions used in the ECL model. Assessing and testing the Bank's and Group's IT control environment for data security and access, assisted by our own IT specialists. • testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of loans, advances and finance lease receivables, including, but not limited to, those over loan risk monitoring, identification of loss events / default, appropriateness of classification into performing and non-performing exposures, calculation of days past due and the overall ECL estimate; • assessing whether the definition of default and the staging criteria of the Standard were consistently applied; • evaluating whether in its loan staging and ECL measurement the Bank and the Group appropriately considered the effects of the market disruption resulting from the COVID-19 pandemic; — For collective impairment allowance: • obtaining the relevant forward looking information and macroeconomic forecasts used in the Bank's and the Group's ECL assessment. Independently assessing the information by means of inspection of publicly available information and corroborating inquiries of the Management Board ; • challenging the collective loss given default (LGD), exposure at default (EAD) and probability of default (PD) parameters used by the Bank and the Group, by reference to historical defaults and realized losses on those defaults, and also considering any required adjustments to reflect expected changes in circumstances; — For impairment allowances calculated individually, for a risk-based sample of loans: • critically assessing the existence of any triggers for classification to Stage 3 as at 31 December 2021, by reference to the underlying documentation (loan files) and through discussion with Management Board and taking into consideration business operations of the respective customers as well as market conditions and historical repayment pattern.

	• for the exposures with triggers for classification in Stage 3, challenging key assumptions applied in the Bank's and the Group's estimates of future cash flows such as discount rates, collateral values and realization period by reference to the original effective interest rate inspection, assessment of collateral values and reasonableness of the cash flow realization periods, and also performing respective independent estimations, where relevant. — For loan and advances exposures in totality: • Critically assessing the reasonableness of the impairment allowances, including both the share of the gross non-performing exposure in total gross exposure and the non-performing loans provision coverage, by benchmarking them against publicly available industry data; Evaluating the accuracy and completeness of the loan impairment and credit risk-related disclosures in the financial statements by reference to the requirements of the applicable financial reporting framework.

Other Information

The other information comprises the information included in the consolidated annual management report, including Corporate Governance Statement, Remuneration Statement and Corporate Social Responsibility Report, but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate and consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the consolidated annual management report, including Corporate Governance Statement and Remuneration Statement, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements and whether consolidated annual management report, including Corporate Governance Statement, has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of the separate and consolidated financial statements, in our opinion, in all material respects:

- The information given in the consolidated annual management report, including Corporate Governance Statement and Remuneration Statement, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and

- The consolidated annual management report, including Corporate Governance Statement and Remuneration Statement, has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Bank's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders' meeting we were appointed on 6 June 2020 for the first time to audit the Bank's and the Group's separate and consolidated financial statements. Our appointment to audit the Bank's and the Group's separate and consolidated financial statements is renewed every two years under decision of the general shareholders' meeting, and the total uninterrupted period of engagement is 2 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report presented to the Bank and the Group and its Audit Committee.

We confirm that to the best of our knowledge and belief, we have not provided to the Bank and the Group any prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In the course of audit, in addition to the audit of the separate and consolidated financial statements, we have provided review of the interim financial statements, limited assurance services for TLTRO III reports and agreed upon procedures for the content and form of data used for the calculation of 2022 ex-ante contributions to Single Resolution Fund.

Report on the compliance of format of the separate and consolidated financial statements with the requirements for European Single Electronic Reporting Format

We have been engaged based our agreement by the management of the Bank to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European single electronic reporting format of the separate and consolidated financial statements, including consolidated annual management report, for the year ended 31 December 2021 (the "Single Electronic Reporting Format of the separate and consolidated financial statements") contained in the file sb-2021-12-31-en.zip (ParsePort generated hashcode: XaPKo7d1ypliMSA=).

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the separate and consolidated financial statements has been applied by the management of the Bank to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Single Electronic Reporting Format of the separate and consolidated financial statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Single Electronic Reporting Format of the separate and consolidated financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

The management of the Bank is responsible for the application of the Single Electronic Reporting Format of the separate and consolidated financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the separate and consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the separate and consolidated financial statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (the ,,ISAE 3000 (R)"). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the separate and consolidated financial statements is prepared, in all material aspects, in accordance with the applicable requirements. Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the separate and consolidated financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the separate and consolidated financial statements, including the preparation of the XHTML format and marking up the separate and consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the separate and consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of single electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Bank's and the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

In our opinion, the Single Electronic Reporting Format of the separate and consolidated financial statements for the year ended 31 December 2021 complies, in all material respects, with the ESEF Regulation.

The engagement partner on the audit resulting in this independent auditor's report is Domnatas Dabulis.

On behalf of KPMG Baltics, UAB

Domantas Dabulis
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
7 March 2022

FINANCIAL STATEMENTS

31 December 2021

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(All amounts are in EUR thousand, unless otherwise stated)

THE GROUP'S AND THE BANK'S INCOME STATEMENTS

		Year ended			
		31 December 2021		31 December 2020	
	Notes	Group	Bank	Group	Bank
Continuing operations					
Interest revenue calculated using the effective interest method	1	83,035	69,951	78,502	65,067
Other similar income	1	8,861	8,719	7,527	7,435
Interest expense and similar charges	1	(10,979)	(10,972)	(10,321)	(10,071)
Net interest income		**80,917**	**67,698**	**75,708**	**62,431**
Fee and commission income	2	24,617	25,193	22,613	23,014
Fee and commission expense	2	(7,457)	(7,239)	(6,568)	(6,327)
Net fee and commission income		**17,160**	**17,954**	**16,045**	**16,687**
Net gain from trading activities	3	11,936	9,188	11,589	12,018
Net gain (loss) from derecognition of financial assets	6	4,363	2,729	1,265	384
Net gain (loss) from disposal of tangible assets	6	3,736	66	376	7
Revenue related to insurance activities	5	8,137	-	7,225	-
Other operating income	6	1,310	1,136	774	452
Salaries and related expenses		(27,105)	(23,640)	(23,470)	(20,506)
Depreciation and amortization expenses		(4,440)	(3,972)	(4,106)	(3,569)
Expenses related to insurance activities	5	(8,032)	-	(5,448)	-
Other operating expenses	4	(16,643)	(12,268)	(15,177)	(11,681)
Operating profit before impairment losses		**71,339**	**58,891**	**64,781**	**56,223**
Allowance for impairment losses on loans and finance lease receivables	7	(4,354)	(973)	(10,475)	(10,255)
(Allowance for)/ reversal of allowance for impairment losses on other assets	7	277	(1)	(1,498)	305
Allowance for impairment losses on investments in subsidiaries	7, 16	-	-	-	(114)
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	16	-	8,830	-	5,470
Profit from continuing operations before income tax		**67,262**	**66,747**	**52,808**	**51,629**
Income tax expense	8	(12,039)	(10,742)	(9,887)	(8,534)
Net profit from continuing operations for the year		**55,223**	**56,005**	**42,921**	**43,095**
Profit (loss) from discontinued operations, net of tax	19	-	-	121	-
Net profit for the year		**55,223**	**56,005**	**43,042**	**43,095**
Net profit attributable to:					
Owners of the Bank		55,223	56,005	43,042	43,095
From continuing operations		55,223	56,005	42,921	43,095
From discontinued operations		-	-	121	-
Non-controlling interest		-	-	-	-
Basic earnings per share (in EUR per share) attributable to owners of the Bank	9	0.09	-	0.07	-
From continuing operations		0.09	-	0.07	-
From discontinued operations		0.00	-	0.00	-
Diluted earnings per share (in EUR per share) attributable to owners of the Bank	9	0.09	-	0.07	-
From continuing operations		0.09	-	0.07	-
From discontinued operations		0.00	-	0.00	-

Chief Executive Officer — Vytautas Sinius

Chief Financial Officer — Donatas Savickas

7 March 2022

The accounting policies and notes on pages 19 to 140 constitute an integral part of these financial statements.

(All amounts are in EUR thousand, unless otherwise stated)

THE GROUP'S AND THE BANK'S STATEMENTS OF COMPREHENSIVE INCOME

					Year ended
			31 December 2021		**31 December 2020**
	Notes	**Group**	**Bank**	**Group**	**Bank**
Net profit for the year		**55,223**	**56,005**	**43,042**	**43,095**
Other comprehensive income (loss):					
Items that may be subsequently reclassified to profit or loss:					
Financial assets valuation gains (losses) taken to other comprehensive income	15	(1,026)	(1,027)	839	839
Financial assets valuation result transferred to profit or loss	15	(185)	(185)	(393)	(393)
Deferred income tax on gain (loss) from revaluation of financial assets	8, 15	240	240	(49)	(49)
Items that may not be subsequently reclassified to profit or loss:					
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		-	-	-	-
Other comprehensive income (loss), net of deferred tax		**(971)**	**(972)**	**397**	**397**
Total comprehensive income for the year		**54,252**	**55,033**	**43,439**	**43,492**
Total comprehensive income attributable to:					
Owners of the Bank		54,252	55,033	43,439	43,492
Non-controlling interest		-	-	-	-
		54,252	55,033	43,439	43,492

Chief Executive Officer — Vytautas Sinius

Chief Financial Officer — Donatas Savickas

7 March 2022

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(All amounts are in EUR thousand, unless otherwise stated)

THE GROUP'S AND THE BANK'S STATEMENTS OF FINANCIAL POSITION

		31 December 2021		31 December 2020	
	Notes	Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents	10	965,723	964,849	432,584	431,649
Securities in the trading book	12	48,181	15,099	37,068	9,582
Due from other banks	11	1,196	1,196	1,598	1,598
Derivative financial instruments	12	2,121	2,121	445	445
Loans to customers	13	1,908,681	1,889,629	1,605,663	1,592,363
Finance lease receivables	14	195,174	194,909	155,457	155,290
Investment securities at fair value	15	82,988	82,951	34,342	34,215
Investment securities at amortized cost	15	705,398	692,226	709,454	697,136
Investments in subsidiaries and associates	16	-	31,668	-	29,135
Intangible assets	17	4,834	3,114	5,729	4,230
Property, plant and equipment	18	14,760	14,118	16,484	15,852
Investment property	26	2,229	344	5,552	362
Current income tax prepayment		847	820	48	8
Deferred income tax asset	8	1,593	1,250	2,078	1,690
Inventories	19	538	-	1,391	-
Other financial assets	19	16,398	16,271	4,695	4,278
Other non-financial assets	19	11,201	8,289	8,710	5,263
Assets classified as held for sale	19	620	620	7,547	4,573
Total assets		**3,962,482**	**3,919,474**	**3,028,845**	**2,987,669**
LIABILITIES					
Due to other banks and financial institutions	20	697,738	703,271	227,823	231,270
Derivative financial instruments	12	96	96	3,840	3,840
Due to customers	21	2,679,183	2,681,586	2,347,427	2,349,021
Special and lending funds	22	6,667	6,667	5,749	5,749
Debt securities in issue	23	95,212	95,212	20,027	20,027
Current income tax liabilities		1,084	962	1,092	737
Deferred income tax liabilities	8	1,452	-	1,251	-
Liabilities related to insurance activities	24	41,409	-	36,275	-
Other financial liabilities	25	25,053	21,775	24,231	20,337
Other non-financial liabilities	25	7,251	1,414	5,966	1,124
Grants	20	910	910	-	-
Liabilities related to assets classified as held for sale	25	-	-	98	-
Total liabilities		**3,556,055**	**3,511,893**	**2,673,779**	**2,632,105**
EQUITY					
Share capital	27	174,211	174,211	174,211	174,211
Share premium	27	3,428	3,428	3,428	3,428
Treasury shares (-)	27	(516)	(516)	-	-
Reserve capital	27	756	756	756	756
Statutory reserve	27	21,893	21,770	14,427	14,246
Financial instruments revaluation reserve		(583)	(597)	388	375
Reserve for acquisition of own shares	27	10,000	10,000	10,000	10,000
Other equity	27	3,288	2,870	2,359	2,066
Retained earnings		193,950	195,659	149,497	150,482
Non-controlling interest		-	-	-	-
Total equity		**406,427**	**407,581**	**355,066**	**355,564**
Total liabilities and equity		**3,962,482**	**3,919,474**	**3,028,845**	**2,987,669**

Chief Executive Officer — Vytautas Sinius

Chief Financial Officer — Donatas Savickas

7 March 2022

The accounting policies and notes on pages 19 to 140 constitute an integral part of these financial statements.

(All amounts are in EUR thousand, unless otherwise stated)

THE GROUP'S STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Treasury shares (-)	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to the owners of the Bank											
1 January 2020		**174,211**	**3,428**	**-**	**756**	**(9)**	**14,468**	**10,000**	**1,536**	**106,414**	**310,804**	**-**	**310,804**
				-									
Transfer to statutory reserve		-	-	-	-	-	(41)	-	-	41	-	-	-
Acquisition of own shares	27	-	-	-	-	-	-	(320)	-	-	(320)	-	(320)
Share-based payment	27	-	-	-	-	-	-	320	823	-	1,143	-	1,143
Total comprehensive income:		-	-	-	-	397	-	-	-	43,042	43,439	-	43,439
Net profit		-	-	-	-	-	-	-	-	*43,042*	*43,042*	-	*43,042*
Other comprehensive income		-	-	-	-	*397*	-	-	-		*397*	-	*397*
31 December 2020		**174,211**	**3,428**	**-**	**756**	**388**	**14,427**	**10,000**	**2,359**	**149,497**	**355,066**	**-**	**355,066**
Transfer to statutory reserve		-	-	-	-	-	7,466	-	-	(7,466)	-	-	-
Acquisition of own shares	27	-	-	(516)	-	-	-	(234)	-	-	(750)	-	(750)
Share-based payment	27	-	-	-	-	-	-	234	929	-	1,163	-	1,163
Payment of dividends	29	-	-	-	-	-	-	-	-	(3,304)	(3,304)	-	(3,304)
Total comprehensive income:		-	-	-	-	(971)	-	-	-	55,223	54,252	-	54,252
Net profit		-	-	-	-	-	-	-	-	*55,223*	*55,223*	-	*55,223*
Other comprehensive income		-	-	-	-	*(971)*	-	-	-	-	*(971)*	-	*(971)*
31 December 2021		**174,211**	**3,428**	**(516)**	**756**	**(583)**	**21,893**	**10,000**	**3,288**	**193,950**	**406,427**	**-**	**406,427**

The accounting policies and notes on pages 19 to 140 constitute an integral part of these financial statements.

(All amounts are in EUR thousand, unless otherwise stated)

THE BANK'S STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Treasury shares (-)	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total
1 January 2020		**174,211**	**3,428**	**-**	**756**	**(22)**	**14,246**	**10,000**	**1,345**	**107,387**	**311,351**
Acquisition of own shares	27	-	-	-	-	-	-	(320)	-	-	(320)
Share-based payment	27	-	-	-	-	-	-	320	721	-	1,041
Total comprehensive income:		-	-	-		397	-	-	-	43,095	43,492
Net profit		-	-	-	-	-	-	-	-	*43,095*	*43,095*
Other comprehensive income		-	-	-	-	*397*	-	-	-	-	*397*
31 December 2020		**174,211**	**3,428**	**-**	**756**	**375**	**14,246**	**10,000**	**2,066**	**150,482**	**355,564**
Transfer to statutory reserve		-	-	-	-	-	7,524	-	-	(7,524)	-
Acquisition of own shares	27	-	-	(516)	-	-	-	(234)	-	-	(750)
Share-based payment	27	-	-	-	-	-	-	234	804	-	1,038
Payment of dividends	29	-	-	-	-	-	-	-	-	(3,304)	(3,304)
Total comprehensive income:		-	-	-	-	(972)	-	-	-	56,005	55,033
Net profit		-	-	-	-	-	-	-	-	*56,005*	*56,005*
Other comprehensive income		-	-	-	-	*(972)*	-	-	-	-	*(972)*
31 December 2021		**174,211**	**3,428**	**(516)**	**756**	**(597)**	**21,770**	**10,000**	**2,870**	**195,659**	**407,581**

The accounting policies and notes on pages 19 to 140 constitute an integral part of these financial statements.

(All amounts are in EUR thousand, unless otherwise stated)

THE GROUP'S AND THE BANK'S STATEMENTS OF CASH FLOWS

					Year ended
			31 December 2021		31 December 2020
	Notes	Group	Bank	Group	Bank
Operating activities				**(restated)**	**(restated)**
Interest received on loans and advances		81,902	68,699	81,714	67,625
Interest received on finance leases		8,218	8,195	7,137	7,123
Interest received on debt securities in the trading book		496	372	463	463
Interest paid		(11,498)	(11,498)	(9,704)	(9,445)
Fees and commissions received		24,582	25,193	22,578	23,014
Fees and commissions paid		(7,457)	(7,239)	(6,379)	(6,327)
Net cash inflows from trade in securities in the trading book		(1,527)	(7,040)	1,555	3,273
Net inflows from foreign exchange trading		4,512	4,439	13,619	11,843
Net inflows from derecognition of financial assets		4,363	2,729	1,265	384
Net inflows from derecognition of non-financial assets		3,736	66	376	7
Cash inflows related to other activities of Group companies		10,757	1,136	7,942	452
Cash outflows related to other activities of Group companies		(8,032)	-	(5,448)	-
Recoveries on loans previously written off		1,126	541	2,868	694
Salaries and related payments to and on behalf of employees		(26,396)	(22,931)	(23,470)	(20,874)
Payments related to operating and other expenses		(22,223)	(17,678)	(16,408)	(26,754)
Income tax paid	8	(11,914)	(10,625)	(9,046)	(8,502)
Net cash flow from operating activities before change in operating assets and liabilities		**50,645**	**34,359**	**69,062**	**42,976**
Change in operating assets and liabilities:					
(Increase) decrease in due from other banks		402	402	(1,318)	(1,318)
Increase in loans to customers		(314,018)	(300,088)	(99,161)	(94,789)
Decrease (increase) in finance lease receivable		(36,149)	(39,380)	175	1,571
Decrease (increase) in other financial assets		(11,703)	(11,993)	3,095	2,951
(Increase) decrease in other non-financial assets		6,177	5,207	(3,308)	(7,832)
Increase in due to banks and financial institutions		469,915	472,001	153,432	154,600
Increase in due to customers		332,301	333,110	313,164	311,733
Increase (decrease) in special and lending funds		918	918	(1,311)	(1,311)
Increase (decrease) in other financial liabilities		1,878	2,494	(859)	7,175
Increase (decrease) in other non-financial liabilities		(9,283)	(4,607)	(3,345)	14,717
Change		**440,438**	**458,064**	**360,564**	**387,497**
Net cash flow from operating activities		**491,083**	**492,423**	**429,626**	**430,473**
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(1,014)	(866)	(4,396)	(4,335)
Disposal of property, plant and equipment, investment property and intangible assets		8,028	378	2,347	2,292
Acquisition of debt securities at amortized cost	15	(100,202)	(99,382)	(389,552)	(387,599)
Proceeds from redemption or sale of debt securities at amortized cost	15	100,755	100,039	225,013	225,008
Interest received on debt securities at amortized cost	15	9,473	9,323	6,644	6,381
Dividends received	29	-	5,000	2	4,002
Acquisition of investment securities at fair value		(100,447)	(89,161)	(24,605)	(28,640)
Sale or redemption of investment securities at fair value		50,297	40,425	4,847	4,551
Interest received on investment securities at fair value		649	403	551	551
Disposal of subsidiaries		5,478	5,428	-	-
Net cash flow from (used in) investing activities		**(26,983)**	**(28,413)**	**(179,149)**	**(177,789)**
Financing activities					
Payment of dividends	29	(3,299)	(3,299)	(11)	(11)
Interest on debt securities in issue	23	(1,230)	(1,230)	(1,230)	(1,230)
Issue of debt securities	23	75,000	75,000	-	-
Redemption of debt securities issued		-	-	-	-
Principal elements of lease payments	10	(1,432)	(1,281)	(1,569)	(1,376)
Net cash flow (used in) from financing activities	**10**	**69,039**	**69,190**	**(2,810)**	**(2,617)**
Net increase (decrease) in cash and cash equivalents		**533,139**	**533,200**	**247,667**	**250,067**
Cash and cash equivalents at 1 January		**432,584**	**431,649**	**184,917**	**181,582**
Cash and cash equivalents at 31 December	**10**	**965,723**	**964,849**	**432,584**	**431,649**

The accounting policies and notes on pages 19 to 140 constitute an integral part of these financial statements.

GENERAL INFORMATION

Šiaulių Bankas AB was registered as a public company in the Enterprise Register of the Republic of Lithuania on 4 February 1992. The Bank is licensed by the Bank of Lithuania to perform all banking operations provided for in the Law on Banks of the Republic of Lithuania and the Charter of the Bank. In this document Šiaulių Bankas AB is referred to as the Bank, Šiaulių Bankas AB and its subsidiaries - the Group.

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. At the end of the reporting period the Bank had 56 customer service outlets (2020: 59 outlets). As at 31 December 2021 the Bank had 789 employees (31 December 2020: 756). As at 31 December 2021 the Group had 882 employees (31 December 2020: 849 employees).

The Bank accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance and is investing and trading in securities, as well as performs other activities set forth in the Law on Banks of the Republic of Lithuania and the Charter of the Bank. Subsidiary companies of the Group perform consumer financing, life insurance and real estate management activities.

The Bank's shares are listed on the Baltic Main List of the NASDAQ Stock Exchange.

As of 31 December 2021 the Bank owned the following directly controlled subsidiaries:

1. SB Draudimas UAB (name changed Bonum Publicum GD UAB; life insurance activities),
2. SB Lizingas UAB (consumer financing activities),
3. Šiaulių Banko Lizingas UAB (lease activities),
4. SB Turto Fondas UAB (name changed from Šiaulių Banko Turto Fondas UAB; real estate management activities)

As of 31 December 2021 the Bank owned the following indirectly controlled subsidiaries:

5. Šiaulių Banko Investicijų Valdymas UAB (investment management activities),
6. Sandworks UAB (real estate management activities),

As of 31 December 2020 the Bank owned the following directly controlled subsidiaries:

1. SB Draudimas UAB (name changed from Bonum Publicum GD UAB; life insurance activities),
2. SB Lizingas UAB (consumer financing activities),
3. Šiaulių Banko Lizingas UAB (lease activities),
4. Šiaulių Banko Turto Fondas UAB (real estate management activities)

As of 31 December 2020 the Bank owned the following indirectly controlled subsidiaries:

5. Apželdinimas UAB (real estate management activities),
6. Sandworks UAB (real estate management activities),

As of 31 December 2020 the Bank owned directly controlled subsidiaries held for sale:

7. Minera UAB (real estate management activities),
8. Šiaulių Banko Investicijų Valdymas UAB (investment management activities)

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements of the Group and the Bank have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements have been prepared under the historical cost convention as modified for the fair value of financial assets and liabilities at fair value through profit or loss and investment securities at fair value through other comprehensive income.

The preparation of financial statements in conformity with International Financial Reporting Standards require the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

These financial statements combine the consolidated financial statements for the Group and separate financial statements of the Bank. Such format of reporting was adopted to ensure consistency of presentation with the format prescribed by the Bank of Lithuania and applied for statutory reporting.

Neither the Bank's shareholders, nor any other party have power to amend the financial statements after issue. According to local legislation, the financial statements are subject to approval in the general meeting of shareholders, but the approval/disapproval cannot result in amendment of the financial statements.

Amounts shown in these financial statements are presented in the national currency the euro (EUR), which is the Bank's and Group's functional and presentation currency.

Amendments to existing standards and interpretations effective in 2021

A number of new standards are effective from 1 January 2021 but they do not have a material effect on the Group's financial statements:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

Interest Rate Benchmark Reform mentioned above has no material effect to Group's financial statements as Group does not hold significant amounts of assets or liabilities associated with other interest rates than EURIBOR.

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

IFRS 17, Insurance Contracts (effective for annual periods beginning on or after 1 January 2023, including IFRS 17 amendments, issued on 9 December 2021 and not yet adopted by EU): IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of the amendments on its financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's and Bank's financial statements:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
- Reference to Conceptual Framework (Amendments to IFRS 3);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1; not adopted by EU);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2; not adopted by EU);
- Definition of Accounting Estimates (Amendments to IAS 8; not adopted by EU);
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12; not adopted by EU).

Consolidation of subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between the Group companies (including subsidiaries classified as held for sale) are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Bank.

Subsidiaries in the stand-alone financial statements are accounted for using equity method. Investment is initially recognized at cost, and adjusted thereafter for the post-acquisition change in the Bank's share of net assets of the subsidiary. the share of the profit or loss is included in the value of investments in subsidiaries and Bank's income statement, dividends paid by the subsidiary to the Bank are subtracted from the value of investment in subsidiary and not included in Bank's income statement.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in the euro, which is the Bank's functional and presentation currency. Euro also is functional and presentation currency of all the subsidiaries of the Bank included in the consolidated financial statements.

(b) Transactions and balances

All monetary assets and liabilities denominated in foreign currencies are translated into the euro (EUR) at the official daily euro foreign exchange reference rates (published by the European Central Bank) prevailing at the end of the reporting period. Gains and losses arising from this translation are included in the income statement for the reporting period. All non-monetary liabilities and assets are translated using the exchange rate prevailing on the date of acquisition.

Foreign currency transactions are recorded in the euro using the exchange rate ruling on the date of the transaction. Exchange differences arising from the settlement of transactions denominated in foreign currency are charged to the income statement at the time of transaction using the exchange rate ruling at that date.

Off-setting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Recognition of income and expenses

Interest income and expense are recognised in the income statement on debt instruments at amortized cost or at fair value through other comprehensive income on an accrual basis using the effective interest method based on the actual purchase price. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Loan origination fees are accounted for as an adjustment to the effective interest rate calculation for each issued loan separately. Other commission fees and other similar income and expenses are recognised as gained or incurred.

For financial assets interest income is calculated by applying the effective interest rate to the gross carrying amount, except for financial assets that are credit-impaired (Stage 3), for which interest income is calculated by applying the effective interest rate to the net carrying amount (i.e. gross carrying amount reduced by the allowance for impairment), and purchased or originated credit-impaired (POCI) assets, for which the credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.

Revenues from contracts with customers consist primarily of service-related fees and are reported as Commission income, including fees for settlement services, service plans, cash operations, cards, account servicing fees, services related to securities, collection of utility and similar payments and others. The revenues reflect the consideration which is expected to be received in exchange for those services or transactions. The recognition in Income statement depends on whether the Group's obligations are provided. Revenue from such services is recognised over time on a straight-line basis when the services are provided to the customer. Revenue related to transactions is recognised at a point in time when the transaction takes place. Fee income for settlement services, cash operations, documentary collection, collection of utility and similar payments, services related to securities and other is recognised at a point in time when the Group satisfies its performance obligation upon execution of the specified transaction. .

Insurance income and expense recognition is disclosed under Technical provisions section.

Revenue from other activities of the Group comprise sale of apartments or other developed real estate projects. This revenue is recognized at a point of time upon transfer of completed property to client.

Dividend income

Dividends are recognised in the income statement when the Bank's or Group's right to receive payments is established.

Share-based payment

Employees whose professional activities and/or decisions might have a significant impact on the risk accepted by the Group, receive deferred variable remuneration. The grant-date fair value of equity-settled shares-based payment arrangements granted to these employees is recognised as salaries and related expenses in income statement with a corresponding increase in other equity line in the statement of financial position, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the service and conditions (not directly based on market performance of shares) are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and conditions at vesting date. Any deviation from the original approval due to modifications of original terms and conditions are recognised in Income statement and a corresponding adjustment is recognised in other equity.

Taxation

a) Income tax

In accordance with the Lithuanian Law on Corporate Profit Tax, taxable profit for 2019 period is subject to income tax at a rate of 15%. Expenses related to taxation charges and included in these financial statements are based on calculations made by the management in accordance with the Lithuanian regulatory legislation on taxes. From year 2020 commercial banks operating in Lithuania are be subject to income tax of 20%.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled (20% for deferred income tax assets and liabilities recognized at 31 December 2021 and at 31 December 2020).

The principal temporary differences arise from carry forward of unused tax losses, revaluation of securities, difference between net book value and tax base of tangible fixed assets and accrued charges. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

b) Other taxes

Real estate tax rate is up to 1% on the tax value of tangible fixed assets and foreclosed assets. The Bank is also obliged to pay land and land lease taxes, make payments to guarantee fund and social security contributions. These taxes are included in other expenses in the income statement.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with the Bank of Lithuania, treasury bills and other eligible bills, amounts due from banks and financial institutions and short-term government securities.

ACCOUNTING POLICIES (CONTINUED)

Financial assets

Financial assets are classified into 3 categories:

- financial assets at fair value through profit and loss (the Group and the Bank have debt and equity securities which are included to trading book, and equity securities which are included to investment securities portfolio),
- financial assets at fair value through other comprehensive income (the Group and the Bank have only debt securities of this category, these are included to Investment securities portfolio) and
- financial assets at amortized cost.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. The classification is based on the cash flow characteristics of the asset and the Group's business model for managing the asset.

Financial assets at fair value through profit or loss

Trading book (trading sub-portfolio) includes debt securities which were acquired either for generating a profit from short-term fluctuations in price or dealer's margin.

Trading book (other assets sub-portfolio) includes debt and equity assets of the subsidiary involved in life insurance activities. These assets are managed on behalf of customers and were designated at fair value through profit or loss in order to significantly reduce the accounting mismatch between these securities and unit-linked provisions.

Investment portfolio includes non-trading (investment) equities that were acquired for generating a profit in longer term fluctuations or in line with other purposes with the Group (e.g. to have participation in entities that provide services to the group, or other).

Securities at fair value through profit or loss are initially recognised at fair value, which is based on transaction price and are subsequently measured at fair value based on quoted bid prices or derived from a discounted cash flow model if market price is unreliable measure. All related realised and unrealised gains and losses are included in net trading income. Interest earned is reported as interest income. Dividends received are included in dividend income. The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

All purchases and sales of securities at fair value through profit or loss that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at settlement date, which is the date when payment is made for assets purchased or sold. All other purchases and sales are recognised as derivative forward transactions until settlement. Changes in the asset's fair value between the trade date and the settlement date are recognized as trading gains/losses in the income statement.

Financial assets at fair value through other comprehensive income

Debt securities that are held for collection of contractual cash flows and for selling them, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for recognition of impairment gains or losses, interest income and foreign exchange gains or losses on the financial instrument's amortised cost which are recognized in profit or loss. When the debt asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in Net gain (loss) in operations from securities. Interest income from these financial assets is included in Interest income using the effective interest rate method.

The Group did not designate any equities at fair value through other comprehensive income.

Financial assets at amortized cost

Loans to customers and finance lease receivables that are the main strategic direction of Group's business and debt securities that are held for collecting cash flows in line with prescribed business model to generate long-term yield and to serve as secondary liquidity reserves constitute the major part of Group's assets and are attributable to financial assets at amortized cost (as well as other qualifying assets such as cash equivalents, due from banks, other financial assets). These assets may be sold, but sales (other than sales low in volume or sales as part of problem debt recovery activities) are rare and infrequent. Financial assets at amortized cost are non-derivative financial assets that pass the "Solely payments of principal and interest" (SPPI) test other than: (a) those that the bank classifies as fair value through profit or loss due to intention for short-term sale or reduction of accounting mismatch; (b) those that the bank upon initial recognition designates at fair value through other comprehensive income; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the asset and recognised in the income statement as 'Allowance for impairment losses'. Financial assets at amortized cost are derecognized when the contractual rights to receive the cash flow from the assets expire, or the assets are written-off, or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortized cost and fair value through other comprehensive income and with exposure arising from loan commitments and financial guarantee contracts. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition. Section 1.3 of the Financial risk management disclosure provides more details on the ECL measurement.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Write-offs of financial assets

Loans and receivables are regularly reviewed and written-off from the balance sheet when the total loan balance or a part of it is considered as uncollectible under the most optimistic scenario using expert judgement on each exposure. Typically, the judgement that there is no reasonable expectation for recovery is applied for the exposures where there are no clear indications of possible cash flows from the borrower and to the extent that the collateral is deemed insufficient. 100% impairment provision against the carrying amount of the exposure must be recognized before an uncollectible exposure (or part of it that is considered to be uncollectible) can be written-off. Written-off exposures are accounted for as off-balance sheet claims (“accumulated write-offs”) until the legal right to claim the amounts from the borrower expires.

Modifications of financial assets

The Bank sometimes modifies the payment terms of loans to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Modification practices are based on criteria which, in the judgement of management, indicate that payment will most likely continue. Legal treatment for loan contract amendments is followed, i.e. amended loan contracts are accounted for as modifications - i.e. date of signing the original contract remains the point for loan parameters at origination used to assess significant increase of credit risk. On modification, the gross carrying amount of the loan is recalculated as the present value of the modified contractual cash flows that are discounted at the loan’s original effective interest rate. The resulting modification gain or loss is included in other income line in the income statement. The modification of loan contract does not automatically impact its credit stage assignment if it done on a commercial negotiations basis or according to public or sectoral moratoria, but the loans subject to modification are checked if it is done because of borrower's inability to serve the loan by its original schedule. If this is the case, significant increase credit risk (Stage 2) is recognized. Additional scenarios for moving the loans the loans that were modified due to customers problems to Stage 3 are in place, and additional observation periods are in place for recognizing improvement in staging for such loans.

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested for impairment at least annually. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Reverse repurchase transactions

Securities purchased under agreements to resell (“reverse repos”) are recorded as loans and advances to other banks or customers, as appropriate. The difference between purchase and repurchase price is treated as interest and accrued over the life of agreement using the effective interest method. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

Reverse repurchase agreements are classified as loans and receivables and are accounted for using the amortised cost method.

ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Intangible assets are amortised using the straight-line method over their estimated useful life (see note 17).

Property, plant and equipment

Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation is provided on a straight-line basis to write off proportionally the cost of each asset over its estimated useful life.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals of fixed assets are determined by reference to their carrying amount and are charged to the Income statement.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Asset maintenance costs are charged to the income statement when they are incurred. Significant improvements of assets are capitalised and depreciated over the remaining useful life period of the improved asset. Useful lives of property, plant and equipment are disclosed in note 18.

Leases

a) Group company is the lessee

Right-of-use assets and liabilities arising from lease are initially measured on present value basis, discounted using the interest rate implicit in the lease (the weighted average lessee's incremental borrowing rates: 31 December 2021: Group 0.60%, Bank 0.26%; 31 December 2020: Group 0.40%, Bank 0.29%;). Lease liabilities include fixed and variable payments (based on an consumer index or infliation rate). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The discount influence is recognised in finance cost as interest expense in income statement. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any initial direct costs, adjusted by advance payments. Right-of-use assets are depreciated using the straight-line method over rent period. The depreciation charge is recognised as depreciation expenses in income statement. The duration of rent agreements are adjusted by the group's management assumptions on contract extensions. The expenses related to short-term leases or to leases of low-value assets are included in other operating expenses in income statement. Right-of-use assets are included in Property, plant and equipment, lease liabilities are included in Other financial liabilities.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate). Otherwise, the Group considers other factors including the plans to continue an activity. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

b) Group company is the lessor

<u>Operating leases</u>

Assets leased out under operating leases are included in tangible fixed assets in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned fixed assets. Rental income is recognised on a straight-line basis over the lease term.

<u>Finance leases</u>

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

Inventories

Inventories of the Group consist mainly of apartments held for sale and property for development. They are stated at the lower of cost and net realizable value. Net realizable value for apartments held for sale are calculated as based on market value of apartments less costs to sell. Net realizable value of property for development are calculated as discounted cash inflows to be received from developed property less discounted cash outflows related to the development and selling of a property.

Financial liabilities

The Group's financial liabilities consist of those designated at fair value and those carried at amortised cost. Financial liabilities are derecognised when extinguished.

Financial liabilities at fair value through profit or loss

The group can designate certain liabilities upon initial recognition as at fair value through profit or loss (fair value option); this designation cannot be changed subsequently.

Other liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, debt securities in issue, liabilities to special and lending funds as well as other various financial liabilities. Initially they are recognised at fair value, and subsequently stated at amortised cost, with any difference between net proceeds and the redemption value recognised in the Income statement over their period using the effective interest method.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be reliably estimated.

Technical provisions

Technical provisions are computed in accordance with Lithuanian insurance supervisory authority (Bank of Lithuania) requirements and are based on assumptions and estimates, the adequacy of which is evaluated based on observations of historical and current data and the use of projection methods that consider developing trends in experience and that adjust for changes in circumstances.

a) *Unearned premiums reserve*

Unearned premiums reserve represents the part of premiums written which relates to the period of risk subsequent to the accounting period. Unearned premiums reserve is calculated for every contract separately by proportionate distribution of the written premium throughout the risk period. The part of unearned premiums reserve attributable to the reinsurers is calculated by the same method.

b) *Outstanding claims reserve*

Outstanding claims reserve represents amounts payable for claims outstanding. Provision covers all anticipatory payments for claims reported but not settled, claims incurred but not reported, claims reported, settled but not paid, including amounts required for claims settlement according to all above mentioned claims as of the financial statement date.

Base for calculation of provision for claims reported but not settled is an individual evaluation of every reported claim, according to the information available at the moment of calculation of this technical provision.

The part of provision for claims incurred, not reported is calculated using "Chain-ladder", Bornhuetter – Ferguson or Loss-ratio methods for insurance products separately.

The part of outstanding claims reserve attributable to the reinsurers is calculated under reinsurance contracts.

ACCOUNTING POLICIES (CONTINUED)

c) *Life insurance mathematical provision*

Life insurance mathematical provision is calculated individually for every policy applying an actuarial conservative perspective assessment. Life insurance mathematical provision is a difference of the actuarially discounted value of the future policy benefits less the discounted value of the future premium payments.

The method of assessment can be described as prospective net premium method. For the calculations Zillmer adjustment method is applied. Thus deferred acquisition costs reduce life insurance mathematical technical reserve.

When computing the life insurance mathematical technical provision mortality tables of general population of Lithuania for the years 1993 – 1996, that were modified in year 2007 according the situation of the population of Lithuania are applied. Guaranteed interest rate is applied according to agreements but no more than 3.5%.

According to the profit (surplus) sharing rules, contracts of the endowment, pure endowment, pension and scholarship insurance, pension annuities insurance participates in the profit (surplus) sharing of the insurer. The insurers profit share calculated for the insurance agreement is not paid at once but increases the claims in case of death or/and survival till the end of insurance period, also the surrender values are increased respectively. The profit (surplus) calculated for insurance product, is ascribed to the mathematical technical provision. For endowment contract with guaranteed interest insurer's profit part generated from investing capital accrued under these insurance contracts, can be distributed. Accrued capital of insurance contract is increased by insurer's profit part attributable to the insurance contract.

d) *Technical provision for unit-linked life insurance policies*

Technical provision for unit-linked life insurance policies is calculated using retrospective method. Technical provision is calculated by adding invested premiums less charges applied to the policy holder to cover expenses and the risk assumed. The technical provision is expressed in investment units which are reprised in accordance with changes in market values of related investments.

Insurance contracts

Bank's subsidiary SB Draudimas (the company) is engaged in life insurance activities and offers various insurance contracts, main categories of which include:

a) *Long-term insurance contracts with fixed and guaranteed terms*

These contracts insure events associated with human life (for example death or survival) over a long period. Premiums are recognized as revenue when they become payable by the contract holder. Premiums are presented before deduction of commission.

Benefits are recorded as expenses when they are incurred. Expenses related to the Insurance activities for claims incurred are recognized as an expense in the period in which they are paid.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. Life insurance mathematical provision for these insurance contracts is calculated as described in accounting policies above.

The liabilities are recalculated at each balance sheet date using the assumptions established at inception of the contract.

Acquisition costs include costs incurred in concluding insurance contracts. These costs include the salaries of employees working directly on insurance contracts, related fees, commissions, advertising and other related costs.

b) *Long-term insurance contracts without fixed terms – unit-linked*

These contracts insure human life events (for example death or survival) over a long duration. The company does not unbundle deposit component separately from insurance component as:

- deposit element is not clearly identifiable from the terms of the contract;
- contracts of this kind are a single product, regulated as insurance business by insurance supervisory authority and should be treated in a similar way for financial reporting;
- the information about gross premium inflows is considered to be important as an aid to economic decisions.

(All amounts are in EUR thousand, unless otherwise stated)

Expenses related to Long-term insurance contract without fixed terms – unit linked such as death benefits, injuries are recognized in the period in which they are paid.

Commission fees for Long-term insurance contract without fixed terms are accounted for as deferred acquisition costs. These deferred acquisition costs are recognized as an expense during the first three years from the effective date of the insurance contract in the following proportions: 1 year - 34%, 2 years - 33%, 3 years - 33%.

c) *Liability adequacy test*

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred acquisition costs. In performing these tests, current best estimates of future contractual cash flows and claims handling expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off deferred acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

As mentioned above, long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margin for adverse deviation) are used for the subsequent measurement of these liabilities.

Any deferred acquisition costs written off as a result of this test cannot subsequently be reinstated.

For the years ended 31 December 2021 and 2020 the liability adequacy test and the changes were as follows:

	Technical provisions	Deferred acquisition cost	Best estimate of future cash flows	Excess of technical provisions
At 31 December 2020	36,275	1,244	28,092	6,939
Change for the period	5,134	444	2,757	1,933
At 31 December 2021	41,409	1,688	30,849	8,872

Dividends

Dividends on the Bank's shares are recorded in equity in the period in which they are declared.

Employee benefits

a) *Social security contributions*

The Group companies pay social security contributions to the state Social Security Fund (the Fund) on behalf of their employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within salaries and related expenses. Social security contributions each year are allocated by the Fund for pension, health, sickness, maternity and unemployment payments.

b) *Termination benefits*

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it can no longer withdraw the offer of those benefits; or when recognises costs for a restructuring that involves the payment of termination benefits. Benefits falling due more than 12 months after balance sheet date are discounted to present value. Termination benefits are included within salaries and related expenses in the income statement and within other liabilities in the statement of financial position.

Segment information

Operating segments are reported in accordance with the information analysed by the Executive Board (the chief operating decision-maker) of the Group, which is responsible for allocating resources to the reportable segments and assesses its performance.

The Group has four main business segments:

- Traditional banking operations and lending – includes traditional retail and corporate banking operations such as issuing loans and providing banking services to the customers and finance, lease and consumer financing services provided to customers of the Group (includes financial information of the Bank allocated to this segment and financial information of Šiaulių Banko Lizingas UAB and SB Lizingas UAB);

- Treasury – includes banking treasury operations such as managing securities and liquidity portfolio, currency exchange etc. (includes financial information of the Bank allocated to this segment);

- Non-core banking activities - includes other banking operations not included in traditional lending and treasury segments such as lending to subsidiaries (except for lending to leasing and consumer financing subsidiaries), revenues/expenses related to investment in subsidiaries (dividends, impairment of investment in subsidiaries), engagement in one-off projects, managing problem loans (includes financial information of the Bank allocated to this segment);

- Other activities – includes other activities performed by Group companies not included in previous segments – i.e. real estate operations, life insurance, investment management (includes financial information of the subsiaries not mentioned above).

As the Group's segment operations, except for real estate development are all financial with a majority of revenues deriving from interest and the Group Executive Board relies primarily on net interest revenue to assess the performance of the segment, the total interest income and expense for all reportable segments is presented on a net basis. Also all other main items of the income statement are analysed by the management of the Group on segment basis therefore they are presented in the segment reporting.

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the Group Executive Board is measured in a manner consistent with that in the consolidated income statement. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments.

The Group's management reporting is based on a measure of profit before taxes comprising net interest income, net fee and commission income, loan impairment charges, operating expenses, amortization and depreciation expenses and other net income.

As the Group focuses on domestic activities, no geographical concentration is observed in Group's decision making. Due to the nature of Group's activities (financial services), capital expenditures are not important in the decision making process therefore not used in the segment reporting and total assets is more relevant indicator than the fixed asset amount.

Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

Fair value of assets and liabilities

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial guarantee contracts, letters of credit and undrawn loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the amount of loss allowance and the premium received on initial recognition less income recognized in accordance with principles of IFRS 15.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer.

These contracts are in the scope of the ECL impairment recognition requirements.

Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the consolidated group, are classified as investment properties. Investment properties comprise buildings for commercial activities and land plots for undetermined future use.

Some properties may be partially occupied by the Group, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Group can be sold separately, the Group accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40. When the portions cannot be sold separately, the whole property is treated as investment property only if an insignificant portion is owner-occupied. The Group considers the owner-occupied portion as insignificant when the property is more than 95% held to earn rental income or capital appreciation. In order to determine the percentage of the portions, the Group uses the size of the property measured in square meters.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost has incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured at cost less less accumulated depreciation. Depreciation is provided on a straight-line basis to write off proportionally the cost of each asset over its estimated useful life . All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

In addition, investment properties are tested for impairment. These valuations are performed annually by external or internal appraisers.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets (for example, for exchange-traded options), including recent market transactions, and valuation techniques (for example for non-traded options), including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. All derivative financial instruments are classified as held for trading.

FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Bank's and the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers and borrows from other financial institutions at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

Strategic decisions related to financing and investing activities of the Bank and the Group is made by the Board of the Bank. Operating financing and investment decisions are made on division level. Divisions of the Group are presented in Segment information. Decisions on risk management are made by the Risk Management Committee of the Bank.

The Bank and the Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-balance sheet loans and advances but the Group also enters into guarantees and other commitments such as letters of credit and other guarantees.

The Group analyses, evaluates, accepts and manages the risk or combination of risks it is exposed to. Risk management at the Group aims at ensuring a sufficient return on equity following the conservative risk management policy. While implementing an advanced risk management policy the Group focuses not only on minimising potential risk but also on improving pricing and achieving efficient capital allocation.

FINANCIAL RISK MANAGEMENT (CONTINUED)

The Risk Management Policy approved by the Council of the Bank as well as by the procedures to manage different types of risks prepared on its basis ensures the integrity of the risk management process in the Group.

The purpose of risk management policy is to define the risks as well as their management principles in the Group's activities. Due to the fact that various risks experienced by the Group are interdependent their management is centralized. Organization and coordination of the experienced risk management system is one of the main goals of the Bank's Risk Management Committee.

The Group reviews its risk management procedures and systems to reflect changes in markets, products and emerging best practice on regular basis, at least annually.

The Group performs self assessment each year. This process analyses types of risks that could potentially arise from banking activities and have material impact to the Group. The most important types of risk the Group is exposed to are credit risk, market risk, liquidity risk, concentration risk, operational risk, IT risk, model risk, compliance risk and ESG risk. Market risk includes currency risk, interest rate and securities price risk. Other types of risk are considered immaterial by the Group and, therefore, are not assessed.

In order to avoid a conflict of interest the Bank's subdivisions that implement risk management functions are separated from those subdivisions the direct activities of which are connected with the up rise of various types of banking risks.

1. Credit risk

Credit risk is defined as the risk for the Group to incur losses due to the Group's customers' failure to fulfil their financial obligations towards the Group. Credit exposures arise principally in lending activities and it is the most significant risk in the Group's banking activities.

There is also credit risk in investment activities that arise from debt securities and in the Group's asset portfolio as well as in the off-balance sheet financial instruments, such as loan commitments, guarantees and letters of credit.

The Bank regularly reviews its credit risk management policies which include lending policies, credit risk limit control, other credit risk mitigation measures as well as the internal control and internal audit of credit risk management.

The Bank's Board has approved the credit risk management policies and procedures which lay down the principles for credit risk management, establish an acceptable level of credit risk and credit risk's structure and determine credit risk mitigation measures and their interaction. This ensures a uniform understanding of the principles for taking on exposure to credit risk and allows achieving consistency with the nature and complexity of the Bank's lending policy and the prudential requirements.

The Bank takes risks only in the fields, which are well known to it and where it has long-term experience, trying to avoid excessive risk in transactions that can have negative influence to the big portion of shareholders' equity but seeks the sufficient profitability which, in terms of increasing competition, would ensure the stable Bank's position in the market and would increase the Bank's value. In assessing exposure to credit risk, the Bank adheres to the principle of prudence.

The Bank's lending policy is focused on small and medium-size business clients, seeking to provide them with the better funding terms and long-term support, at the same time paying attention to Bank's potential to grow.

Large entities are defined as entities employing more than 250 employees. Small and medium size entities are defined as entities employing less than 250 employees and the balance sheet total does not exceed EUR 43 million or annual turnover does not exceed EUR 50 million.

New types of activities or products are launched only after the assessment of the arising risk. All lending products and processes at the Bank are regulated and documented pursuant to the requirements of risk assessment and internal control policy. Special procedures are established with respect to each lending product.

The aim of the Bank's credit risk management policy is to ensure that the conflict between interests of staff or structural units is avoided. With respect to provision of credits to clients, the principle stating that profit should not be earned at the expense of excessive credit risk is observed.

The Bank's credit risk management policy is based on the best practice in risk management of other banks. Therefore, the Bank's employees continuously enhance their knowledge of credit risk management systems of Lithuanian and foreign banks and the results of their application.

1.1. Credit risk measurement

(a) Loans and receivables

The Bank applies credit risk management measures, which could be divided into two types:
1) Measures that help to avoid decisions to grant unsecured loans;
2) Measures ensuring the effective monitoring system of the Bank's asset quality.

Measures that help to avoid decisions to grant unwarrantably risky credits include:
1) Multi-stage decision-making and its approval system;
2) Risk allocation among structural levels – limit establishment;
3) Security measures for credit repayment (collateral).

Multi-stage decision-making and its approval system has an aim not to make one-man decisions regarding credit granting by authorized persons but to make them be discussed by the collegial bodies of the Bank and, as the case may be, by the Bank's Loan Committee, the Bank's Board or Council. There are certain limits to authorized persons established regarding credit granting implementation as well as approval limits to collegial bodies. Limit establishment depends on the authorized persons' qualification, experience and the effectiveness of their managed branches; while in the Branch Committees and the Bank Loan Committee the attention is paid to the Committee members' qualification, experience and economic activity of the region, where the branch is located, the quality of loan portfolio and other factors.

It is very important to precisely analyse all the information about the customer before granting the credit. The goal of credit analysis is to do the best in evaluating the customer's status and prospects in the field where he/she provides his/her goods or services. The repayment of credits granted by the Bank must be enough secure in order to minimize possible credit repayment risks. A security measure has to be chosen in accordance with the credit type. Providing credit first of all the Bank analyses the borrower's financial capacity and credit repayment possibilities from the borrower's cash flows.

Credit administration and constant credit monitoring is the main principle in the Bank's security and reliability maintenance. The proper credit administration includes the timely updating of the borrower's credit file, providing with the latest financial information, the timely introduction of latest financial information to the database and preparation of the various documents and their amendments.

The Bank's Credit Risk Department collects and, if necessary, provides to responsible managerial personnel information on external conditions, the growth of the credit portfolio and fulfilment of targeted profit, expenses associated with risks, the largest amounts due from clients, distribution of credits by the type of economic activity, repayment terms past due, the largest clients with default possibilities, analysis of the credit portfolio by risk groups, changes in risk groups over a certain time period.

The Bank establishes and implements the procedures, improves information systems for monitoring separate credits as well as loan portfolio. These procedures include the criteria for early indication of potentially impaired loans and other transactions.

(b) Debt securities

Credit risk exposures with respect to debt securities are managed by carrying out counterparty analysis when decision for acquisition of securities is made. The concentration risk together with lending exposure arising from debt securities portfolio is analysed and monitored on a regular basis by the Risk Management Committee of the Bank.

(c) Credit-related commitments

Other credit-related commitments assumed by the Group include guarantees, letters of documentary credit, commitments to grant a credit which expose the Group to the same credit risk as the loans do. The key aim of these instruments is to ensure that funds are available to a customer as required. The above guarantees and letters of documentary credit are usually collateralised by clients' funds in the Bank accounts. With regards to commitments to grant credit the Bank is exposed to loss equal to the unused commitment amount.

FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Concentrations

The Group manages, limits and controls concentration of credit risk – in particular, to individual counterparties and groups of the associated counterparties as well as to economic sectors.

In addition to the supervisory requirements to limit the exposures to a single borrower and large exposures, the Group also sets exposure requirement, which to a single borrower may not exceed 15 percent of the Bank's capital. The Bank's Council must approve the higher limits. Prudential maximum exposure requirement to a single borrower is 25 percent. Concentration of credit risk of the Bank is disclosed in Section 1.8. of Financial Risk Management disclosure.

The Group also sets limits to industry segments, i.e. a possible concentration in certain industries at the Group's level is restricted by the internal lending limits. The percentage and volume of lending limits are set for individual industries to ensure that the Group is not overly exposed to any particular economic sector in the country.

The geographical concentration risk is not recognised in the Group's business since the principle of focusing on domestic customers is followed.

Some other specific control and mitigation measures are outlined below.

b) Collateral

The Group mitigates credit risk by taking security for loans granted. The types of collateral considered by the Group as the most acceptable for loans and advances are the following:

- Real estate (mainly residential properties, commercial and industrial real estate);
- Business assets (equipment, inventory, transport vehicles);
- Property rights over financial instruments (debt securities, equities);
- Third party guarantees.

Long-term financing and lending to corporate entities are generally secured; revolving facilities and consumer loans to private individuals are generally unsecured. In order to minimize the credit loss as the impairment indicators for the relevant individual loans and advances are noticed the Group seeks for additional collateral from the counterparty.

While calculating a decrease in value for the loan the repayment of which is secured by the collateral, a cash flow from the security measure is also taken into consideration when determining the LGD factor. If several loans are insured with the same security measure (collateral), such security measure (collateral) is allocated according to rank of the pledge.

Debt securities, treasury and other eligible bills are generally unsecured.

For finance lease receivables the lender remains the owner of the leased object. Therefore, in case of customer's default the lender is able to gain control on the risk mitigation measures and realize them in rather short period.

1.3. Impairment and provisioning policies

a) ECL model used by the Group

Upon assessing impairment losses on loans, due to banks, debt securities at amortized cost and at fair value through other comprehensive income and other assets the Group follows the requirements expected credit loss (ECL) model prescribed in IFRS 9 Financial Instruments. The Group and the Bank carries out valuation of assets on a monthly basis, based on valuation policies approved by the Board of the Bank.

The ECL is measured by the formula:

PD x LGD x EAD = ECL
Where:
PD – probability of default. It represents the likelihood of a borrower on defaulting on its financial obligation;
LGD – loss given default. It represents the extent of loss the Group is likely to incur in case the borrower defaults;
EAD – exposure at default. It represents expected exposure at the time of the default.

The financial assets are grouped into 3 stages:

1) Stage 1 financial assets – no significant increase in credit risk is observed since initial recognition. The Group uses low credit risk exemption and assigns all of the exposures with external investment grade credit rating or exposures with Standard internal credit rating to Stage 1. 12 month PDs apply to Stage 1 exposures;
2) Stage 2 financial assets – significant increase in credit risk is observed since initial recognition. The Group uses multiple criteria to assess whether the credit risk has increased. Main criteria include: credit rating decrease (external credit rating decrease by >=3 notches; internal credit rating decrease by 1 notch), payment delays (>30 days past due financial assets are classified to Stage 2 unless there is observable evidence indicating otherwise), other observable criteria (restructuring, forbearance, inclusion in Watch List, other qualititative factors showing increased credit risk). Lifetime PDs apply to Stage 2 exposures;
3) Stage 3 financial assets – credit-impaired financial assets. Main criteria for inclusion the asset in Stage 3 include: bankruptcy of the customer; termination of the contract; payment delay >90 days; non-performing exposure status by regulatory rules (i.e. the exposure is unlikely to be repaid in full without collateral realisation (irrespective of any past-due amount or of the number of days past-due)); other observable criteria. For Stage 3 exposures, the PD ratio is always equal to 1.

In case observable evidence is available, Group's employees responsible for impairment calculations can rank certain exposures to better or worse stage.

The exposure ceases to be Stage 3 when it no longer meets the criteria for the consecutive period of at least 3 months. It should be noted that some of the regulatory non-performing exposure criteria have their own exit periods, therefore the period for an exposure to be classified out of Stage 3 may actually be longer.

The Group calculates its own PDs for loans to customers, finance lease receivables and other assets and uses PDs published by the rating agencies for debt securities and due to banks.

PDs for loans to customers and finance lease receivables are calculated using the historical data of Group's own lending portfolio. Full approach is applied for finance lease receivables as financial leases are part of Group's main activities. For this purpose, the Group uses migration matrices for the exposures grouped by the economic sector. The Group uses PDs published by rating agencies for debt securities and due from banks. For other financial assets, a simplified model derived from Group's lending data is used.

For loans to customers and finance lease receivables, LGDs are estimated by the Group using the value of collateral available for each exposure individually and discounting by certain ratios over certain period of time. Ratios and recovery periods depend on the type of collateral and are derived from Group's own recovery experience. For consumer financing exposures, the LGDs are estimated on a exposure group level using the ultimate recovery rate historical data. For debt securities and due from banks, LGDs from rating agencies are used.

For lending portfolio, Stage 1 EAD represents the expected exposure value over 12 month period and assumptions on the expected use of the off-balance sheet credit commitments; Stage 2 EAD represents the expected exposure value over the term of the loan and assumptions on the expected use of the off-balance sheet credit commitments. Stage 3 EAD is estimated as the total balance and off-balance sheet exposure. For debt securities, due from banks and other assets, gross exposure value is used as EAD estimate.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

Group’s PD estimates incorporate forward-looking information. The Group transfers its historical (“through the cycle”) data to economic-situation specific (“point-in-time”) data by using models based on the expected economic development scenarios. The economic variables and their associated impact on the PD vary by financial instrument. The impact of economic variables on PD has been determined by performing statistical regression analysis. Expert judgement is also applied in the process.

To include the impact of economic variables, the Group uses 3 economic scenarios (base case, optimistic, pessimistic) that are based on the forecasts published by the institutions that publish economic forecasts (i.e. Bank of Lithuania, Ministry of Finance of Lithuania, etc.) and derives a single scenario based on the probabilities assigned to these scenarios. These probabilities are calibrated by expert judgement of Group’s employees.

The approach to scenario calibration was changed during 2021 – previously, the derivative scenario was composed out of 4 scenarios (base case, optimistic, pessimistic and stressed) and was calibrated aiming so that the derivative scenario would align to the base case forecasts published by the institutions. In approach used in 2021, base case scenario for GDP, inflation, unemployment rate and wage changes are align to the base case forecasts published by the institutions and optimistic and pessimistic scenarios as well as scenario probabilities are calibrated by expert judgement of Group’s employees.

The most significant assumptions used for the ECL estimates as at 31 December 2021 are presented in the tables below:

	GDP growth	Change in agricultural production	Unemployment	Inflation	Change in manufacturing output	Change in housing prices	Change in freight	Change in salaries
At 31 December 2021:								
Base scenario	3.60 %	-1.80 %	6.7 %	5.10 %	17.40 %	2.12 %	7.55 %	8.20 %
Pessimistic scenario	1.10 %	-5.98 %	8.00 %	2.60 %	-1.80 %	-15.20 %	-3.30 %	4.00 %
Optimistic scenario	3.80 %	9.10 %	6.40 %	7.60 %	17.40 %	9.60 %	12.20 %	8.20 %

Scenario probabilities and weighted average GDP growth:

	2022		2023		2024		2025		2026	
At 31 December 2021:	*BVP*	*Tikimybė*	*BVP*	*Tikimybė*	*BVP*	*Tikimybė*	*BVP*	*Tikimybė*	*BVP*	*Tikimybė*
Base scenario	3.60 %	50 %	3.50 %	50 %	3.50 %	50 %	2.40 %	50 %	2.40 %	50 %
Pessimistic scenario	1.10 %	45 %	1.10 %	45 %	1.10 %	45 %	1.10 %	45 %	1.10 %	45 %
Optimistic scenario	3.80 %	5 %	3.80 %	5 %	3.80 %	5 %	3.80 %	5 %	3.80 %	5 %
Weighted average GDP growth	2.49%		2.44%		2.44%		1.89%		1.89%	

The most significant assumptions used for the ECL estimates as at 31 December 2020 are presented in the tables below:

	GDP growth	Change in agricultural production	Unemployment	Inflation	Change in manufacturing output	Change in housing prices	Change in freight	Change in salaries
At 31 December 2020:								
Base scenario	-4.00%	1.20%	8.5%-9.3%	-0.06%-0.10%	0.60%	7.00%	-4.12%	4.00%
Pessimistic scenario	-6.60%	-5.98%	17.40%-17.83%	-0.28%-0.96%	-2.80%	-15.20%	-8.34%	0.05%
Optimistic scenario	5.88%	9.10%	6.18%-6.20%	-0.08%-1.18%	10.90%	9.60%	12.20%	4.70%
Stressed scenario	-15.30%	-16.30%	18.20%	-0.90%-3.00%	-10.30%	-31.10%	-13.10%	-3.90%

Scenario probabilities and weighted average GDP growth:

	2021		2022		2023		2024		2025	
At 31 December 2020:	*BVP*	*Tikimybė*	*BVP*	*Tikimybė*	*BVP*	*Tikimybė*	*BVP*	*Tikimybė*	*BVP*	*Tikimybė*
Base scenario	-4.00%	21%	-4.00%	19%	-4.00%	-4.00 %	-4.00 %	21 %	-4.00 %	22 %
Pessimistic scenario	-6.60%	10%	-6.60%	5%	-6.60%	-6.60 %	-6.60 %	5 %	-6.60 %	5 %
Optimistic scenario	5.88%	66%	5.88%	75%	5.88%	5.88 %	5.88 %	73 %	5.88 %	72 %
Stressed scenario	-15.30%	3%	-15.30%	1%	-15.30%	-15.30 %	-15.30 %	1 %	-15.30 %	1 %
Weighted average GDP growth	1.9%		3.2%		3.1%		3.0%		2.9%	

(All amounts are in EUR thousand, unless otherwise stated)

The assumptions underlying ECL calculations are subject to frequent review, the models used in ECL calculation are back tested against the actual performance data. In case of need, changes are made to the models. In 2021, the scenario composition approach was changed (previously, probabilities were assigned to 4 scenarios in a way that the resulting scenario would match the dominant base case forecast by the institutions; currently, scenarios based on those published by the institutions are assigned probabilities by Group's employees judgement). EAD calculation models were revised in 2021 (likely usage off-balance sheet commitments was added to Stage 1 EAD calculation, Stage 2 EAD calculation was modified to include the average gross value of the loan through its lifetime instead of gross value at the moment of calculation; forward looking information inclusion in PD calculation models principles were revised; LGD models were revised to include forward looking information on the recovery prices, estimated recovery costs and a possibility of unsuccessful recovery. In 2020, as a response to the rapidly changing situation, the frequency of model parameters review was changed from annual to quarterly. In 2020, changes were made to the staging criteria (aligning with the supervisory guidelines, additional scenarios for assignment of loans to Stage 2 and Stage 3 were introduced: for Stage 2, additional scenarios including the inclusion in Watch List and loan modifications due to financial difficulties of the borrower were included; for Stage 3, additional scenarios for assessment of unlikeliness to pay were introduced).

b) Impairment loss sensitivity

The most significant assumptions affected the estimated ECL allowance are GDP, given the significant impact on the borrowers performance; real estate price level, given the significant impact on the collateral values and consumer financing portfolio recovery rates, given the significant impact on the ultimate recoveries of the unsecured borrowings. The table below provides an sensitivity analysis of the above factors.

		2021		2020
	Group	Bank	Group	Bank
Scenario 1: GDP growth increases by 0.5 p.p.	ECL decreases by EUR 323 thousand, equity increases by EUR 258 thousand	ECL decreases by EUR 323 thousand, equity increases by EUR 258 thousand	ECL decreases by EUR 396 thousand, equity increases by EUR 317 thousand	ECL decreases by EUR 349 thousand, equity increases by EUR 279 thousand
Scenario 2: GDP growth decreases by 0.5 p.p.	ECL increases by EUR 323 thousand, equity decreases by 258 thousand	ECL increases by EUR 323 thousand, equity decreases by EUR 258 thousand	ECL increases by EUR 552 thousand, equity decreases by 442 thousand	ECL increases by EUR 520 thousand, equity decreases by EUR 416 thousand
Scenario 3: real estate prices increase by 5%	ECL decreases by EUR 776 thousand, equity increases by EUR 621 thousand	ECL decreases by EUR 776 thousand, equity increases by EUR 621 thousand	ECL decreases by EUR 2,312 thousand, equity increases by EUR 1,850 thousand	ECL decreases by EUR 2,312 thousand, equity increases by EUR 1,850 thousand
Scenario 4: real estate prices decrease by 5%	ECL increases by EUR 679 thousand, equity decreases by EUR 543 thousand	ECL increases by EUR 679 thousand, equity decreases by EUR 543 thousand	ECL increases by EUR 2,579 thousand, equity decreases by EUR 2,063 thousand	ECL increases by EUR 2,579 thousand, equity decreases by EUR 2,063 thousand
Scenario 5: consumer financing portfolio recoveries increase by 5 p.p.	ECL decreases by EUR 776 thousand, equity increases by EUR 621 thousand	ECL decreases by EUR 14 thousand, equity increases by EUR 11 thousand	ECL decreases by EUR 834 thousand, equity increases by EUR 667 thousand	ECL decreases by EUR 49 thousand, equity increases by EUR 39 thousand
Scenario 6: consumer financing portfolio recoveries decrease by 5 p.p.	ECL increases by EUR 776 thousand, equity decreases by EUR 621 thousand	ECL increases by EUR 14 thousand, equity decreases by EUR 11 thousand	ECL increases by EUR 740 thousand, equity decreases by EUR 592 thousand	ECL increases by EUR 42 thousand, equity decreases by EUR 34 thousand

c) write-offs

The accumulated write-offs, including any amount constituting legal claims to the borrowers even if those amounts were never recognized on the balance sheet (the most common example of such cases is the difference between gross value and acquisition value of credit-impaired loans acquired by the Group) is presented in the table below:

		2021		2020
	Group	Bank	Group	Bank
Total accumulated write-offs subject to enforcement	**81,589**	**81,111**	**99,798**	**98,697**
of which: amounts written-off during the year subject to enforcement	3,426	3,220	825	642

(All amounts are in EUR thousand, unless otherwise stated)

1.4. Maximum exposure to credit risk before collateral held or other credit enhancements

		2021		2020
	Group	**Bank**	**Group**	**Bank**
Cash equivalents:	**898,862**	**897,988**	**363,088**	**362,251**
Balances in bank correspondent accounts	31,068	30,194	13,107	12,270
Placements with Central Bank	867,794	867,794	349,981	349,981
Loans and advances to banks	**1,196**	**1,196**	**1,598**	**1,598**
Loans and advances to customers:	**1,908,681**	**1,889,629**	**1,605,663**	**1,592,363**
Loans and advances to financial institutions	6,947	124,816	4,747	107,442
Loans to individuals (Retail):	690,008	553,087	545,188	424,419
Consumer loans	143,462	6,541	133,517	12,748
Mortgages	455,126	455,126	297,140	297,140
Other (reverse repurchase agreements, other loans backed by securities, other)	91,420	91,420	114,531	114,531
Loans to business customers:	1,211,726	1,211,726	1,055,728	1,060,502
Large corporates	127,772	127,772	109,695	109,695
SME	947,985	947,985	829,759	834,533
Central and local authorities, administrative bodies and other	135,969	135,969	116,274	116,274
Finance lease receivables	**195,174**	**194,909**	**155,457**	**155,290**
Individuals	26,630	26,630	26,308	26,308
Business customers	168,544	168,279	129,149	128,982
Securities in the trading book:				
Debt securities in the trading book	20,454	14,622	14,540	8,844
Derivative financial instruments	**2,121**	**2,121**	**445**	**445**
Investment securities at fair value				
Debt securities at fair value through other comprehensive income	78,126	78,126	30,429	30,429
Investment securities at amortized cost				
Debt securities at amortized cost	705,398	692,226	709,454	697,136
Other financial assets	**16,398**	**16,271**	**4,695**	**4,278**
Credit risk exposures relating to off –balance sheet items are as follows:				
Financial guarantees	52,931	52,992	48,790	48,851
Letters of credit	1,308	1,308	3,522	3,522
Loan commitments and other credit related liabilities	397,225	407,440	281,765	300,768
At 31 December	**4,277,874**	**4,248,828**	**3,219,446**	**3,205,775**

The table above represents a worst case scenario of credit risk exposure at 31 December 2021 and 2020, without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures presented above are net carrying amount as reported in the balance sheet.

1.5. Loans to customers

Loans to customers are summarised as follows:

		2021		2020
	Group	**Bank**	**Group**	**Bank**
Gross loans to customers	1,944,377	1,917,766	1,648,446	1,630,184
Allowance for loan impairment	(35,696)	(28,137)	(42,783)	(37,821)
Net loans to customers	**1,908,681**	**1,889,629**	**1,605,663**	**1,592,363**

During the year ended 31 December 2021, the Group's gross loans and advances increased by 18%. The Group's total impairment provision for loans and advances amounts to EUR 35.696 thousand (2020: EUR 42.783 thousand) and it accounts for 1.84% of the respective portfolio (2020: 2.60%).

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit grades

The Group and the Bank examines the potential borrower's financial performance before issuing a loan and monitors any development in financial performance during the whole loan service period. The Group and the Bank evaluates the borrower's financial performance at least annually. Consumer loans to individuals are assessed based on application scorings when decision is made. After they are granted they are monitored based on their past due status.

The Bank uses internal grade system that has 11 internal grades (1 – best, 11 – worst). During the first quarter of 2021, internal credit rating procedures were enhanced: an updated legal customer financial status methodology was implemented. Main change in the methodology – increased number of grades: there were 5 internal grades under previous methodology, updated methodology has 11 grades. This allows for more granular assessment of borrowers. Clear links between internal credit grades and credit stages have been established – exposures assigned to internal credit rating grades 7 – 9 are in credit stage 2, exposures assigned internal grades 10 – 11 are in credit stage 3.

								Group loans to customers
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	1,367,332	42,311	1,118	1,410,761	921,688	86,434	4,455	1,012,577
Watch	173,164	74,411	476	248,051	284,083	142,037	50,774	476,894
Substandard	101,949	118,552	5,088	225,589	76,797	23,379	17,230	117,406
Problem	6	335	59,636	59,977	14	-	41,555	41,569
Gross	**1,642,451**	**235,609**	**66,318**	**1,944,378**	**1,282,582**	**251,850**	**114,014**	**1,648,446**
Less: allowance for impairment	(12,468)	(3,911)	(19,318)	(35,697)	(7,574)	(6,989)	(28,220)	(42,783)
Net	**1,629,983**	**231,698**	**47,000**	**1,908,681**	**1,275,008**	**244,861**	**85,794**	**1,605,663**

								Bank loans to customers
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	1,354,300	159,981	1,034	1,515,315	1,007,658	86,057	4,328	1,098,043
Watch	148,178	73,902	177	222,257	259,774	141,358	55,205	456,337
Substandard	3,190	115,762	1,286	120,238	526	20,155	13,577	34,258
Problem	6	335	59,615	59,956	14	-	41,532	41,546
Gross	**1,505,674**	**349,980**	**62,112**	**1,917,766**	**1,267,972**	**247,570**	**114,642**	**1,630,184**
Less: allowance for impairment	(8,275)	(2,659)	(17,204)	(28,138)	(3,826)	(5,435)	(28,560)	(37,821)
Net	**1,497,399**	**347,321**	**44,908**	**1,889,628**	**1,264,146**	**242,135**	**86,082**	**1,592,363**

								Group loans to indiduals (retail)
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	550,733	6,044	1,118	557,895	426,232	5,562	1,037	432,831
Watch	28,711	2,355	476	31,542	28,799	4,414	450	33,663
Substandard	99,364	4,721	5,088	109,173	76,537	4,466	6,908	87,911
Problem	-	-	1,217	1,217	-	-	1,842	1,842
Gross	**678,808**	**13,120**	**7,899**	**699,827**	**531,568**	**14,442**	**10,237**	**556,247**
Less: allowance for impairment	(5,575)	(1,357)	(2,887)	(9,819)	(5,690)	(1,847)	(3,522)	(11,059)
Net	**673,233**	**11,763**	**5,012**	**690,008**	**525,878**	**12,595**	**6,715**	**545,188**

								Bank loans to indiduals (retail)
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	537,700	5,846	1,034	544,580	409,463	5,185	909	415,557
Watch	3,725	1,846	177	5,748	2,284	3,735	171	6,190
Substandard	605	1,931	1,286	3,822	266	1,242	2,790	4,298
Problem	-	-	1,196	1,196	-	-	1,820	1,820
Gross	**542,030**	**9,623**	**3,693**	**555,346**	**412,013**	**10,162**	**5,690**	**427,865**
Less: allowance for impairment	(1,382)	(105)	(773)	(2,260)	(1,961)	(294)	(1,191)	(3,446)
Net	**540,648**	**9,518**	**2,920**	**553,086**	**410,052**	**9,868**	**4,499**	**424,419**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

Group loans to indiduals (retail): Consumer loans

	Stage 1	Stage 2	Stage 3	2021 Total	Stage 1	Stage 2	Stage 3	2020 Total
Standard	19,525	375	125	20,025	29,514	654	256	30,424
Watch	24,996	513	299	25,808	26,542	687	279	27,508
Substandard	98,764	2,790	3,809	105,363	76,272	3,224	4,128	83,624
Problem	-	-	71	71	-	-	53	53
Gross	**143,285**	**3,678**	**4,304**	**151,267**	**132,328**	**4,565**	**4,716**	**141,609**
Less: allowance for impairment	(4,336)	(1,288)	(2,181)	(7,805)	(4,047)	(1,621)	(2,424)	(8,092)
Net	**138,949**	**2,390**	**2,123**	**143,462**	**128,281**	**2,944**	**2,292**	**133,517**

Bank loans to indiduals (retail): Consumer loans

	Stage 1	Stage 2	Stage 3	2021 Total	Stage 1	Stage 2	Stage 3	2020 Total
Standard	6,494	176	40	6,710	12,745	277	128	13,150
Watch	10	4	-	14	27	8	-	35
Substandard	6	-	6	12	1	-	10	11
Problem	-	-	71	71	-	-	52	52
Gross	**6,510**	**180**	**117**	**6,807**	**12,773**	**285**	**190**	**13,248**
Less: allowance for impairment	(143)	(36)	(88)	(267)	(318)	(68)	(114)	(500)
Net	**6,367**	**144**	**29**	**6,540**	**12,455**	**217**	**76**	**12,748**

Group loans to indiduals (retail): Mortgages

	Stage 1	Stage 2	Stage 3	2021 Total	Stage 1	Stage 2	Stage 3	2020 Total
Standard	443,015	5,016	819	448,850	286,074	4,518	641	291,233
Watch	1,550	1,449	163	3,162	1,457	1,165	129	2,751
Substandard	527	1,760	781	3,068	218	1,240	1,882	3,340
Problem	-	-	996	996	-	-	1,240	1,240
Gross	**445,092**	**8,225**	**2,759**	**456,076**	**287,749**	**6,923**	**3,892**	**298,564**
Less: allowance for impairment	(448)	(59)	(443)	(950)	(578)	(181)	(665)	(1,424)
Net	**444,644**	**8,166**	**2,316**	**455,126**	**287,171**	**6,742**	**3,227**	**297,140**

Bank loans to indiduals (retail): Mortgages

	Stage 1	Stage 2	Stage 3	2021 Total	Stage 1	Stage 2	Stage 3	2020 Total
Standard	443,013	5,017	820	448,850	286,074	4,518	641	291,233
Watch	1,550	1,449	163	3,162	1,457	1,165	129	2,751
Substandard	527	1,760	781	3,068	218	1,240	1,882	3,340
Problem	-	-	996	996	-	-	1,240	1,240
Gross	**445,090**	**8,226**	**2,760**	**456,076**	**287,749**	**6,923**	**3,892**	**298,564**
Less: allowance for impairment	(448)	(59)	(443)	(950)	(578)	(181)	(665)	(1,424)
Net	**444,642**	**8,167**	**2,317**	**455,126**	**287,171**	**6,742**	**3,227**	**297,140**

Group loans to individuals (retail): Other

	Stage 1	Stage 2	Stage 3	2021 Total	Stage 1	Stage 2	Stage 3	2020 Total
Standard	88,193	653	174	89,020	110,644	390	140	111,174
Watch	2,165	393	14	2,572	800	2,562	42	3,404
Substandard	73	171	498	742	47	2	898	947
Problem	-	-	150	150	-	-	549	549
Gross	**90,431**	**1,217**	**836**	**92,484**	**111,491**	**2,954**	**1,629**	**116,074**
Less: allowance for impairment	(791)	(10)	(263)	(1,064)	(1,065)	(45)	(433)	(1,543)
Net	**89,640**	**1,207**	**573**	**91,420**	**110,426**	**2,909**	**1,196**	**114,531**

Bank loans to individuals (retail): Other

	Stage 1	Stage 2	Stage 3	2021 Total	Stage 1	Stage 2	Stage 3	2020 Total
Standard	88,193	653	174	89,020	110,644	390	140	111,174
Watch	2,165	393	14	2,572	800	2,562	42	3,404
Substandard	72	171	499	742	47	2	898	947
Problem	-	-	129	129	-	-	528	528
Gross	**90,430**	**1,217**	**816**	**92,463**	**111,491**	**2,954**	**1,608**	**116,053**
Less: allowance for impairment	(791)	(10)	(242)	(1,043)	(1,065)	(45)	(412)	(1,522)
Net	**89,639**	**1,207**	**574**	**91,420**	**110,426**	**2,909**	**1,196**	**114,531**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

Group loans to financial institutions								
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	3,210	3,819	-	7,029	14	4,827	-	4,841
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Problem	-	-	-	-	-	-	-	-
Gross	**3,210**	**3,819**	**-**	**7,029**	**14**	**4,827**	**-**	**4,841**
Less: allowance for impairment	(64)	(18)	-	(82)	-	(94)	-	(94)
Net	**3,146**	**3,801**	**-**	**6,947**	**14**	**4,733**	**-**	**4,747**

Bank loans to financial institutions								
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	3,211	121,687	-	124,898	102,709	4,827	-	107,536
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Problem	-	-	-	-	-	-	-	-
Gross	**3,211**	**121,687**	**-**	**124,898**	**102,709**	**4,827**	**-**	**107,536**
Less: allowance for impairment	(64)	(18)	-	(82)	-	(94)	-	(94)
Net	**3,147**	**121,669**	**-**	**124,816**	**102,709**	**4,733**	**-**	**107,442**

Group loans to business customers								
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	813,389	32,448	-	845,837	495,442	76,045	3,418	574,905
Watch	144,453	72,056	-	216,509	255,284	137,623	50,324	443,231
Substandard	2,585	113,831	-	116,416	260	18,913	10,322	29,495
Problem	6	335	58,419	58,760	14	-	39,713	39,727
Gross	**960,433**	**218,670**	**58,419**	**1,237,522**	**751,000**	**232,581**	**103,777**	**1,087,358**
Less: allowance for impairment	(6,829)	(2,536)	(16,431)	(25,796)	(1,884)	(5,048)	(24,698)	(31,630)
Net	**953,604**	**216,134**	**41,988**	**1,211,726**	**749,116**	**227,533**	**79,079**	**1,055,728**

Bank loans to business customers								
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	813,389	32,448	-	845,837	495,486	76,045	3,419	574,950
Watch	144,453	72,056	-	216,509	257,490	137,623	55,034	450,147
Substandard	2,585	113,831	-	116,416	260	18,913	10,787	29,960
Problem	6	335	58,419	58,760	14	-	39,712	39,726
Gross	**960,433**	**218,670**	**58,419**	**1,237,522**	**753,250**	**232,581**	**108,952**	**1,094,783**
Less: allowance for impairment	(6,829)	(2,536)	(16,431)	(25,796)	(1,865)	(5,047)	(27,369)	(34,281)
Net	**953,604**	**216,134**	**41,988**	**1,211,726**	**751,385**	**227,534**	**81,583**	**1,060,502**

Group loans to business customers: Large corporates								
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	89,073	4,392	-	93,465	55,787	40,158	-	95,945
Watch	(1)	16,987	-	16,986	11,432	2,265	327	14,024
Substandard	2,586	14,365	-	16,951	-	-	1,529	1,529
Problem	-	-	1,925	1,925	-	-	-	-
Gross	**91,658**	**35,744**	**1,925**	**129,327**	**67,219**	**42,423**	**1,856**	**111,498**
Less: allowance for impairment	(537)	(140)	(878)	(1,555)	(627)	(885)	(291)	(1,803)
Net	**91,121**	**35,604**	**1,047**	**127,772**	**66,592**	**41,538**	**1,565**	**109,695**

Bank loans to business customers: Large corporates								
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	89,073	4,392	-	93,465	55,787	40,158	-	95,945
Watch	(1)	16,987	-	16,986	11,432	2,265	327	14,024
Substandard	2,586	14,365	-	16,951	-	-	1,529	1,529
Problem	-	-	1,925	1,925	-	-	-	-
Gross	**91,658**	**35,744**	**1,925**	**129,327**	**67,219**	**42,423**	**1,856**	**111,498**
Less: allowance for impairment	(537)	(140)	(878)	(1,555)	(627)	(885)	(291)	(1,803)
Net	**91,121**	**35,604**	**1,047**	**127,772**	**66,592**	**41,538**	**1,565**	**109,695**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

Group loans to business customers: SME

	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Standard	592,410	26,465	-	618,875	328,644	35,905	3,418	367,967
Watch	144,359	55,052	-	199,411	240,917	133,798	49,997	424,712
Substandard	(1)	97,371	-	97,370	260	18,838	7,336	26,434
Problem	6	335	55,029	55,370	14	-	39,662	39,676
Gross	**736,774**	**179,223**	**55,029**	**971,026**	**569,835**	**188,541**	**100,413**	**858,789**
Less: allowance for impairment	(5,866)	(2,321)	(14,854)	(23,041)	(1,155)	(4,136)	(23,739)	(29,030)
Net	**730,908**	**176,902**	**40,175**	**947,985**	**568,680**	**184,405**	**76,674**	**829,759**

Bank loans to business customers: SME

	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Standard	592,410	26,465	-	618,875	328,688	35,905	3,419	368,012
Watch	144,359	55,052	-	199,411	243,123	133,798	54,707	431,628
Substandard	(1)	97,371	-	97,370	260	18,838	7,801	26,899
Problem	6	335	55,029	55,370	14	-	39,661	39,675
Gross	**736,774**	**179,223**	**55,029**	**971,026**	**572,085**	**188,541**	**105,588**	**866,214**
Less: allowance for impairment	(5,866)	(2,321)	(14,854)	(23,041)	(1,136)	(4,135)	(26,410)	(31,681)
Net	**730,908**	**176,902**	**40,175**	**947,985**	**570,949**	**184,406**	**79,178**	**834,533**

Group loans to business customers: Central and local authorities and other

	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Standard	131,906	1,591	-	133,497	111,011	(18)	-	110,993
Watch	95	17	-	112	2,935	1,560	-	4,495
Substandard	-	2,095	-	2,095	-	75	1,457	1,532
Problem	-	-	1,465	1,465	-	-	51	51
Gross	**132,001**	**3,703**	**1,465**	**137,169**	**113,946**	**1,617**	**1,508**	**117,071**
Less: allowance for impairment	(426)	(75)	(699)	(1,200)	(102)	(27)	(668)	(797)
Net	**131,575**	**3,628**	**766**	**135,969**	**113,844**	**1,590**	**840**	**116,274**

Bank loans to business customers: Central and local authorities and other

	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Standard	131,906	1,591	-	133,497	111,011	(18)	-	110,993
Watch	95	17	-	112	2,935	1,560	-	4,495
Substandard	-	2,095	-	2,095	-	75	1,457	1,532
Problem	-	-	1,465	1,465	-	-	51	51
Gross	**132,001**	**3,703**	**1,465**	**137,169**	**113,946**	**1,617**	**1,508**	**117,071**
Less: allowance for impairment	(426)	(75)	(699)	(1,200)	(102)	(27)	(668)	(797)
Net	**131,575**	**3,628**	**766**	**135,969**	**113,844**	**1,590**	**840**	**116,274**

For analysis of debt securities according to the credit quality see Notes 12 and 15.

b) Payment delays

The tables below provide an analysis of loans and advances to customers by payment delays. The Group considers a loan to be past due when the following criteria are met: for loans to individuals – overdue amount is higher than the lower of EUR 100 or 1% of total exposure; for loans to business customers – overdue amount is higher than the lower of EUR 500 or 1% of total exposure.

Group loans to customers

	2021				2020			
	1 stadija	**2 stadija**	**3 stadija**	**Iš viso**	**1 stadija**	**2 stadija**	**3 stadija**	**Iš viso**
Not past due	1,598,066	220,436	28,330	1,846,832	1,258,359	241,212	61,509	1,561,080
Past due up to 30 days	43,495	8,966	17,334	69,795	23,914	5,152	6,798	35,864
Past due 31-90 days	888	6,208	2,936	10,032	309	5,486	3,206	9,001
Past due more than 90 days	-	-	17,718	17,718	-	-	42,501	42,501
Gross	**1,642,449**	**235,610**	**66,318**	**1,944,377**	**1,282,582**	**251,850**	**114,014**	**1,648,446**
Less: allowance for impairment	(12,467)	(3,911)	(19,318)	(35,696)	(7,574)	(6,989)	(28,220)	(42,783)
Net	**1,629,982**	**231,699**	**47,000**	**1,908,681**	**1,275,008**	**244,861**	**85,794**	**1,605,663**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

								Bank loans to customers
				2021				2020
	1 stadija	2 stadija	3 stadija	Iš viso	1 stadija	2 stadija	3 stadija	Iš viso
Not past due	1,474,265	338,305	27,006	1,839,576	1,256,602	241,212	65,493	1,563,307
Past due up to 30 days	30,785	8,966	16,557	56,308	11,356	5,152	6,020	22,528
Past due 31-90 days	623	2,710	1,471	4,804	14	1,206	1,732	2,952
Past due more than 90 days	-	-	17,078	17,078	-	-	41,397	41,397
Gross	**1,505,673**	**349,981**	**62,112**	**1,917,766**	**1,267,972**	**247,570**	**114,642**	**1,630,184**
Less: allowance for impairment	(8,274)	(2,659)	(17,204)	(28,137)	(3,826)	(5,435)	(28,560)	(37,821)
Net	**1,497,399**	**347,322**	**44,908**	**1,889,629**	**1,264,146**	**242,135**	**86,082**	**1,592,363**

								Group loans to individuals (retail)
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	650,343	6,797	2,719	659,859	515,928	9,472	4,169	529,569
Past due up to 30 days	27,891	804	1,282	29,977	15,331	123	1,262	16,716
Past due 31-90 days	571	5,521	2,139	8,231	309	4,847	2,014	7,170
Past due more than 90 days	-	-	1,759	1,759	-	-	2,792	2,792
Gross	**678,805**	**13,122**	**7,899**	**699,826**	**531,568**	**14,442**	**10,237**	**556,247**
Less: allowance for impairment	(5,574)	(1,357)	(2,887)	(9,818)	(5,690)	(1,847)	(3,522)	(11,059)
Net	**673,231**	**11,765**	**5,012**	**690,008**	**525,878**	**12,595**	**6,715**	**545,188**

								Bank loans to individuals (retail)
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	526,542	6,797	1,395	534,734	409,226	9,472	2,978	421,676
Past due up to 30 days	15,181	804	505	16,490	2,773	123	484	3,380
Past due 31-90 days	306	2,023	674	3,003	14	567	540	1,121
Past due more than 90 days	-	-	1,119	1,119	-	-	1,688	1,688
Gross	**542,029**	**9,624**	**3,693**	**555,346**	**412,013**	**10,162**	**5,690**	**427,865**
Less: allowance for impairment	(1,381)	(105)	(773)	(2,259)	(1,961)	(294)	(1,191)	(3,446)
Net	**540,648**	**9,519**	**2,920**	**553,087**	**410,052**	**9,868**	**4,499**	**424,419**

								Group loans to financial institutions
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	3,211	3,818	-	7,029	14	4,827	-	4,841
Past due up to 30 days	-	-	-	-	-	-	-	-
Past due 31-90 days	-	-	-	-	-	-	-	-
Past due more than 90 days	-	-	-	-	-	-	-	-
Gross	**3,211**	**3,818**	**-**	**7,029**	**14**	**4,827**	**-**	**4,841**
Less: allowance for impairment	(64)	(18)	-	(82)	-	(94)	-	(94)
Net	**3,147**	**3,800**	**-**	**6,947**	**14**	**4,733**	**-**	**4,747**

								Bank loans to financial institutions
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	3,211	121,687	-	124,898	102,709	4,827	-	107,536
Past due up to 30 days	-	-	-	-	-	-	-	-
Past due 31-90 days	-	-	-	-	-	-	-	-
Past due more than 90 days	-	-	-	-	-	-	-	-
Gross	**3,211**	**121,687**	**-**	**124,898**	**102,709**	**4,827**	**-**	**107,536**
Less: allowance for impairment	(64)	(18)	-	(82)	-	(94)	-	(94)
Net	**3,147**	**121,669**	**-**	**124,816**	**102,709**	**4,733**	**-**	**107,442**

								Group loans to business customers
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	944,512	209,821	25,611	1,179,944	742,417	226,913	57,340	1,026,670
Past due up to 30 days	15,604	8,162	16,052	39,818	8,583	5,029	5,536	19,148
Past due 31-90 days	317	687	797	1,801	-	639	1,192	1,831
Past due more than 90 days	-	-	15,959	15,959	-	-	39,709	39,709
Gross	**960,433**	**218,670**	**58,419**	**1,237,522**	**751,000**	**232,581**	**103,777**	**1,087,358**
Less: allowance for impairment	(6,829)	(2,536)	(16,431)	(25,796)	(1,884)	(5,048)	(24,698)	(31,630)
Net	**953,604**	**216,134**	**41,988**	**1,211,726**	**749,116**	**227,533**	**79,079**	**1,055,728**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

								Bank loans to business customers
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	944,512	209,821	25,611	1,179,944	744,667	226,913	62,515	1,034,095
Past due up to 30 days	15,604	8,162	16,052	39,818	8,583	5,029	5,536	19,148
Past due 31-90 days	317	687	797	1,801	-	639	1,192	1,831
Past due more than 90 days	-	-	15,959	15,959	-	-	39,709	39,709
Gross	**960,433**	**218,670**	**58,419**	**1,237,522**	**753,250**	**232,581**	**108,952**	**1,094,783**
Less: allowance for impairment	(6,829)	(2,536)	(16,431)	(25,796)	(1,865)	(5,047)	(27,369)	(34,281)
Net	**953,604**	**216,134**	**41,988**	**1,211,726**	**751,385**	**227,534**	**81,583**	**1,060,502**

c) Stage 3 loans and advances to customers

The breakdown of the gross amount of Stage 3 loans and advances by class, along with the fair value of related collateral held by the Group and the Bank as security is as follows:

31 December 2021

				Group				Bank
	Gross value	Allowance for impairment	Net value	Fair value of collateral	Gross value	Allowance for impairment	Net value	Fair value of collateral
Loans and advances to financial institutions	-	-	-	-	-	-	-	-
Loans to individuals (Retail):	7,899	(2,887)	5,012	3,497	3,693	(773)	2,920	3,497
Consumer loans	4,304	(2,181)	2,123	14	117	(88)	29	14
Mortgages	2,759	(443)	2,316	2,687	2,760	(443)	2,317	2,687
Other	836	(263)	573	796	816	(242)	574	796
Loans to business customers:	58,419	(16,431)	41,988	55,130	58,419	(16,431)	41,988	55,130
Large corporates	1,925	(878)	1,047	1,925	1,925	(878)	1,047	1,925
SME	55,029	(14,854)	40,175	51,740	55,029	(14,854)	40,175	51,740
Central and local authorities, administrative bodies and other	1,465	(699)	766	1,465	1,465	(699)	766	1,465
Total loans to customers	**66,318**	**(19,318)**	**47,000**	**58,627**	**62,112**	**(17,204)**	**44,908**	**58,627**

31 December 2020

				Group				Bank
	Gross value	Allowance for impairment	Net value	Fair value of collateral	Gross value	Allowance for impairment	Net value	Fair value of collateral
Loans and advances to financial institutions	-	-	-	-	-	-	-	-
Loans to individuals (Retail):	10,237	(3,522)	6,715	5,254	5,690	(1,191)	4,499	5,254
Consumer loans	4,716	(2,424)	2,292	32	190	(114)	76	32
Mortgages	3,892	(665)	3,227	3,742	3,892	(665)	3,227	3,742
Other	1,629	(433)	1,196	1,480	1,608	(412)	1,196	1,480
Loans to business customers:	103,777	(24,698)	79,079	103,455	108,952	(27,369)	81,583	103,455
Large corporates	1,856	(291)	1,565	1,856	1,856	(291)	1,565	1,856
SME	100,413	(23,739)	76,674	100,142	105,588	(26,410)	79,178	100,142
Central and local authorities, administrative bodies and other	1,508	(668)	840	1,457	1,508	(668)	840	1,457
Total loans to customers	**114,014**	**(28,220)**	**85,794**	**108,709**	**114,642**	**(28,560)**	**86,082**	**108,709**

Impairment loss by class of financial assets for loans is disclosed in Note 13.

(All amounts are in EUR thousand, unless otherwise stated)

d) Information about loan collateral

The method for collateral valuation is selected by the Group and the Bank based on specifics of collateral and existing market conditions on the day of valuation. Based on collateral characteristics and the purpose of its valuation the following valuation methods are used: comparable sales price method or income capitalisation method. Fair values of the collateral are updated regularly in line with the Bank's procedures.

If loan is secured by several different types of collateral, priority in their recognition is based on their liquidity. Cash deposits are treated as having the highest liquidity followed by guarantees, residential real estate and then other real estate. Securities that have no active market and other assets are treated as having the lowest liquidity.

Unsecured loans also include loans secured by other types of collateral (e.g. future inflow of funds into the borrowers' Bank accounts (controlled by the Bank), third party warrantees, bills of exchange, etc.). The total amount of loans to individuals and business customers secured by the above security measure, but disclosed as unsecured as at 31 December 2021 amounted to EUR 41 million (2020: EUR 39 million). Totally unsecured loans comprise only consumer loans and loans issued by the Bank to its subsidiaries.

31 December 2021

	Group loans to individuals (retail)			
	Consumer loans	**Mortgages**	**Other**	**Total**
Unsecured loans	151,267	972	81,840	234,079
Loans collateralised by:	**-**	**455,104**	**10,644**	**465,748**
residential real estate -	-	431,102	6,341	437,443
other real estate -	-	19,128	2,493	21,621
securities -	-	4	-	4
guarantees -	-	4,768	1,773	6,541
cash deposits -	-	102	32	134
other assets -	-	-	5	5
Total	**151,267**	**456,076**	**92,484**	**699,827**

	Group loans to business customers				
	SME	**Large corporates**	**Financial institutions**	**Central and local authorities and other**	**Total**
Unsecured loans	46,150	5,264	7,029	105,541	163,984
Loans collateralised by:	**924,876**	**124,063**	**-**	**31,628**	**1,080,567**
residential real estate -	48,060	248	-	307	48,615
other real estate -	676,807	99,085	-	5,665	781,557
securities -	1,509	-	-	-	1,509
guarantees -	177,744	9,082	-	25,656	212,482
cash deposits -	2,503	-	-	-	2,503
other assets -	18,253	15,648	-	-	33,901
Total	**971,026**	**129,327**	**7,029**	**137,169**	**1,244,551**

	Bank loans to individuals (retail)			
	Consumer loans	**Mortgages**	**Other**	**Total**
Unsecured loans	6,807	972	81,818	89,597
Loans collateralised by:	**-**	**455,104**	**10,645**	**465,749**
residential real estate -	-	431,102	6,341	437,443
other real estate -	-	19,128	2,493	21,621
securities -	-	4	-	4
guarantees -	-	4,768	1,773	6,541
cash deposits -	-	102	33	135
other assets -	-	-	5	5
Total	**6,807**	**456,076**	**92,463**	**555,346**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

	Bank loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Unsecured loans	46,149	5,264	124,898	105,541	281,852
Loans collateralised by:	**924,877**	**124,063**	**-**	**31,628**	**1,080,568**
residential real estate -	48,060	248	-	307	48,615
other real estate -	676,807	99,085	-	5,665	781,557
securities -	1,509	-	-	-	1,509
guarantees -	177,745	9,082	-	25,656	212,483
cash deposits -	2,503	-	-	-	2,503
other assets -	18,253	15,648	-	-	33,901
Total	**971,026**	**129,327**	**124,898**	**137,169**	**1,362,420**

31 December 2020

	Group loans to individuals (retail)			
	Consumer loans	Mortgages	Other	Total
Unsecured loans	141,594	23,940	108,045	273,579
Loans collateralised by:	**15**	**274,624**	**8,029**	**282,668**
residential real estate -	-	260,656	3,821	264,477
other real estate -	-	9,955	3,124	13,079
securities -	-	-	1	1
guarantees -	-	3945	1,028	4,973
cash deposits -	-	67	-	67
other assets -	15	1	55	71
Total	**141,609**	**298,564**	**116,074**	**556,247**

	Group loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Unsecured loans	177,601	25,719	4,841	106,575	314,736
Loans collateralised by:	**681,188**	**85,779**	**-**	**10,496**	**777,463**
residential real estate -	54,795	79	-	144	55,018
other real estate -	487,984	61,480	-	2,289	551,753
securities -	1580	162	-	-	1,742
guarantees -	113,740	6,191	-	8063	127,994
cash deposits -	1,612	-	-	-	1,612
other assets -	21,477	17,867	-	-	39,344
Total	**858,789**	**111,498**	**4,841**	**117,071**	**1,092,199**

	Bank loans to individuals (retail)			
	Consumer loans	Mortgages	Other	Total
Unsecured loans	13,233	23,940	108,024	145,197
Loans collateralised by:	**15**	**274,624**	**8,029**	**282,668**
residential real estate -	-	260,656	3,821	264,477
other real estate -	-	9,955	3,124	13,079
securities -	-	-	1	1
guarantees -	-	3945	1,028	4,973
cash deposits -	-	67	-	67
other assets -	15	1	55	71
Total	**13,248**	**298,564**	**116,053**	**427,865**

	Bank loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Unsecured loans	180,316	25,719	107,536	106,575	420,146
Loans collateralised by:	**685,898**	**85,779**	**-**	**10,496**	**782,173**
residential real estate -	54,795	79	-	144	55,018
other real estate -	492,694	61,480	-	2,289	556,463
securities -	1,580	162	-	-	1,742
guarantees -	113,740	6,191	-	8,063	127,994
cash deposits -	1,612	-	-	-	1,612
other assets -	21,477	17,867	-	-	39,344
Total	**866,214**	**111,498**	**107,536**	**117,071**	**1,202,319**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

Following tables show the distribution of LTV (loan to collateral value) ratios for the Group's loan portfolio:

Group loans to customers – LTV distribution

				2021				2020
LTV ratio:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
lower than 50%	510,681	147,653	39,690	698,024	445,472	130,175	53,200	628,847
50% to 60%	233,293	54,457	3,838	291,588	150,314	70,268	18,289	238,871
60% to 70%	174,198	8,951	1,636	184,785	131,262	9,826	8,689	149,777
70% to 80%	103,670	10,926	1,279	115,875	52,381	12,506	3,348	68,235
80% to 90%	87,644	2,210	3,646	93,500	49,074	5,093	6,261	60,428
90% to 100%	20,162	1,881	618	22,661	34,129	1,037	5,046	40,212
higher than 100%	179,515	3,169	10,968	193,652	68,304	12,478	13,340	94,122
no collateral	333,286	6,363	4,643	344,292	351,646	10,467	5,841	367,954
Total gross loans	**1,642,449**	**235,610**	**66,318**	**1,944,377**	**1,282,582**	**251,850**	**114,014**	**1,648,446**

Bank loans to customers – LTV distribution

				2021				2020
LTV ratio:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
lower than 50%	510,681	147,653	39,690	698,024	445,472	130,174	53,200	628,846
50% to 60%	233,293	54,457	3,838	291,588	150,313	70,267	18,290	238,870
60% to 70%	174,198	8,951	1,636	184,785	131,263	9,826	8,687	149,776
70% to 80%	103,670	10,926	1,279	115,875	52,381	12,506	3,348	68,235
80% to 90%	87,644	2,210	3,646	93,500	49,074	5,093	6,261	60,428
90% to 100%	20,163	1,881	618	22,662	34,129	1,037	9,757	44,923
higher than 100%	179,515	3,168	10,970	193,653	68,303	12,479	13,805	94,587
no collateral	196,509	120,735	435	317,679	337,037	6,188	1,294	344,519
Total gross loans	**1,505,673**	**349,981**	**62,112**	**1,917,766**	**1,267,972**	**247,570**	**114,642**	**1,630,184**

Group loans to individuals (Retail) – LTV distribution

				2021				2020
LTV ratio:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
lower than 50%	170,879	6,698	1,344	178,921	116,106	6,137	1,936	124,179
50% to 60%	48,992	1,111	674	50,777	44,414	1,098	1,067	46,579
60% to 70%	69,661	980	406	71,047	63,143	1,380	490	65,013
70% to 80%	80,405	220	338	80,963	32,121	477	594	33,192
80% to 90%	79,272	89	70	79,431	30,305	76	217	30,598
90% to 100%	2,606	25	145	2,776	4,694	198	214	5,106
higher than 100%	2,188	370	593	3,151	2,419	442	959	3,820
no collateral	224,802	3,629	4,329	232,760	238,366	4,634	4,760	247,760
Total gross loans	**678,805**	**13,122**	**7,899**	**699,826**	**531,568**	**14,442**	**10,237**	**556,247**

Bank loans to individuals (Retail) – LTV distribution

				2021				2020
LTV ratio:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
lower than 50%	170,879	6,698	1,344	178,921	116,106	6,137	1,936	124,179
50% to 60%	48,992	1,111	674	50,777	44,414	1,098	1,067	46,579
60% to 70%	69,661	980	406	71,047	63,143	1,380	490	65,013
70% to 80%	80,405	220	338	80,963	32,121	477	594	33,192
80% to 90%	79,272	89	70	79,431	30,305	76	217	30,598
90% to 100%	2,607	25	145	2,777	4,694	198	214	5,106
higher than 100%	2,188	369	595	3,152	2,419	442	959	3,820
no collateral	88,025	132	121	88,278	118,811	354	213	119,378
Total gross loans	**542,029**	**9,624**	**3,693**	**555,346**	**412,013**	**10,162**	**5,690**	**427,865**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

Group loans to individuals (Retail) : Consumer loans – LTV distribution								
				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	-	-	-	-	-	-	-	-
50% to 60%	-	-	-	-	-	-	-	-
60% to 70%	-	-	-	-	-	-	-	-
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	-	-	-
90% to 100%	2,001	24	6	2,031	3,745	68	18	3,831
higher than 100%	146	41	9	196	454	27	15	496
no collateral	141,138	3,613	4,289	149,040	128,129	4,470	4,683	137,282
Total gross loans	**143,285**	**3,678**	**4,304**	**151,267**	**132,328**	**4,565**	**4,716**	**141,609**

Bank loans to individuals (Retail) : Consumer loans – LTV distribution								
				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	-	-	-	-	-	-	-	-
50% to 60%	-	-	-	-	-	-	-	-
60% to 70%	-	-	-	-	-	-	-	-
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	-	-	-
90% to 100%	2,001	24	6	2,031	3,745	68	18	3,831
higher than 100%	145	41	9	195	454	27	15	496
no collateral	4,364	115	102	4,581	8,574	190	157	8,921
Total gross loans	**6,510**	**180**	**117**	**6,807**	**12,773**	**285**	**190**	**13,248**

Group loans to individuals (Retail) : Mortgages – LTV distribution								
				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	165,172	6,420	1,220	172,812	111,029	3,638	1,726	116,393
50% to 60%	48,304	920	615	49,839	43,254	994	814	45,062
60% to 70%	69,239	536	302	70,077	62,574	1,376	294	64,244
70% to 80%	80,351	218	9	80,578	31,945	475	126	32,546
80% to 90%	79,261	89	68	79,418	30,277	74	132	30,483
90% to 100%	571	-	-	571	912	130	182	1,224
higher than 100%	1,233	31	545	1,809	1,904	79	597	2,580
no collateral	961	11	-	972	5,854	157	21	6,032
Total gross loans	**445,092**	**8,225**	**2,759**	**456,076**	**287,749**	**6,923**	**3,892**	**298,564**

Bank loans to individuals (Retail) : Mortgages – LTV distribution								
				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	165,172	6,420	1,220	172,812	111,029	3,638	1,726	116,393
50% to 60%	48,304	920	615	49,839	43,254	994	814	45,062
60% to 70%	69,239	536	302	70,077	62,574	1,376	294	64,244
70% to 80%	80,351	218	9	80,578	31,945	475	126	32,546
80% to 90%	79,261	89	68	79,418	30,277	74	132	30,483
90% to 100%	571	-	-	571	912	130	182	1,224
higher than 100%	1,233	31	546	1,810	1,904	79	597	2,580
no collateral	959	12	-	971	5,854	157	21	6,032
Total gross loans	**445,090**	**8,226**	**2,760**	**456,076**	**287,749**	**6,923**	**3,892**	**298,564**

Group loans to individuals (Retail) : Other – LTV distribution								
				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	5,707	278	124	6,109	5,077	2,499	210	7,786
50% to 60%	688	191	59	938	1,160	104	253	1,517
60% to 70%	422	444	104	970	569	4	196	769
70% to 80%	54	2	329	385	176	2	468	646
80% to 90%	11	-	2	13	28	2	85	115
90% to 100%	35	1	139	175	37	-	14	51
higher than 100%	810	297	39	1,146	61	336	347	744
no collateral	82,704	4	40	82,748	104,383	7	56	104,446
Total gross loans	**90,431**	**1,217**	**836**	**92,484**	**111,491**	**2,954**	**1,629**	**116,074**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

								Bank loans to individuals (Retail) : Other – LTV distribution
				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	5,707	278	124	6,109	5,077	2,499	210	7,786
50% to 60%	688	191	59	938	1,160	104	253	1,517
60% to 70%	422	444	104	970	569	4	196	769
70% to 80%	54	2	329	385	176	2	468	646
80% to 90%	11	-	2	13	28	2	85	115
90% to 100%	35	1	139	175	37	-	14	51
higher than 100%	810	297	40	1,147	61	336	347	744
no collateral	82,703	4	19	82,726	104,383	7	35	104,425
Total gross loans	**90,430**	**1,217**	**816**	**92,463**	**111,491**	**2,954**	**1,608**	**116,053**

								Group loans to financial institutions – LTV distribution
				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	1,553	3,432	-	4,985	-	2,970	-	2,970
50% to 60%	-	-	-	-	-	-	-	-
60% to 70%	-	-	-	-	-	-	-	-
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	-	-	-
90% to 100%	-	-	-	-	-	-	-	-
higher than 100%	-	-	-	-	-	-	-	-
no collateral	1,657	387	-	2,044	14	1,857	-	1,871
Total gross loans	**3,210**	**3,819**	**-**	**7,029**	**14**	**4,827**	**-**	**4,841**

								Bank loans to financial institutions – LTV distribution
				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	1,553	3,432	-	4,985	-	2,970	-	2,970
50% to 60%	-	-	-	-	-	-	-	-
60% to 70%	-	-	-	-	-	-	-	-
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	-	-	-
90% to 100%	-	-	-	-	-	-	-	-
higher than 100%	-	-	-	-	-	-	-	-
no collateral	1,658	118,255	-	119,913	102,709	1,857	-	104,566
Total gross loans	**3,211**	**121,687**	**-**	**124,898**	**102,709**	**4,827**	**-**	**107,536**

								Group loans to business customers – LTV distribution
				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	338,249	137,523	38,346	514,118	329,366	121,068	51,264	501,698
50% to 60%	184,301	53,346	3,164	240,811	105,900	69,170	17,222	192,292
60% to 70%	104,537	7,971	1,230	113,738	68,119	8,446	8,199	84,764
70% to 80%	23,265	10,706	941	34,912	20,260	12,029	2,754	35,043
80% to 90%	8,372	2,121	3,576	14,069	18,769	5,017	6,044	29,830
90% to 100%	17,556	1,856	473	19,885	29,435	839	4,832	35,106
higher than 100%	177,327	2,799	10,375	190,501	65,885	12,036	12,381	90,302
no collateral	106,826	2,348	314	109,488	113,266	3,976	1,081	118,323
Total gross loans	**960,433**	**218,670**	**58,419**	**1,237,522**	**751,000**	**232,581**	**103,777**	**1,087,358**

								Bank loans to business customers – LTV distribution
				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	338,249	137,523	38,346	514,118	329,366	121,068	51,264	501,698
50% to 60%	184,301	53,346	3,164	240,811	105,900	69,170	17,223	192,293
60% to 70%	104,537	7,971	1,230	113,738	68,119	8,446	8,197	84,762
70% to 80%	23,265	10,706	941	34,912	20,260	12,029	2,754	35,043
80% to 90%	8,372	2,121	3,576	14,069	18,769	5,017	6,044	29,830
90% to 100%	17,556	1,856	473	19,885	29,435	839	9,543	39,817
higher than 100%	177,327	2,799	10,375	190,501	65,884	12,036	12,846	90,766
no collateral	106,826	2,348	314	109,488	115,517	3,976	1,081	120,574
Total gross loans	**960,433**	**218,670**	**58,419**	**1,237,522**	**753,250**	**232,581**	**108,952**	**1,094,783**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

Group loans to business customers: Large corporates – LTV distribution

				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	38,505	20,065	347	58,917	18,622	23,384	327	42,333
50% to 60%	16,541	9,367	1,578	27,486	4,870	13,289	1,529	19,688
60% to 70%	3,340	1,588	-	4,928	1,749	-	-	1,749
70% to 80%	91	4,724	-	4,815	6,850	-	-	6,850
80% to 90%	-	-	-	-	9,643	-	-	9,643
90% to 100%	10,275	-	-	10,275	4,245	-	-	4,245
higher than 100%	21,590	-	-	21,590	18,275	5,750	-	24,025
no collateral	1,316	-	-	1,316	2,965	-	-	2,965
Total gross loans	**91,658**	**35,744**	**1,925**	**129,327**	**67,219**	**42,423**	**1,856**	**111,498**

Bank loans to business customers: Large corporates – LTV distribution

				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	38,505	20,065	347	58,917	18,622	23,384	327	42,333
50% to 60%	16,541	9,367	1,578	27,486	4,870	13,289	1,529	19,688
60% to 70%	3,340	1,588	-	4,928	1,749	-	-	1,749
70% to 80%	91	4,724	-	4,815	6,850	-	-	6,850
80% to 90%	-	-	-	-	9,643	-	-	9,643
90% to 100%	10,275	-	-	10,275	4,245	-	-	4,245
higher than 100%	21,590	-	-	21,590	18,275	5,750	-	24,025
no collateral	1,316	-	-	1,316	2,965	-	-	2,965
Total gross loans	**91,658**	**35,744**	**1,925**	**129,327**	**67,219**	**42,423**	**1,856**	**111,498**

Group loans to business customers: SME – LTV distribution

				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	296,683	117,350	37,999	452,032	310,060	97,566	50,937	458,563
50% to 60%	167,713	43,403	1,586	212,702	101,030	55,240	15,693	171,963
60% to 70%	101,153	6,383	1,230	108,766	66,318	8,446	8,199	82,963
70% to 80%	23,174	5,982	941	30,097	13,398	11,153	2,754	27,305
80% to 90%	8,372	1,254	2,111	11,737	9,057	5,017	4,587	18,661
90% to 100%	7,281	1,856	473	9,610	25,136	839	4,832	30,807
higher than 100%	123,316	2,741	10,375	136,432	37,052	6,286	12,381	55,719
no collateral	9,082	254	314	9,650	7,784	3,994	1,030	12,808
Total gross loans	**736,774**	**179,223**	**55,029**	**971,026**	**569,835**	**188,541**	**100,413**	**858,789**

Bank loans to business customers: SME – LTV distribution

				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	296,683	117,350	37,999	452,032	310,060	97,565	50,937	458,562
50% to 60%	167,713	43,403	1,586	212,702	101,029	55,239	15,694	171,962
60% to 70%	101,153	6,383	1,230	108,766	66,319	8,446	8,197	82,962
70% to 80%	23,174	5,982	941	30,097	13,398	11,153	2,754	27,305
80% to 90%	8,372	1,254	2,111	11,737	9,057	5,017	4,587	18,661
90% to 100%	7,281	1,856	473	9,610	25,136	839	9,543	35,518
higher than 100%	123,316	2,741	10,375	136,432	37,051	6,287	12,846	56,184
no collateral	9,082	254	314	9,650	10,035	3,995	1,030	15,060
Total gross loans	**736,774**	**179,223**	**55,029**	**971,026**	**572,085**	**188,541**	**105,588**	**866,214**

Group loans to business customers: Central and local authorities, administrative bodies and other – LTV distribution

				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	3,061	108	-	3,169	684	118	-	802
50% to 60%	47	576	-	623	-	641	-	641
60% to 70%	44	-	-	44	52	-	-	52
70% to 80%	-	-	-	-	12	876	-	888
80% to 90%	-	867	1,465	2,332	69	-	1,457	1,526
90% to 100%	-	-	-	-	54	-	-	54
higher than 100%	32,421	58	-	32,479	10,558	-	-	10,558
no collateral	96,428	2,094	-	98,522	102,517	(18)	51	102,550
Total gross loans	**132,001**	**3,703**	**1,465**	**137,169**	**113,946**	**1,617**	**1,508**	**117,071**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

	Bank loans to business customers: Central and local authorities, administrative bodies and other – LTV distribution							
				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	3,061	108	-	3,169	684	118	-	802
50% to 60%	47	576	-	623	-	641	-	641
60% to 70%	44	-	-	44	52	-	-	52
70% to 80%	-	-	-	-	12	876	-	888
80% to 90%	-	867	1,465	2,332	69	-	1,457	1,526
90% to 100%	-	-	-	-	54	-	-	54
higher than 100%	32,421	58	-	32,479	10,558	-	-	10,558
no collateral	96,428	2,094	-	98,522	102,517	(18)	51	102,550
Total gross loans	**132,001**	**3,703**	**1,465**	**137,169**	**113,946**	**1,617**	**1,508**	**117,071**

e) Loans to customers against which no impairment loss allowance is recognized

Loans to customers contain loans against which no loss impairment loss allowance was recognized because of sufficiency of collateral. Such loans are summarized in the following table:

Group, as at 31 December 2021				Gross value	
	Stage 1	Stage 2	Stage 3	Total	LTV
Loans to financial institutions	15	-	-	15	0%
Loans to individuals:	2,154	467	1	2,622	0%
Mortgages -	6	-	-	6	0%
Other-	2,148	467	1	2,616	6%
Loans to business customers:	16,761	12,241	7	29,009	0%
Central and local authorities, administrative bodies and other -	65	-	-	65	107%
Large corporates -	16,696	-	-	16,696	23%
SME -	-	12,241	7	12,248	3%
Total	**18,930**	**12,708**	**8**	**31,646**	**19%**

Group, as at 31 December 2020				Gross value	
	Stage 1	Stage 2	Stage 3	Total	LTV
Loans to financial institutions	15	-	-	15	0 %
Loans to individuals:	182,261	7,408	2,855	192,506	26 %
Mortgages -	178,149	5,084	2,276	185,510	44 %
Other-	4,112	2,324	579	6,996	20 %
Loans to business customers:	399,203	79,346	47,694	526,243	30 %
Central and local authorities, administrative bodies and other -	676	126	-	802	29 %
Large corporates -	21,573	3,131	327	25,031	24 %
SME -	376,954	76,089	47,367	502,680	30 %
Total	**581,479**	**86,754**	**50,549**	**718,782**	**30 %**

f) Purchased or originated credit-impaired (POCI) loans to customers

Loans to customers contain POCI loans to customers. Major part of these loans were acquired under the transaction transfer of assets, rights, transactions and liabilities of Ūkio Bankas under a discount over their nominal value due to their non-performing status at the time of transfer. Details on POCI loans are summarized in the following table:

			As at 31 December 2021			As at 31 December 2020
	Gross value	Impairment	Carrying value	Gross value	Impairment	Carrying value
Loans to financial institutions	-	-	-	-	-	-
Loans to individuals:	112	(3)	108	183	(58)	125
Consumer loans -	-	-	-	-	-	-
Mortgages -	99	(1)	98	170	(55)	115
Other-	13	(3)	10	13	(3)	10
Loans to business customers:	1,790	(84)	1,705	2,633	(933)	1,700
Central and local authorities, administrative bodies and other -	-	-	-	-	-	-
Large corporates -	-	-	-	-	-	-
SME -	1,790	(84)	1,705	2,633	(933)	1,700
Total	**1,902**	**(88)**	**1,814**	**2,816**	**(991)**	**1,825**

(All amounts are in EUR thousand, unless otherwise stated)

g) Modifications of loans to customers

Group follows legal treatment for loan contract amendments, i.e. amended loan contracts are accounted for as modifications.

The amortized cost before modification of loans with lifetime ECL whose cash flows were modified during 2021 as part of Group's restructuring activities was EUR 91,824 thousand, these modifications resulted in a net loss of EUR 12 thousand. The amortized cost before modification of loans with lifetime ECL whose cash flows were modified during 2020 as part of Group's restructuring activities was EUR 134,468 thousand, these modifications resulted in a net loss of EUR 59 thousand.

In April 2020 the Bank joined the moratoria initiated by the Association of Lithuanian Banks (ALB) that offer principal repayment deferral solutions for individual and business customers. Moratoria ended on 30 September 2020, but, taking into account Covid-19 developments in Lithuania, they were renewed in January 2021 until 31 March 2021. As interest rate is not modified as a condition for moratoria, no material result from contract modifications was recorded. Renewed moratoria did not reach significant volumes – extensions according to the renewed moratoria were applied for loans and finance lease receivables with carrying amount of EUR 2,831 thousand. Major part of the loans that had extensions according to moratoria have returned to their original payment schedules – as of 31 December 2021 there were no loans and finance lease receivables with unexpired payment deferrals according to moratoria (including renewed moratoria). Also, loans and finance lease receivables with carrying amount of EUR 7,791 thousand had other extension measures that were not under moratoria and had not returned to the original payment schedules.

At 31 December 2021, most of the loans and finance lease receivables with payment extension measures have returned to their full payment schedule. The following table present the gross values of the loans and finance lease receivables for which payment deferrals have not yet ended.

			2021
	ALB compliant moratoria	**Other relief measures**	**Total**
Business customers	-	7,616	7,616
Individuals	-	174	175
Gross	**-**	**7,791**	**7,791**

1.6. Finance lease receivables

Finance lease receivables are summarised as follows:

		2021		2020
	Group	**Bank**	**Group**	**Bank**
Business customers	172,215	171,202	133,358	132,448
Individuals	26,746	26,746	26,684	26,684
Gross	**198,961**	**197,948**	**160,042**	**159,132**
Subtract: Allowance for impairment	(3,787)	(3,039)	(4,585)	(3,842)
Net	**195,174**	**194,909**	**155,457**	**155,290**

During the year ended 31 December 2021, finance lease receivables portfolio of the Group increased by 25.5% (2020: decreased by 1.4%). Total impairment provisions for finance lease receivables of the Group amount to EUR 3,787 thousand (2020: EUR 4,585 thousand) and account for 1.90% of the respective portfolio (2020: 2.86%).

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit grades of finance lease receivables

The Bank uses internal grade system that has 11 internal grades (1 – best, 11 – worst). During the first quarter of 2021, internal credit rating procedures were enhanced: an updated legal customer financial status methodology was implemented. Main change in the methodology – increased number of grades: there were 5 internal grades under previous methodology, updated methodology has 11 grades. This allows for more granular assessment of borrowers. Clear links between internal credit grades and credit stages have been established – exposures assigned to internal credit rating grades 7 – 9 are in credit stage 2, exposures assigned internal grades 10 – 11 are in credit stage 3.

Group finance lease receivables

	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Standard	138,756	2,323	154	141,233	76,939	3,020	319	80,278
Watch	31,880	10,580	-	42,460	41,317	25,723	1,316	68,356
Substandard	267	7,613	134	8,014	384	2,645	6,299	9,328
Problem	57	29	7,167	7,253	-	-	2,080	2,080
Gross	**170,960**	**20,545**	**7,455**	**198,960**	**118,640**	**31,388**	**10,014**	**160,042**
Less: allowance for impairment	(966)	(239)	(2,581)	(3,786)	(800)	(931)	(2,854)	(4,585)
Net	**169,994**	**20,306**	**4,874**	**195,174**	**117,840**	**30,457**	**7,160**	**155,457**

Bank finance lease receivables

	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Standard	138,544	2,323	154	141,021	76,826	3,020	319	80,165
Watch	31,880	10,580	-	42,460	41,317	25,723	1,316	68,356
Substandard	267	7,613	134	8,014	384	2,645	6,299	9,328
Problem	57	29	6,366	6,452	-	-	1,283	1,283
Gross	**170,748**	**20,545**	**6,654**	**197,947**	**118,527**	**31,388**	**9,217**	**159,132**
Less: allowance for impairment	(965)	(239)	(1,834)	(3,038)	(799)	(931)	(2,112)	(3,842)
Net	**169,783**	**20,306**	**4,820**	**194,909**	**117,728**	**30,457**	**7,105**	**155,290**

Group finance lease receivables – business customers

	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Standard	114,404	1,074	-	115,478	52,302	2,292	294	54,888
Watch	31,492	10,432	-	41,924	40,781	25,577	1,316	67,674
Substandard	-	7,595	-	7,595	154	2,464	6,149	8,767
Problem	57	29	7,132	7,218	-	-	2,029	2,029
Gross	**145,953**	**19,130**	**7,132**	**172,215**	**93,237**	**30,333**	**9,788**	**133,358**
Less: allowance for impairment	(911)	(225)	(2,535)	(3,671)	(591)	(899)	(2,720)	(4,210)
Net	**145,042**	**18,905**	**4,597**	**168,544**	**92,646**	**29,434**	**7,068**	**129,148**

Bank finance lease receivables – business customers

	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Standard	114,192	1,074	-	115,266	52,189	2,292	294	54,775
Watch	31,492	10,432	-	41,924	40,781	25,577	1,316	67,674
Substandard	-	7,595	-	7,595	154	2,464	6,149	8,767
Problem	57	29	6,331	6,417	-	-	1,232	1,232
Gross	**145,741**	**19,130**	**6,331**	**171,202**	**93,124**	**30,333**	**8,991**	**132,448**
Less: allowance for impairment	(910)	(225)	(1,788)	(2,923)	(590)	(899)	(1,978)	(3,467)
Net	**144,831**	**18,905**	**4,543**	**168,279**	**92,534**	**29,434**	**7,013**	**128,981**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

	Group finance lease receivables – individuals							
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	24,352	1,249	154	25,755	24,637	728	25	25,390
Watch	388	148	-	536	536	146	-	682
Substandard	267	18	134	419	230	181	150	561
Problem	-	-	35	35	-	-	50	50
Gross	**25,007**	**1,415**	**323**	**26,745**	**25,403**	**1,055**	**225**	**26,683**
Less: allowance for impairment	(55)	(14)	(46)	(115)	(209)	(32)	(134)	(375)
Net	**24,952**	**1,401**	**277**	**26,630**	**25,194**	**1,023**	**91**	**26,308**

	Bank finance lease receivables – individuals							
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	24,352	1,249	154	25,755	24,637	728	25	25,390
Watch	388	148	-	536	536	146	-	682
Substandard	267	18	134	419	230	181	150	561
Problem	-	-	35	35	-	-	50	50
Gross	**25,007**	**1,415**	**323**	**26,745**	**25,403**	**1,055**	**225**	**26,683**
Less: allowance for impairment	(55)	(14)	(46)	(115)	(209)	(32)	(134)	(375)
Net	**24,952**	**1,401**	**277**	**26,630**	**25,194**	**1,023**	**91**	**26,308**

b) Payment delays of finance lease receivables

	Group finance lease receivables							
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	163,802	18,890	5,590	188,282	112,105	29,253	6,657	148,015
Past due up to 30 days	7,159	1,044	336	8,539	6,535	1,522	1,093	9,150
Past due 31-90 days	-	609	111	720	-	613	199	812
Past due more than 90 days	-	-	1,419	1,419	-	-	2,065	2,065
Gross	**170,961**	**20,543**	**7,456**	**198,960**	**118,640**	**31,388**	**10,014**	**160,042**
Less: allowance for impairment	(966)	(239)	(2,581)	(3,786)	(800)	(931)	(2,854)	(4,585)
Net	**169,995**	**20,304**	**4,875**	**195,174**	**117,840**	**30,457**	**7,160**	**155,457**

	Bank finance lease receivables							
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	163,590	18,890	5,590	188,070	111,992	29,253	6,659	147,904
Past due up to 30 days	7,159	1,044	336	8,539	6,535	1,522	1,092	9,149
Past due 31-90 days	-	609	111	720	-	613	199	812
Past due more than 90 days	-	-	618	618	-	-	1,267	1,267
Gross	**170,749**	**20,543**	**6,655**	**197,947**	**118,527**	**31,388**	**9,217**	**159,132**
Less: allowance for impairment	(965)	(239)	(1,834)	(3,038)	(799)	(931)	(2,112)	(3,842)
Net	**169,784**	**20,304**	**4,821**	**194,909**	**117,728**	**30,457**	**7,105**	**155,290**

	Group finance lease receivables – business customers							
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	140,831	17,783	5,328	163,942	88,880	28,602	6,515	123,997
Past due up to 30 days	5,123	998	321	6,442	4,357	1,483	1,075	6,915
Past due 31-90 days	-	348	99	447	-	248	185	433
Past due more than 90 days	-	-	1,384	1,384	-	-	2,013	2,013
Gross	**145,954**	**19,129**	**7,132**	**172,215**	**93,237**	**30,333**	**9,788**	**133,358**
Less: allowance for impairment	(911)	(225)	(2,535)	(3,671)	(591)	(899)	(2,720)	(4,210)
Net	**145,043**	**18,904**	**4,597**	**168,544**	**92,646**	**29,434**	**7,068**	**129,148**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

								Bank finance lease receivables – business customers
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	140,619	17,783	5,328	163,730	88,767	28,602	6,517	123,886
Past due up to 30 days	5,123	998	321	6,442	4,357	1,483	1,074	6,914
Past due 31-90 days	-	348	99	447	-	248	185	433
Past due more than 90 days	-	-	583	583	-	-	1,215	1,215
Gross	**145,742**	**19,129**	**6,331**	**171,202**	**93,124**	**30,333**	**8,991**	**132,448**
Less: allowance for impairment	(910)	(225)	(1,788)	(2,923)	(590)	(899)	(1,978)	(3,467)
Net	**144,832**	**18,904**	**4,543**	**168,279**	**92,534**	**29,434**	**7,013**	**128,981**

								Group finance lease receivables – individuals
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	22,971	1,107	262	24,340	23,225	651	142	24,018
Past due up to 30 days	2,036	46	15	2,097	2,178	39	18	2,235
Past due 31-90 days	-	261	12	273	-	365	14	379
Past due more than 90 days	-	-	35	35	-	-	52	52
Gross	**25,007**	**1,414**	**324**	**26,745**	**25,403**	**1,055**	**226**	**26,684**
Less: allowance for impairment	(55)	(14)	(46)	(115)	(209)	(32)	(134)	(375)
Net	**24,952**	**1,400**	**278**	**26,630**	**25,194**	**1,023**	**92**	**26,309**

								Bank finance lease receivables – individuals
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	22,971	1,107	262	24,340	23,225	651	142	24,018
Past due up to 30 days	2,036	46	15	2,097	2,178	39	18	2,235
Past due 31-90 days	-	261	12	273	-	365	14	379
Past due more than 90 days	-	-	35	35	-	-	52	52
Gross	**25,007**	**1,414**	**324**	**26,745**	**25,403**	**1,055**	**226**	**26,684**
Less: allowance for impairment	(55)	(14)	(46)	(115)	(209)	(32)	(134)	(375)
Net	**24,952**	**1,400**	**278**	**26,630**	**25,194**	**1,023**	**92**	**26,309**

c) Stage 3 Finance lease receivables

31 December 2021

				Group				Bank
	Gross value	Allowance for impairment	Net value	Fair value of collateral	Gross value	Allowance for impairment	Net value	Fair value of collateral
31 December 2021:								
Business customers	7,132	(2,535)	4,597	308	6,331	(1,788)	4,543	308
Individuals	323	(46)	277	6,306	323	(46)	277	6,306
Total finance lease receivables	**7,455**	**(2,581)**	**4,874**	**6,614**	**6,654**	**(1,834)**	**4,820**	**6,614**

31 December 2020

				Group				Bank
	Gross value	Allowance for impairment	Net value	Fair value of collateral	Gross value	Allowance for impairment	Net value	Fair value of collateral
31 December 2020:								
Business customers	9,788	(2,720)	7,068	8,724	8,991	(1,978)	7,013	8,724
Individuals	226	(134)	92	199	226	(134)	92	199
Total finance lease receivables	**10,014**	**(2,854)**	**7,160**	**8,923**	**9,217**	**(2,112)**	**7,105**	**8,923**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Information about risk mitigation measures for finance lease receivables

Upon initial recognition of financial lease receivables, the fair value of risk mitigation measures is based on valuation approaches commonly used for the corresponding types of assets. Market values are used for real estate and movable assets serving as risk mitigation measures. In subsequent periods, the fair value of risk mitigation measures is updated based on their depreciation rates.

If exposure is secured by several different types of risk mitigation measures, priority in their recognition is based on their liquidity. Transport vehicles are treated as having highest liquidity followed by residential real estate and then other real estate. Equipment and other assets are treated as having lowest liquidity.

The lender remains the owner of the leased object. Therefore, in case of customer default it is able to gain control on the risk mitigation measures and realize them in rather short period.

Following tables present the lower of lease receivable and collateral amount per agreement.

						The Group
			2021			2020
	Individuals	Business customers	Total	Individuals	Business customers	Total
Unsecured finance lease receivables	440	3,116	3,556	628	2,679	3,307
Finance lease receivables secured by:						
transport vehicles -	25,849	122,970	148,819	25,343	86,915	112,258
real estate -	398	18,073	18,471	602	20,759	21,361
equipment and other -	59	28,056	28,115	111	23,005	23,116
Total	**26,746**	**172,215**	**198,961**	**26,684**	**133,358**	**160,042**

						The Bank
			2021			2020
	Individuals	Business customers	Total	Individuals	Business customers	Total
Unsecured finance lease receivables	440	3,116	3,556	628	2,679	3,307
Finance lease receivables secured by:						
transport vehicles -	25,849	122,970	148,819	25,343	86,915	112,258
real estate -	398	18,073	18,471	602	20,759	21,361
equipment and other -	59	27,043	27,102	111	22,095	22,206
Total	**26,746**	**171,202**	**197,948**	**26,684**	**132,448**	**159,132**

The following tables present the LTV distributions of finance lease receivables:

								Group finance lease receivables – LTV distribution
				2021				2020
LTV ratio:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
lower than 50%	86,169	15,874	6,026	108,069	59,025	23,145	6,914	89,084
50% to 60%	30,655	1,312	209	32,176	20,299	1,335	314	21,948
60% to 70%	20,594	1,425	56	22,075	15,312	2,062	716	18,090
70% to 80%	17,768	1,070	17	18,855	10,417	2,260	189	12,866
80% to 90%	9,395	432	83	9,910	7,241	1,027	210	8,478
90% to 100%	3,156	354	88	3,598	3,477	657	202	4,336
higher than 100%	2,749	43	957	3,749	2,523	694	1,241	4,458
no collateral	475	33	20	528	346	208	228	782
Total gross loans	**170,961**	**20,543**	**7,456**	**198,960**	**118,640**	**31,388**	**10,014**	**160,042**

								Bank finance lease receivables – LTV distribution
				2021				2020
LTV ratio:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
lower than 50%	86,169	15,874	6,026	108,069	59,025	23,145	6,914	89,084
50% to 60%	30,655	1,313	209	32,177	20,299	1,335	314	21,948
60% to 70%	20,594	1,425	56	22,075	15,312	2,062	716	18,090
70% to 80%	17,768	1,069	17	18,854	10,417	2,260	189	12,866
80% to 90%	9,395	432	83	9,910	7,241	1,027	210	8,478
90% to 100%	3,156	354	88	3,598	3,477	657	202	4,336
higher than 100%	2,749	43	157	2,949	2,523	694	444	3,661
no collateral	263	33	19	315	233	208	228	669
Total gross loans	**170,749**	**20,543**	**6,655**	**197,947**	**118,527**	**31,388**	**9,217**	**159,132**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

	Group finance lease receivables: Individuals – LTV distribution							
				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	17,515	905	274	18,694	17,450	841	152	18,443
50% to 60%	1,701	243	14	1,958	2,010	26	15	2,051
60% to 70%	1,965	114	-	2,079	1,783	36	-	1,819
70% to 80%	1,810	79	-	1,889	1,429	82	9	1,520
80% to 90%	859	51	9	919	1,067	25	9	1,101
90% to 100%	523	13	-	536	561	3	-	564
higher than 100%	525	9	19	553	923	36	20	979
no collateral	109	-	8	117	180	6	21	207
Total gross loans	**25,007**	**1,414**	**324**	**26,745**	**25,403**	**1,055**	**226**	**26,684**

	Bank finance lease receivables: Individuals – LTV distribution							
				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	17,515	905	274	18,694	17,450	841	152	18,443
50% to 60%	1,701	243	14	1,958	2,010	26	15	2,051
60% to 70%	1,965	114	-	2,079	1,783	36	-	1,819
70% to 80%	1,810	79	-	1,889	1,429	82	9	1,520
80% to 90%	859	51	9	919	1,067	25	9	1,101
90% to 100%	523	13	-	536	561	3	-	564
higher than 100%	525	9	20	554	923	36	20	979
no collateral	109	-	7	116	180	6	21	207
Total gross loans	**25,007**	**1,414**	**324**	**26,745**	**25,403**	**1,055**	**226**	**26,684**

	Group finance lease receivables: Business customers – LTV distribution							
				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	68,654	14,969	5,752	89,375	41,575	22,304	6,762	70,641
50% to 60%	28,954	1,069	195	30,218	18,289	1,309	299	19,897
60% to 70%	18,629	1,311	56	19,996	13,529	2,026	716	16,271
70% to 80%	15,958	991	17	16,966	8,988	2,178	180	11,346
80% to 90%	8,536	381	74	8,991	6,174	1,002	201	7,377
90% to 100%	2,633	341	88	3,062	2,916	654	202	3,772
higher than 100%	2,224	34	938	3,196	1,600	658	1,221	3,479
no collateral	366	33	12	411	166	202	207	575
Total gross loans	**145,954**	**19,129**	**7,132**	**172,215**	**93,237**	**30,333**	**9,788**	**133,358**

	Bank finance lease receivables: Business customers – LTV distribution							
				2021				2020
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	68,654	14,969	5,752	89,375	41,575	22,304	6,762	70,641
50% to 60%	28,954	1,070	195	30,219	18,289	1,309	299	19,897
60% to 70%	18,629	1,311	56	19,996	13,529	2,026	716	16,271
70% to 80%	15,958	990	17	16,965	8,988	2,178	180	11,346
80% to 90%	8,536	381	74	8,991	6,174	1,002	201	7,377
90% to 100%	2,633	341	88	3,062	2,916	654	202	3,772
higher than 100%	2,224	34	137	2,395	1,600	658	424	2,682
no collateral	154	33	12	199	53	202	207	462
Total gross loans	**145,742**	**19,129**	**6,331**	**171,202**	**93,124**	**30,333**	**8,991**	**132,448**

(All amounts are in EUR thousand, unless otherwise stated)

e) Finance lease receivables against which no impairment loss allowance is recognized

Finance lease receivables contain receivables against which no loss impairment loss allowance was recognized because of sufficiency of collateral. Such receivables are summarized in the following table:

At 31 December 2021:				Gross value	
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**LTV**
Business customers	1,063	7	-	1,070	46%
Individuals	163	-	-	163	18%
Total	**1,226**	**7**	**-**	**1,233**	**41%**

At 31 December 2020:				Gross value	
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**LTV**
Business customers	21,523	11,060	2,619	35,202	26 %
Individuals	3,592	463	23	4,078	23 %
Total	**25,115**	**11,523**	**2,642**	**39,280**	**25 %**

1.7. Other financial assets

Other financial assets consist of amounts receivable. Their performance is monitored based on the past due status.

						The Group
			2021			**2020**
	Individuals	**Business customers**	**Total**	**Individuals**	**Business customers**	**Total**
Stage 1	400	16,219	16,619	292	4,498	4,790
Stage 2	-	-	-	-	16	16
Stage 3	5	34	39	5	45	50
Gross	**405**	**16,253**	**16,658**	**297**	**4,559**	**4,856**
Less: allowance for impairment	(5)	(255)	(260)	(5)	(156)	(161)
Net	**400**	**15,998**	**16,398**	**292**	**4,403**	**4,695**

						The Bank
			2021			**2020**
	Individuals	**Business customers**	**Total**	**Individuals**	**Business customers**	**Total**
Stage 1	400	16,065	16,465	292	4,079	4,371
Stage 2	-	-	-	-	16	16
Stage 3	-	34	34	-	43	43
Gross	**400**	**16,099**	**16,499**	**292**	**4,138**	**4,430**
Less: allowance for impairment	-	(228)	(228)	-	(153)	(153)
Net	**400**	**15,871**	**16,271**	**292**	**3,985**	**4,277**

(All amounts are in EUR thousand, unless otherwise stated)

1.8. Concentration of risks of financial assets with credit risk exposure

Industry sectors

The following table breaks down the main credit exposures at their carrying amounts, as categorized by the industry sectors of our counterparties.

Group	Financial intermediation	Wholesale and retail	Manufacturing	Real estate and rent	Construction	Agriculture, hunting and forestry	Public administration and defence, compulsory social security	Transport, storage and communication	Health and social work	Loans to individuals	Other	Total
At 31 December 2021:												
Cash equivalents	**31,068**	**-**	**-**	**-**	**-**	**-**	**867,794**	**-**	**-**	**-**	**-**	**898,862**
Loans and advances to banks	**1,196**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,196**
Loans and advances to customers:	**23,378**	**136,813**	**177,686**	**288,946**	**58,148**	**97,323**	**81,814**	**57,388**	**31,027**	**688,525**	**267,633**	**1,908,681**
Loans and advances to financial institutions	**6,947**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,947**
Loans to individuals (Retail):	**-**	**54**	**85**	**-**	**32**	**483**	**-**	**-**	**-**	**688,525**	**829**	**690,008**
Consumer loans -	-	-	-	-	-	-	-	-	-	143,459	3	143,462
Mortgages -	-	-	-	-	-	-	-	-	-	455,126	-	455,126
Other -	-	54	85	-	32	483	-	-	-	89,940	826	91,420
Loans to business customers:	**16,431**	**136,759**	**177,601**	**288,946**	**58,116**	**96,840**	**81,814**	**57,388**	**31,027**	**-**	**266,804**	**1,211,726**
Large corporates -	-	-	87,358	-	13,783	-	-	3,491	12,571	-	10,569	127,772
SME -	16,431	136,740	90,240	288,917	44,321	96,839	(13,426)	53,897	14,813	-	219,213	947,985
Central and local authorities, administrative bodies and other -	-	19	3	29	12	1	95,240	-	3,643	-	37,022	135,969
Finance lease receivables:	**1,641**	**16,479**	**12,923**	**7,811**	**11,054**	**10,226**	**15**	**36,404**	**2,440**	**26,630**	**69,551**	**195,174**
Individuals -	-	-	-	-	-	-	-	-	-	26,630	-	26,630
Business customers -	1,641	16,479	12,923	7,811	11,054	10,226	15	36,404	2,440	-	69,551	168,544
Securities in the trading book:	**29,938**	**829**	**27**	**1,659**	**-**	**-**	**4,062**	**16**	**25**	**-**	**11,625**	**48,181**
Debt securities -	2,597	829	-	1,622	-	-	4,062	-	-	-	11,343	20,453
Equity securities -	27,341	-	27	37	-	-	-	16	25	-	282	27,728
Derivative financial instruments	**1,111**	**42**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**968**	**2,121**
Investment securities at fair value:	**11,978**	**585**	**-**	**-**	**-**	**-**	**53,991**	**-**	**-**	**-**	**16,434**	**82,988**
Equity securities -	4,530	-	-	-	-	-	-	-	-	-	332	4,862
Debt securities -	7,448	585	-	-	-	-	53,991	-	-	-	16,102	78,126
Investment securities at amortized cost:	**58,260**	**1,614**	**36,290**	**1,010**	**-**	**-**	**535,006**	**3,012**	**3,006**	**-**	**67,200**	**705,398**
Debt securities -	58,260	1,614	36,290	1,010	-	-	535,006	3,012	3,006	-	67,200	705,398
Other financial assets	**2,755**	**51**	**79**	**13**	**17**	**13**	**77**	**13**	**17**	**539**	**12,824**	**16,398**
Credit risk exposures relating to off – balance sheet items are as follows:												-
Financial guarantees -	8,215	8,281	5,881	853	18,968	236	236	1,474	34	70	8,683	52,931
Letters of credit -	-	98	1,210	-	-	-	-	-	-	-	-	1,308
Loan commitments and other credit related liabilities -	8	34,435	50,764	48,567	67,124	10,765	5,075	30,159	4,928	32,261	113,139	397,225
Total at 31 December2021	**169,548**	**199,227**	**284,860**	**348,859**	**155,311**	**118,563**	**1,548,070**	**128,466**	**41,477**	**748,025**	**568,057**	**4,310,463**
At 31 December 2020:												
Cash equivalents	**13,107**	**-**	**-**	**-**	**-**	**-**	**349,981**	**-**	**-**	**-**	**-**	**363,088**
Loans and advances to banks	**1,598**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,598**
Loans and advances to customers:	**11,587**	**133,003**	**171,164**	**204,425**	**67,926**	**107,598**	**89,294**	**69,225**	**30,618**	**545,188**	**175,635**	**1,605,663**
Loans and advances to financial institutions	**4,747**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,747**
Loans to individuals (Retail):	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**545,188**	**-**	**545,188**
Consumer loans -	-	-	-	-	-	-	-	-	-	133,517	-	133,517
Mortgages -	-	-	-	-	-	-	-	-	-	297,140	-	297,140
Other -	-	-	-	-	-	-	-	-	-	114,531	-	114,531
Loans to business customers:	**6,840**	**133,003**	**171,164**	**204,425**	**67,926**	**107,598**	**89,294**	**69,225**	**30,618**	**-**	**175,635**	**1,055,728**
Large corporates -	-	-	68,935	-	13,414	-	-	3,571	13,928	-	9,847	109,695
SME -	6,840	132,977	102,211	204,393	54,486	107,598	(10,784)	65,645	14,283	-	152,110	829,759
Central and local authorities, administrative bodies and other -	-	26	18	32	26	-	100,078	9	2,407	-	13,678	116,274
Finance lease receivables:	**1,223**	**16,672**	**11,949**	**7,352**	**7,914**	**8,830**	**213**	**24,451**	**2,157**	**26,308**	**48,388**	**155,457**
Individuals -	-	-	-	-	-	-	-	-	-	26,308	-	26,308
Business customers -	1,223	16,672	11,949	7,352	7,914	8,830	213	24,451	2,157	-	48,388	129,149
Securities in the trading book:	**24,638**	**478**	**500**	**23**	**734**	**518**	**6,509**	**58**	**113**	**-**	**3,497**	**37,068**
Debt securities -	3,527	478	499	-	734	518	6,509	-	100	-	2,175	14,540
Equity securities -	21,111	-	1	23	-	-	-	58	13	-	1,322	22,528
Derivative financial instruments	**289**	**28**	**26**	**-**	**-**	**-**	**-**	**-**	**-**	**80**	**22**	**445**
Investment securities at fair value:	**15,528**	**-**	**-**	**-**	**-**	**-**	**17,709**	**-**	**938**	**-**	**167**	**34,342**
Equity securities -	3,746	-	-	-	-	-	-	-	-	-	167	3,913
Debt securities -	11,782	-	-	-	-	-	17,709	-	938	-	-	30,429
Investment securities at amortized cost:	**57,085**	**1,610**	**45,496**	**1,416**	**-**	**-**	**532,500**	**3,013**	**3,218**	**-**	**65,116**	**709,454**
Debt securities -	57,085	1,610	45,496	1,416	-	-	532,500	3,013	3,218	-	65,116	709,454
Other financial assets	**444**	**18**	**87**	**24**	**10**	**12**	**54**	**10**	**4**	**292**	**3,740**	**4,695**
Credit risk exposures relating to off – balance sheet items are as follows:												
Financial guarantees -	9,126	9,750	2,941	761	16,572	229	150	1,109	34	42	8,076	48,790
Letters of credit -	-	116	2,464	-	319	-	-	-	-	-	623	3,522
Loan commitments and other credit related liabilities -	70	28,468	29,116	32,077	44,308	5,520	5,299	16,392	3,214	27,681	89,620	281,765
Total at 31 December2020	**134,695**	**190,143**	**263,743**	**246,078**	**137,783**	**122,707**	**1,001,709**	**114,258**	**40,296**	**599,591**	**394,884**	**3,245,887**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

Bank	Financial intermediation	Wholesale and retail	Manufacturing	Real estate and rent	Construction	Agriculture, hunting and forestry	Public administration and defence, compulsory social security	Transport, storage and communication	Health and social work	Loans to individuals	Other	Total
At 31 December 2021:												
Cash equivalents	**30,194**	**-**	**-**	**-**	**-**	**-**	**867,794**	**-**	**-**	**-**	**-**	**897,988**
Loans and advances to banks	**1,196**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,196**
Loans and advances to customers:	**141,247**	**136,813**	**177,686**	**288,946**	**58,148**	**97,323**	**81,814**	**57,388**	**31,027**	**551,604**	**267,633**	**1,889,629**
Loans and advances to financial institutions	**124,816**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**124,816**
Loans to individuals (Retail):	**-**	**54**	**85**	**-**	**32**	**483**	**-**	**-**	**-**	**551,604**	**829**	**553,087**
Consumer loans -	-	-	-	-	-	-	-	-	-	6,538	3	6,541
Mortgages -	-	-	-	-	-	-	-	-	-	455,126	-	455,126
Other -	-	54	85	-	32	483	-	-	-	89,940	826	91,420
Loans to business customers:	**16,431**	**136,759**	**177,601**	**288,946**	**58,116**	**96,840**	**81,814**	**57,388**	**31,027**	**-**	**266,804**	**1,211,726**
Large corporates -	-	-	87,358	-	13,783	-	-	3,491	12,571	-	10,569	127,772
SME -	16,431	136,740	90,240	288,917	44,321	96,839	(13,426)	53,897	14,813	-	219,213	947,985
Central and local authorities, administrative bodies and other -	-	19	3	29	12	1	95,240	-	3,643	-	37,022	135,969
Finance lease receivables:	**1,641**	**16,479**	**12,868**	**7,811**	**11,054**	**10,226**	**15**	**36,404**	**2,440**	**26,630**	**69,341**	**194,909**
Individuals -	-	-	-	-	-	-	-	-	-	26,630	-	26,630
Business customers -	1,641	16,479	12,868	7,811	11,054	10,226	15	36,404	2,440	-	69,341	168,279
Securities in the trading book:	**1,869**	**-**	**27**	**1,659**	**-**	**-**	**4,062**	**16**	**25**	**-**	**7,441**	**15,099**
Debt securities -	1,778	-	-	1,622	-	-	4,062	-	-	-	7,160	14,622
Equity securities -	91	-	27	37	-	-	-	16	25	-	281	477
Derivative financial instruments	**1,111**	**42**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**968**	**2,121**
Investment securities at fair value:	**11,941**	**585**	**-**	**-**	**-**	**-**	**53,991**	**-**	**-**	**-**	**16,434**	**82,951**
Equity securities -	4,493	-	-	-	-	-	-	-	-	-	332	4,825
Debt securities -	7,448	585	-	-	-	-	53,991	-	-	-	16,102	78,126
Investment securities at amortized cost:	**55,675**	**1,003**	**34,797**	**1,010**	**-**	**-**	**535,006**	**3,012**	**3,006**	**-**	**58,717**	**692,226**
debt securities -	55,675	1,003	34,797	1,010	-	-	535,006	3,012	3,006	-	58,717	692,226
Other financial assets	**2,755**	**51**	**79**	**13**	**17**	**13**	**77**	**13**	**17**	**400**	**12,836**	**16,271**
Credit risk exposures relating to off – balance sheet items are as follows:												
Financial guarantees -	8,279	8,281	5,881	853	18,968	236	236	1,474	34	70	8,680	52,992
Letters of credit -	-	98	1,210	-	-	-	-	-	-	-	-	1,308
Loan commitments and other credit related liabilities -	18,369	34,435	50,764	48,567	67,124	10,765	5,075	30,159	4,928	32,261	104,993	407,440
Total at 31 December 2021:	**274,277**	**197,787**	**283,312**	**348,859**	**155,311**	**118,563**	**1,548,070**	**128,466**	**41,477**	**610,965**	**547,043**	**4,254,130**
At 31 December 2020:												
Cash equivalents	**12,270**	**-**	**-**	**-**	**-**	**-**	**349,981**	**-**	**-**	**-**	**-**	**362,251**
Loans and advances to banks	**1,598**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,598**
Loans and advances to customers:	**114,347**	**133,003**	**171,164**	**209,134**	**67,926**	**107,598**	**89,294**	**69,225**	**30,618**	**424,419**	**175,635**	**1,592,363**
Loans and advances to financial institutions	**107,442**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**107,442**
Loans to individuals (Retail):	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**424,419**	**-**	**424,419**
Consumer loans -	-	-	-	-	-	-	-	-	-	12,748	-	12,748
Mortgages -	-	-	-	-	-	-	-	-	-	297,140	-	297,140
Other -	-	-	-	-	-	-	-	-	-	114,531	-	114,531
Loans to business customers:	**6,905**	**133,003**	**171,164**	**209,134**	**67,926**	**107,598**	**89,294**	**69,225**	**30,618**	**-**	**175,635**	**1,060,502**
Large corporates -	-	-	68,935	-	13,414	-	-	3,571	13,928	-	9,847	109,695
SME -	6,905	132,977	102,211	209,102	54,486	107,598	(10,784)	65,645	14,283	-	152,110	834,533
Central and local authorities, administrative bodies and other -	-	26	18	32	26	-	100,078	9	2,407	-	13,678	116,274
Finance lease receivables:	**1,223**	**16,672**	**11,894**	**7,352**	**7,914**	**8,830**	**213**	**24,451**	**2,157**	**26,308**	**48,276**	**155,290**
Individuals -	-	-	-	-	-	-	-	-	-	26,308	-	26,308
Business customers -	1,223	16,672	11,894	7,352	7,914	8,830	213	24,451	2,157	-	48,276	128,982
Securities in the trading book:	**2,273**	**-**	**500**	**23**	**281**	**-**	**4,182**	**58**	**13**	**-**	**2,252**	**9,582**
Debt securities -	2,223	-	499	-	281	-	4,182	-	-	-	1,659	8,844
Equity securities -	50	-	1	23	-	-	-	58	13	-	593	738
Derivative financial instruments	**289**	**28**	**26**	**-**	**-**	**-**	**-**	**-**	**-**	**80**	**22**	**445**
Investment securities at fair value:	**15,528**	**-**	**-**	**-**	**-**	**-**	**17,709**	**-**	**938**	**-**	**40**	**34,215**
Equity securities -	3,746	-	-	-	-	-	-	-	-	-	40	3,786
Debt securities -	11,782	-	-	-	-	-	17,709	-	938	-	-	30,429
Investment securities at amortized cost:	**55,360**	**1,003**	**43,993**	**1,010**	**-**	**-**	**526,700**	**3,013**	**3,008**	**-**	**63,049**	**697,136**
debt securities -	55,360	1,003	43,993	1,010	-	-	526,700	3,013	3,008	-	63,049	697,136
Other financial assets	**444**	**18**	**87**	**24**	**10**	**12**	**54**	**10**	**4**	**292**	**3,323**	**4,278**
Credit risk exposures relating to off – balance sheet items are as follows:												
Financial guarantees -	9,187	9,750	2,941	761	16,572	229	150	1,109	34	42	8,076	48,851
Letters of credit -	-	116	2,464	-	319	-	-	-	-	-	623	3,522
Loan commitments and other credit related liabilities -	25,343	28,468	29,116	34,236	44,308	5,520	5,299	16,392	3,214	27,681	81,191	300,768
Total at 31 December 2020:	**237,862**	**189,058**	**262,185**	**252,540**	**137,330**	**122,189**	**993,582**	**114,258**	**39,986**	**478,822**	**382,487**	**3,210,299**

As at 31 December 2021 and 31 December 2020 the Group and the Bank were compliant with the internal limits.

Concentration exposure

As at 31 December 2021, the largest single exposure comprising loans to several related borrowers treated as a single borrower not secured by the Lithuanian Government guarantees, amounted to EUR 43 million, i.e. 12.3% of the Bank's calculated capital (2020: EUR 32.6 million or 9.9% of the Bank's calculated capital).

2. Market risk

The Group takes on exposure to market risk, which means the risk for the Group to incur losses due to the adverse fluctuations in the market parameters such as currency exchange rates (foreign currency risk), interest rates (interest rate risk) or securities prices (securities risk). Securities and interest rate risks are the most significant market risks for the Group while other market risks are of lower significance.

2.1. Foreign exchange risk

The management of the currency exchange risk is regulated by the "Currency Exchange Risk Management Procedures" which specify the principles allowing the Group to reduce the incurred foreign currency fluctuation risk to minimum. The Group is not engaged in any speculative transactions through which it could expect to earn profit from the open currency positions after changes in currency rate. The limits are imposed by the Risk Management Committee and subject to annual or more frequent review.

The Group and the Bank monitors the foreign currency risk by calculating open currency position. Open currency position (OCP) is equal to assets in the balance sheet and off-balance sheet less balance sheet and off-balance sheet liabilities in a single currency. There are two types of OCP, i.e. long and short. Long position means that Group's assets exceed liabilities in given currency, whereas short position means that liabilities exceed assets. The Group also calculates Overall net open position (ONOP), which is the higher of the total short or total long positions. As at 31 December 2021 the Group's ONOP to capital ratio was 0.08% (2020: 0.08%), the Bank's ONOP to capital ratio was 0.10% (2020: 0.08%).

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

Open positions

The Group's open positions of prevailing currencies were as follows:

	USD	Other currencies	Total currencies	EUR	Total
At 31 December 2021:					
Assets					
Cash and cash equivalents	18,959	11,235	30,194	935,529	965,723
Due from other banks	1,218	158	1,376	46,805	48,181
Securities in the trading book	595	-	595	601	1,196
Derivative financial instruments	-	-	-	2,121	2,121
Loans granted to customers, finance lease receivables	10,194	34	10,228	2,093,627	2,103,855
Investment securities at fair value	412	-	412	82,576	82,988
Investment securities at amortized cost	1,333	-	1,333	704,065	705,398
Intangible assets	-	-	-	4,834	4,834
Property, plant and equipment and investment property	-	-	-	16,989	16,989
Other assets	278	14	292	30,905	31,197
Total assets	**32,989**	**11,441**	**44,430**	**3,918,052**	**3,962,482**
Liabilities and shareholders' equity					
Due to other banks and financial institutions	2,941	-	2,941	694,797	697,738
Derivative financial instruments	-	-	-	96	96
Due to customers	123,479	15,701	139,180	2,540,003	2,679,183
Debt securities in issue	-	-	-	95,212	95,212
Special and lending funds	-	-	-	6,667	6,667
Liabilities related to insurance activities	1,405	158	1,563	39,846	41,409
Other liabilities	2,866	244	3,110	32,640	35,750
Shareholders' equity	-	-	-	406,427	406,427
Total liabilities and shareholders' equity	**130,691**	**16,103**	**146,794**	**3,815,688**	**3,962,482**
Net balance sheet position	**(97,702)**	**(4,662)**	**(102,364)**	**102,364**	**-**
Open currency exchange transactions	97,608	4,888	102,496	(100,312)	2,184
Net open position	**(94)**	**226**	**132**	**2,052**	**2,184**
At 31 December 2020:					
Assets					
Cash and cash equivalents	6,524	13,806	20,330	412,254	432,584
Due from other banks	132	111	243	36,825	37,068
Securities in the trading book	689	-	689	909	1,598
Derivative financial instruments	-	-	-	445	445
Loans granted to customers, finance lease receivables	13,259	272	13,531	1,747,589	1,761,120
Investment securities at fair value	358	-	358	33,984	34,342
Investment securities at amortized cost	1,230	-	1,230	708,224	709,454
Intangible assets	-	-	-	5,729	5,729
Property, plant and equipment and investment property	-	-	-	22,036	22,036
Other assets	6	9	15	24,454	24,469
Total assets	**22,198**	**14,198**	**36,396**	**2,992,449**	**3,028,845**
Liabilities and shareholders' equity					
Due to other banks and financial institutions	9,023	133	9,156	218,667	227,823
Derivative financial instruments	-	-	-	3,840	3,840
Due to customers	106,619	14,821	121,440	2,225,987	2,347,427
Debt securities in issue	-	-	-	20,027	20,027
Special and lending funds	-	-	-	5,749	5,749
Liabilities related to insurance activities	311	111	422	35,853	36,275
Other liabilities	782	115	897	31,741	32,638
Shareholders' equity	-	-	-	355,066	355,066
Total liabilities and shareholders' equity	**116,735**	**15,180**	**131,915**	**2,896,930**	**3,028,845**
Net balance sheet position	**(94,537)**	**(982)**	**(95,519)**	**95,519**	**-**
Open currency exchange transactions	94,536	1,150	95,686	(98,940)	(3,254)
Net open position	**(1)**	**168**	**167**	**(3,421)**	**(3,254)**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

The Bank's open positions of prevailing currencies were as follows:

	USD	Other currencies	Total currencies	EUR	Total
At 31 December 2021:					
Assets					
Cash and cash equivalents	18,959	11,235	30,194	934,655	964,849
Due from other banks	-	-	-	15,099	15,099
Securities in the trading book	595	-	595	601	1,196
Derivative financial instruments	-	-	-	2,121	2,121
Loans granted to customers, finance lease receivables	10,194	34	10,228	2,074,310	2,084,538
Investment securities at fair value	412	-	412	82,539	82,951
Investment securities at amortized cost	1,333	-	1,333	690,893	692,226
Investments in subsidiaries	-	-	-	31,668	31,668
Intangible assets	-	-	-	3,114	3,114
Property, plant and equipment and investment property	-	-	-	14,462	14,462
Other assets	278	14	292	26,958	27,250
Total assets	**31,771**	**11,283**	**43,054**	**3,876,420**	**3,919,474**
Liabilities and shareholders' equity					
Due to other banks and financial institutions	2,941	-	2,941	700,330	703,271
Derivative financial instruments	-	-	-	96	96
Due to customers	123,479	15,701	139,180	2,542,406	2,681,586
Debt securities in issue	-	-	-	95,212	95,212
Special and lending funds	-	-	-	6,667	6,667
Other liabilities	2,866	244	3,110	21,951	25,061
Shareholders' equity	-	-	-	407,581	407,581
Total liabilities and shareholders' equity	**129,286**	**15,945**	**145,231**	**3,774,243**	**3,919,474**
Net balance sheet position	**(97,515)**	**(4,662)**	**(102,177)**	**102,177**	**-**
Open currency exchange transactions	97,608	4,888	102,496	(100,312)	2,184
Net open position	**93**	**226**	**319**	**1,865**	**2,184**
At 31 December 2020:					
Assets					
Cash and cash equivalents	6,217	13,806	20,023	411,626	431,649
Due from other banks	132	-	132	9,450	9,582
Securities in the trading book	689	-	689	909	1,598
Derivative financial instruments	-	-	-	445	445
Loans granted to customers, finance lease receivables	13,259	272	13,531	1,734,122	1,747,653
Investment securities at fair value	358	-	358	33,857	34,215
Investment securities at amortized cost	1,230	-	1,230	695,906	697,136
Investments in subsidiaries	-	-	-	29,135	29,135
Intangible assets	-	-	-	4,230	4,230
Property, plant and equipment and investment property	-	-	-	16,214	16,214
Other assets	6	9	15	15,797	15,812
Total assets	**21,891**	**14,087**	**35,978**	**2,951,691**	**2,987,669**
Liabilities and shareholders' equity					
Due to other banks and financial institutions	9,023	133	9,156	222,114	231,270
Derivative financial instruments	-	-	-	3,840	3,840
Due to customers	106,619	14,821	121,440	2,227,581	2,349,021
Debt securities in issue	-	-	-	20,027	20,027
Special and lending funds	-	-	-	5,749	5,749
Other liabilities	781	115	896	21,302	22,198
Shareholders' equity	-	-	-	355,564	355,564
Total liabilities and shareholders' equity	**116,423**	**15,069**	**131,492**	**2,856,177**	**2,987,669**
Net balance sheet position	**(94,532)**	**(982)**	**(95,514)**	**95,514**	**-**
Open currency exchange transactions	94,536	1,150	95,686	(98,940)	(3,254)
Net open position	**4**	**168**	**172**	**(3,426)**	**(3,254)**

(All amounts are in EUR thousand, unless otherwise stated)

The Bank has also granted loans in foreign currency. Although they are usually financed in the same currency, depending on the main currency of the debtor's cash flows, the strengthening of foreign currency against the local currency may adversely affect the debtors' ability to repay the loans, which increases the probability of future losses from loans.

Sensitivity of foreign exchange risk

Foreign exchange (FX) risk is limited by amounts of open FX positions. For calculation of sensitivity to FX risk all exposures shall be converted into possible loss, i.e. open FX position is multiplied by possible FX rate change. The FX risk parameters for the Group (Bank) have been established in view of the maximum fluctuations of currency exchange rate in 2017 - 2021 and forecast that exchange rate fluctuations will have the same trends in 2022.

Currency	**Annual reasonable shift, 2022**	**Annual *reasonable shift, 2021***
GBP	5.5%	6 %
USD	5.5%	6 %
Other currencies	4.5%	6 %
CIS countries currencies	8.5%	10 %

The following table presents Group (Bank) sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant:

	31 December 2021		**31 December 2020**	
Impact on profit or loss and equity	**Group**	**Bank**	**Group**	**Bank**
USD	5	5	2	2
GBP	-	-	-	-
Other currencies	11	11	19	19
CIS countries currencies	7	7	2	2
Pre-tax impact	**23**	**23**	**24**	**24**
Total	**23**	**23**	**19**	**19**

2.2. Interest rate risk in the banking book

An interest rate risk is a risk to incur losses because of the mismatch of re-evaluation possibility between the Bank's and the Group's assets and liabilities.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank and the Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The risk management is regulated by the Interest Rate Risk Management Procedure, which was updated in 2019 to introduce a system of internal risk limits and indicators, which establish methods of risk measurement and set up measures for risk management. This procedure is approved by the Board of the Bank and defines that:

- the Bank observes the principle to avoid the speculation with future interest rates;
- the risk is evaluated using a system of internal key risk indicators;
- Risk Management and Reporting Department provides the information on regular basis to Risk Management Committee about compliance with internal risk limits.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity of interest rate risk

The table below summarises Group’s interest rates sensitive assets and liabilities in the banking book based on repricing dates adjusted by Group's expected behavioral movement from demand deposits to term deposits.

Group	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non interest bearing or maturity undefined	Total
31 December 2021							
Total interest rate sensitive assets	210,832	461,299	1,304,350	131,474	1,427,677	376,548	3,912,180
Total interest rate sensitive liabilities	86,626	121,728	789,186	278,913	1,588,831	690,675	3,555,959
Net interest sensitivity gap at 31 December 2021	124,206	339,571	515,164	(147,439)	(161,154)	(314,127)	356,221
31 December 2020							
Total interest rate sensitive assets	242,522	494,518	507,509	131,783	1,134,569	480,579	2,991,480
Total interest rate sensitive liabilities	85,046	123,942	157,390	287,013	1,001,351	1,015,345	2,670,087
Net interest sensitivity gap at 31 December 2020	157,476	370,576	350,119	(155,230)	133,218	(534,766)	321,393

Assessing the sensitivity of the Group's profit and other components of equity towards the change of interest rates, it has been assumed that interest is to change by 1 percentage point.

The table below summarizes the effect on the Group's profit and other components of equity of interest rate risk in the banking book as at 31 December 2021 and 31 December 2020.

	31 December 2021			31 December 2020		
	Pre-tax increase (decrease) in profit	Pre-tax increase (decrease) in other components of equity	Total impact on equity (post-tax)	Pre-tax increase (decrease) in profit	Pre-tax increase (decrease) in other components of equity	Total impact on equity (post-tax)
Interest rate increase by 1 p.p.	6,872	(3,170)	2,962	6,398	(970)	4,342
Interest rate decrease by 1 p.p.	(6,872)	3,380	(2,794)	(6,398)	1,026	(4,298)

The table below summarises the Bank’s interest rates sensitive assets and liabilities in the banking book based on repricing dates adjusted by Groups's expected behavioral movement from demand deposits to term deposits.

Bank	*Up to 1 month*	*From 1 to 3 months*	*From 3 to 6 months*	*From 6 to 12 months*	*More than 1 year*	*Non interest bearing or maturity undefined*	*Total*
31 December 2021							
Total interest rate sensitive assets	204,946	564,388	1,289,635	112,420	1,341,072	389,793	3,902,254
Total interest rate sensitive liabilities	86,626	121,728	789,226	279,313	1,589,352	645,552	3,511,797
Net interest sensitivity gap at 31 December 2021	118,320	442,660	500,409	(166,893)	(248,280)	(255,759)	390,457
31 December 2020							
Total interest rate sensitive assets	235,733	483,069	593,983	114,378	1,065,715	484,764	2,977,642
Total interest rate sensitive liabilities	85,046	123,942	157,430	287,013	1,002,272	972,562	2,628,265
Net interest sensitivity gap at 31 December 2020	150,687	359,127	436,553	(172,635)	63,443	(487,798)	349,377

Assessing the sensitivity of the Bank's profit and other components of equity towards the change of interest rates, it has been assumed that interest is to change by 1 percentage point.

The table below summarises the effect on the Bank's profit and other components of equity of interest rate risk in the banking book as at 31 December 2021 and 31 December 2020.

	31 December 2021			31 December 2020		
	Pre-tax increase (decrease) in profit	Pre-tax increase (decrease) in other components of equity	Total impact on equity (post-tax)	Pre-tax increase (decrease) in profit	Pre-tax increase (decrease) in other components of equity	Total impact on equity (post-tax)
Interest rate increase by 1 p.p.	7,534	(3,170)	3,491	6,735	(968)	4,614
Interest rate decrease by 1 p.p.	(7,534)	3,380	(3,323)	(6,735)	1,024	(4,569)

(All amounts are in EUR thousand, unless otherwise stated)

2.3. Securities risk

Securities risk is the risk to incur losses from the investment in securities.

The management of the securities risk is regulated by the Investment in Securities Limits Procedure. In order to properly manage the debt securities portfolio risk, the Bank uses an internal limit system that combines maturity/rating limits, geographical region limits imposed on total debt securities portfolio, VaR ratio limits imposed on debt securities at amortized cost portfolio, and VaR and capital requirements amount limits imposed on other debt securities portfolios. For the equity portfolio risk management, a limit system that combines decision taking limits, issuer limits, portfolio limits is used. The compliance with limits must be checked before taking the investment decisions, monthly reports on the compliance with the limits set are submitted to the Bank's Risk Management Committee.

Securities concentrations

Sector concentration of the securities portfolio is disclosed in Financial Risk Management disclosure, section 1.8. Maturities concentration of securities portfolio is disclosed in Financial Risk Management disclosure, section 3.2. Credit quality of the securities portfolio is disclosed in Notes 12 and Note 15. Geographical concentration of the debt securities portfolio is presented in tables below, which contain Top 20 countries in which the Group and the Bank have exposures:

Top 20 countries in which the Group has debt security exposures:

				2021				2020
	Name of the country	**Sovereign**	**Corporate**	**Total**	**Name of the country**	**Sovereign**	**Corporate**	**Total**
1.	Lithuania	537,372	22,390	559,762	Lithuania	469,934	5,489	475,423
2.	Netherlands	-	32,828	32,828	USA	-	35,441	35,441
3.	Germany	-	28,435	28,435	Netherlands	-	34,643	34,643
4.	USA	-	27,462	27,462	Germany	-	27,112	27,112
5.	Latvia	14,680	8,002	22,682	France	-	20,279	20,279
6.	Great Britain	215	14,717	14,932	Italy	13,480	4,228	17,708
7.	Estonia	-	13,136	13,136	Latvia	14,691	709	15,400
8.	France	-	11,921	11,921	Poland	14,939	206	15,145
9.	Italy	8,014	3,723	11,737	Mexico	5,338	8,297	13,635
10.	Poland	9,695	207	9,902	Estonia	-	11,987	11,987
11.	Bulgaria	9,325	296	9,621	Bulgaria	11,364	457	11,821
12.	Sweden	3,240	4,430	7,670	Great Britain	-	11,111	11,111
13.	Ireland	-	7,335	7,335	Sweden	-	10,661	10,661
14.	Spain	5,170	1,512	6,682	Spain	8,130	1,991	10,121
15.	Czech Republic	214	5,534	5,748	Ireland	3,316	4,230	7,546
16.	Luxembourg	-	5,443	5,443	Czech Republic	-	5,831	5,831
17.	Finland	-	5,053	5,053	Slovenia	5,543	205	5,748
18.	Austria	-	4,435	4,435	Romania	5,638	-	5,638
19.	Mexico	4,001	-	4,001	Finland	-	5,074	5,074
20.	Slovenia	166	3,354	3,520	Austria	-	4,434	4,434
	Other countries	9,603	2,069	11,672	Other countries	4,239	5,426	9,665
	Total	**601,695**	**202,282**	**803,977**	**Total**	**556,612**	**197,811**	**754,423**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

Top 20 countries in which the Bank has debt security exposures:

	2021				2020			
	Name of the country	**Sovereign**	**Corporate**	**Total**	**Name of the country**	**Sovereign**	**Corporate**	**Total**
1.	Lithuania	534,030	18,580	552,610	Lithuania	466,789	2,441	469,230
2.	Netherlands	-	32,424	32,424	USA	-	34,590	34,590
3.	Germany	-	27,917	27,917	Netherlands	-	34,240	34,240
4.	USA	-	26,612	26,612	Germany	-	26,593	26,593
5.	Latvia	14,680	8,002	22,682	France	-	19,432	19,432
6.	Great Britain	-	14,516	14,516	Italy	13,190	3,721	16,911
7.	Estonia	-	12,830	12,830	Latvia	14,691	709	15,400
8.	France	-	11,082	11,082	Poland	14,939	-	14,939
9.	Italy	7,733	3,217	10,950	Mexico	4,909	8,297	13,206
10.	Poland	9,695	-	9,695	Estonia	-	11,680	11,680
11.	Bulgaria	9,128	296	9,424	Bulgaria	11,163	457	11,620
12.	Ireland	3,240	4,027	7,267	Great Britain	-	10,490	10,490
13.	Sweden	-	7,134	7,134	Sweden	-	10,262	10,262
14.	Spain	4,507	1,512	6,019	Spain	7,604	1,991	9,595
15.	Czech Republic	-	5,329	5,329	Ireland	3,316	4,029	7,345
16.	Luxembourg	-	4,991	4,991	Slovenia	5,471	-	5,471
17.	Finland	-	4,844	4,844	Czech Republic	-	5,409	5,409
18.	Austria	-	4,008	4,008	Finland	-	4,864	4,864
19.	Slovenia	3,322	-	3,322	Romania	4,553	-	4,553
20.	Mexico	-	3,149	3,149	Austria	-	4,004	4,004
	Other countries	6,724	1,445	8,169	Other countries	1,966	4,609	6,575
	Total	**593,059**	**191,915**	**784,974**	**Total**	**548,591**	**187,818**	**736,409**

Sensitivity of securities risk

The sensitivity of debt securities portfolio (at fair value through profit or loss – i.e. trading book is included in profit and at fair value through other comprehensive income is included in other components of equity) to parallel shift of the interest rate curve by 1 percentage point is presented in the table below:

	31 December 2021			31 December 2020		
	Pre-tax increase (decrease) in profit	**Pre-tax increase (decrease) in other components of equity**	**Total impact on equity (post-tax)**	**Pre-tax increase (decrease) in profit**	**Pre-tax increase (decrease) in other components of equity**	**Total impact on equity (post-tax)**
Group:						
Interest rate increase by 1 p.p.	(411)	(3,170)	(2,865)	(356)	(970)	(1,061)
Interest rate decrease by 1 p.p.	428	3,380	3,046	375	1,026	1,121
Bank:						
Interest rate increase by 1 p.p.	(365)	(3,170)	(2,828)	(295)	(968)	(1,010)
Interest rate decrease by 1 p.p.	379	3,380	3,007	309	1,024	1,066

3. Liquidity risk

Liquidity risk means the risk that the Bank is unable to meet its financial obligations in time or that it will not manage to receive financial resources during a short time by borrowing or selling the assets.

3.1. Liquidity risk management process

The liquidity risk management depends on the Bank's ability to cover the cash shortage by borrowing from the market; and the liquidity of the market itself. The Bank seeks not to depend on the ability to borrow in the market in case of liquidity problems and constructs its liquidity strategy based on hypothetical scenario it does not have access to market funding. Due to that fact the Bank possesses a significant debt securities portfolio, which is highly liquid and can be used either as collateral for borrowing by repos, or sold.

Liquidity risk management is regulated by the Procedures for Liquidity Risk Management approved by the Bank's Board. Liquidity risk is evaluated by analysing the dynamics of various liquidity ratios. A list of these ratios as well as recommended limits to their change are defined in the above-mentioned procedures. Decisions regarding liquidity management issues are made by the Bank's Risk Management Committee with reference to the information submitted by the Bank's Risk Management and Reporting Department or by the Bank's Board with reference to the information submitted by the Risk Management Committee. Current liquidity (up to 7 days) risk management is based on short-term cash flow analysis and projections. The Market and Treasury Department is responsible for this.

The Group controls short-term and long-term liquidity risk through established ratios and limits.

Starting from 2015, the Bank is subject to regulatory Liquidity coverage ratio (LCR). The Bank complied with this ratio with a substantial cushion (requirement for the LCR is set at 100%). As of 31 December 2021, Bank's LCR ratio (aggregate for all currencies) stood at 242% (31 December 2020: 278%).

Internal liquidity limit system was updated in 2019. It includes normative, prospective, quality and concentration ratios.

3.2. Structure of assets and liabilities by maturity

The structure of the Group's assets and liabilities by maturity is presented in the table below. Maturity bands used in the table represent maturities of assets and liabilities under most likely scenario, which is contractual maturities scenario adjusted for expectations. For liabilities and assets with no payment breaches, contractual terms are used as the representation of most likely scenario unless information indicating otherwise is available.

Past due part of the assets with payment breaches over 30 days and total amount of assets past due over 90 days are included in "Maturity undefined" band.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
At 31 December 2021:									
Assets									
Cash and cash equivalents	965,723	-	-	-	-	-	-	-	965,723
Due from other banks	-	997	99	-	-	9	91	-	1,196
Securities in the trading book	-	36	125	299	1,167	13,128	5,699	27,727	48,181
Derivative financial instruments	-	769	1,039	313	-	-	-	-	2,121
Loans to customers, finance lease receivables	-	46,496	70,009	136,232	220,457	606,574	1,014,486	9,601	2,103,855
Investment securities at fair value	-	3	5,986	66	3,111	29,164	39,796	4,862	82,988
Investment securities at amortized cost	-	1,355	16,433	19,802	35,512	522,564	109,732	-	705,398
Intangible assets	-	-	-	-	-	-	-	4,834	4,834
Property, plant and equipment and investment property	-	-	-	-	-	-	-	16,989	16,989
Other assets	12,327	5,860	66	53	374	505	3	12,009	31,197
Total assets	**978,050**	**55,516**	**93,757**	**156,765**	**260,621**	**1,171,944**	**1,169,807**	**76,022**	**3,962,482**
Due to other banks and financial institutions	40,425	6,779	1,893	(30)	2,771	632,270	13,630	-	697,738
Due to customers	1,853,292	80,074	119,604	159,379	278,378	155,198	33,258	-	2,679,183
Special and lending funds	6,667								6,667
Debt securities in issue	-	-	-	-	-	-	95,212	-	95,212
Liabilities related to insurance activities	74	374	349	288	1,307	2,168	36,849		41,409
Other liabilities	16,074	6,905	1,076	1,039	2,608	4,378	3,766	-	35,846
Shareholders' equity	-	-	-	-	-	-	-	406,427	406,427
Total liabilities and shareholders' equity	**1,916,532**	**94,132**	**122,922**	**160,676**	**285,064**	**794,014**	**182,715**	**406,427**	**3,962,482**
Net liquidity gap	**(938,482)**	**(38,616)**	**(29,165)**	**(3,911)**	**(24,443)**	**377,930**	**987,092**	**(330,405)**	**-**
At 31 December 2020:									
Assets									
Cash and cash equivalents	432,584	-	-	-	-	-	-	-	432,584
Due from other banks	-	-	144	467	269	540	99	79	1,598
Securities in the trading book	-	27	19	395	1,246	5,443	7,410	22,528	37,068
Derivative financial instruments	-	206	121	118	-	-	-	-	445
Loans to customers, finance lease receivables	-	39,342	64,745	108,340	180,313	585,913	758,244	24,223	1,761,120
Investment securities at fair value	-	-	22	-	6,862	5,070	18,475	3,913	34,342
Investment securities at amortized cost	-	11,984	5,996	5,674	47,194	406,516	232,090	-	709,454
Intangible assets	-	-	-	-	-	-	-	5,729	5,729
Property, plant and equipment and investment property	-	-	-	-	-	-	-	16,484	16,484
Other assets	2,329	4,608	1,540	865	7,141	618	12	12,908	30,021
Total assets	**434,913**	**56,167**	**72,587**	**115,859**	**243,025**	**1,004,100**	**1,016,330**	**85,864**	**3,028,845**
Due to other banks and financial institutions	50,866	8,334	991	(208)	152,442	6,043	10,763	-	229,231
Due to customers	1,459,771	78,243	122,991	155,618	285,647	194,266	50,145	-	2,346,681
Special and lending funds	5,749	-	-	-	-	-	-	-	5,749
Debt securities in issue	-	-	-	-	-	-	20,027	-	20,027
Liabilities related to insurance activities	85	416	116	145	555	2,915	32,043	-	36,275
Other liabilities	10,116	8,794	2,563	3,117	1,865	3,375	5,986	-	35,816
Shareholders' equity	-	-	-	-	-	-	-	355,066	355,066
Total liabilities and shareholders' equity	**1,526,587**	**95,787**	**126,661**	**158,672**	**440,509**	**206,599**	**118,964**	**355,066**	**3,028,845**
Net liquidity gap	**(1,091,674)**	**(39,620)**	**(54,074)**	**(42,813)**	**(197,484)**	**797,501**	**897,366**	**(269,202)**	**-**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

The Structure of the Bank's assets and liabilities by maturity was as follows:

	On demand	*Less than 1 month*	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*1 to 3 years*	*More than 3 years*	*Maturity undefined*	*Total*
At 31 December 2021:									
Assets									
Cash and cash equivalents	964,849	-	-	-	-	-	-	-	964,849
Due from other banks	-	997	99	-	-	9	91	-	1,196
Securities in the trading book	-	28	16	284	93	10,225	3,976	477	15,099
Derivative financial instruments	-	769	1,039	313	-	-	-	-	2,121
Loans to customers, finance lease receivables	-	40,465	173,185	121,519	201,381	558,542	988,501	945	2,084,538
Investment securities at fair value	-	3	5,986	66	3,111	29,164	39,796	4,825	82,951
Investment securities at amortized cost	-	1,349	16,204	19,730	35,483	520,865	98,595	-	692,226
Investments in subsidiaries	-	-	-	-	-	-	-	31,668	31,668
Intangible assets	-	-	-	-	-	-	-	3,114	3,114
Property, plant and equipment and investment property	-	-	-	-	-	-	-	14,462	14,462
Other assets	12,327	5,804	2	-	-	42	-	9,075	27,250
Total assets	**977,176**	**49,415**	**196,531**	**141,912**	**240,068**	**1,118,847**	**1,130,959**	**64,566**	**3,919,474**
Due to other banks and financial institutions	45,018	6,779	1,893	10	3,171	632,770	13,630	-	703,271
Due to customers	1,855,674	80,074	119,604	159,379	278,378	155,219	33,258	-	2,681,586
Special and lending funds	6,667	-	-	-	-	-	-	-	6,667
Debt securities in issue	-	-	-	-	-	-	95,212	-	95,212
Other liabilities	15,615	773	953	501	845	3,404	3,066	-	25,157
Shareholders' equity	-	-	-	-	-	-	-	407,581	407,581
Total liabilities and shareholders' equity	**1,922,974**	**87,626**	**122,450**	**159,890**	**282,394**	**791,393**	**145,166**	**407,581**	**3,919,474**
Net liquidity gap	**(945,798)**	**(38,211)**	**74,081**	**(17,978)**	**(42,326)**	**327,454**	**985,793**	**(343,015)**	**-**
At 31 December 2020:									
Assets									
Cash and cash equivalents	431,649	-	-	-	-	-	-	-	431,649
Due from other banks	-	-	144	467	269	540	99	79	1,598
Securities in the trading book	-	16	6	80	535	3,605	4,602	738	9,582
Derivative financial instruments	-	206	121	118	-	-	-	-	445
Loans to customers, finance lease receivables	-	32,833	151,874	96,215	162,932	547,178	740,219	16,402	1,747,653
Investment securities at fair value	-	-	22	-	6,862	5,070	18,475	3,786	34,215
Investment securities at amortized cost	-	11,975	5,986	5,610	47,166	405,209	221,190	697,136	
Investments in subsidiaries	-	-	-	-	-	-	-	29,135	29,135
Intangible assets	-	-	-	-	-	-	-	4,230	4,230
Property, plant and equipment and investment property	-	-	-	-	-	-	-	15,852	15,852
Other assets	2,329	4,250	1,493	484	429	79	-	7,110	16,174
Total assets	**433,978**	**49,280**	**159,646**	**102,974**	**218,193**	**961,681**	**984,585**	**77,332**	**2,987,669**
Due to other banks and financial institutions	52,865	8,334	991	(168)	152,442	6,043	10,763	-	231,270
Due to customers	1,461,190	78,243	122,991	155,618	285,647	194,687	50,645	-	2,349,021
Special and lending funds	5,749	-	-	-	-	-	-	-	5,749
Debt securities in issue	-	-	-	-	-	-	20,027	-	20,027
Other liabilities	8,605	3,015	2,343	3,027	1,207	2,514	5,327	-	26,038
Shareholders' equity	-	-	-	-	-	-	-	355,564	355,564
Total liabilities and shareholders' equity	**1,528,409**	**89,592**	**126,325**	**158,477**	**439,296**	**203,244**	**86,762**	**355,564**	**2,987,669**
Net liquidity gap	**(1,094,431)**	**(40,312)**	**33,321**	**(55,503)**	**(221,103)**	**758,437**	**897,823**	**(278,232)**	**-**

(All amounts are in EUR thousand, unless otherwise stated)

3.3. Non - derivative cash flows

Undiscounted cash flows in the table below describe contractual liability side outflows which are stated including nominal contract amounts together with interest till the end of the contract.

Group

31 December 2021	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities							
Due to banks	-	46,971	1,771	632,325	9,547	9,644	700,258
Due to customers	-	1,940,074	119,710	438,788	186,393	7,170	2,692,135
Debt securities in issue	-	-	-	2,015	82,095	23,690	107,800
Special and lending funds	-	6,667	-	-	-	-	6,667
Liabilities related to insurance activities	-	448	349	1,595	5,822	33,195	41,409
Total liabilities (contractual maturity dates)	**-**	**1,994,160**	**121,830**	**1,074,723**	**283,857**	**73,699**	**3,548,269**

Group

31 December 2020	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities							
Due to banks	-	58,540	982	152,652	11,044	5,027	228,245
Due to customers	-	1,543,811	123,143	442,954	249,202	4,141	2,363,251
Debt securities in issue	-	-	-	1,230	4,920	24,920	31,070
Special and lending funds	-	5,749	-	-	-	-	5,749
Liabilities related to insurance activities	-	414	87	549	4,757	27,690	33,497
Total liabilities (contractual maturity dates)	**-**	**1,608,514**	**124,212**	**597,385**	**269,923**	**61,778**	**2,661,812**

Bank

31 December 2021	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities							
Due to banks	-	51,564	1,771	632,765	10,047	9,644	705,791
Due to customers	-	1,942,456	119,710	438,788	186,414	7,170	2,694,538
Debt securities in issue	-	-	-	2,015	82,095	23,690	107,800
Special and lending funds	-	6,667	-	-	-	-	6,667
Total liabilities (contractual maturity dates)	**-**	**2,000,687**	**121,481**	**1,073,568**	**278,556**	**40,504**	**3,514,796**

Bank

31 December 2020	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities							
Due to banks	-	61,201	982	152,713	11,944	5,027	231,867
Due to customers	-	1,545,230	123,143	442,954	249,202	4,141	2,364,670
Debt securities in issue	-	-	-	1,230	4,920	24,920	31,070
Special and lending funds	-	5,749	-	-	-	-	5,749
Total liabilities (contractual maturity dates)	**-**	**1,612,180**	**124,125**	**596,897**	**266,066**	**34,088**	**2,633,356**

(All amounts are in EUR thousand, unless otherwise stated)

3.4. Remaining contractual maturity off - balance sheet items

Analysis of off-balance sheet items by the remaining maturity is as follows:

Group

At 31 December 2021	Up to one month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Loan commitments	394,173	-	-	-	-	-	394,173
Guarantees	52,931	-	-	-	-	-	52,931
Other commitments	1,183	961	2,106	102	8	-	4,360
Total	**448,287**	**961**	**2,106**	**102**	**8**	**-**	**451,464**

Group

At 31 December 2020	Up to one month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Loan commitments	278,825	-	-	-	-	-	278,825
Guarantees	48,790	-	-	-	-	-	48,790
Other commitments	469	5,363	156	469	5	-	6,462
Total	**328,084**	**5,363**	**156**	**469**	**5**	**-**	**334,077**

Bank

At 31 December 2021	Up to one month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Loan commitments	404,388	-	-	-	-	-	404,388
Guarantees	52,992	-	-	-	-	-	52,992
Other commitments	1,183	961	2,106	102	8	-	4,360
Total	**458,563**	**961**	**2,106**	**102**	**8**	**-**	**461,740**

Bank

At 31 December 2020	Up to one month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Loan commitments	297,828	-	-	-	-	-	297,828
Guarantees	48,851	-	-	-	-	-	48,851
Other commitments	469	5,363	156	469	5	-	6,462
Total	**347,148**	**5,363**	**156**	**469**	**5**	**-**	**353,141**

4. Fair value of financial assets and liabilities

4.1. Financial assets and liabilities not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's and Group's balance sheets at their fair value. The valuation methods for the assets and liabilities are summarized below.

a) Loans and advances to banks

The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value.

The fair value of fixed interest bearing deposits is estimated using valuation technique attributable to Level 3 in the fair value hierarchy, based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

b) Loans and advances to customers and finance lease receivables

Loans and advances and finance lease receivables are net of charges for impairment. The fair value of loans and advances to customers and finance lease receivables is estimated using valuation technique attributable to Level 3 in the fair value hierarchy. The estimated fair value of loans, advances and finance lease receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates (average interest rates on outstanding loans published by the Bank of Lithuania) to determine fair value.

c) Investment securities

The fair value for held-to-collect assets is based on market prices or broker/dealer price quotations – i.e. it is estimated using valuation technique attributable to Level 1 in the fair value hierarchy.

d) Deposits from banks, due to customers, debt securities in issue and special lending funds

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The fair value of fixed interest-bearing deposits, debt securities in issue and special and lending funds not quoted in an active market is estimated using valuation technique attributable to Level 3 in the fair value hierarchy based on discounted cash flows using interest rates for new debts with similar remaining maturity. Interest rates for new deposits of Šiaulių bankas are used for calculation purposes as discount rates.

e) Other financial assets and other financial liabilities

The fair value of lease liabilities is estimated using valuation technique attributable to Level 3 in the fair value hierarchy based on discounted cash flows using interest rates for new leases with similar remaining maturity. The estimated fair value of other financial assets and liabilities is similar to the carrying value due to short maturities of these assets and liabilities.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

Group

	As of 31 December 2021		As of 31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Due from other banks	**1,196**	**1,196**	**1,598**	**1,598**
Loans	**1,908,681**	**1,931,722**	**1,605,663**	**1,628,174**
Loans to individuals:	**690,008**	**711,833**	**545,188**	**564,367**
Consumer loans -	143,462	154,630	133,517	145,464
Mortgages -	455,126	466,770	297,140	304,449
Other -	91,420	90,433	114,531	114,454
Loans to business customers	**1,211,726**	**1,212,983**	**1,055,728**	**1,059,071**
Central and other authorities -	135,969	131,994	116,274	112,863
Large corporates -	127,772	127,381	109,695	109,884
SME -	947,985	953,608	829,759	836,324
Loans and advances to financial institutions	**6,947**	**6,906**	**4,747**	**4,736**
Finance lease receivables	**195,174**	**194,999**	**155,457**	**154,407**
Investment securities at amortized cost	**705,398**	**698,867**	**709,454**	**725,022**
Government bonds -	541,026	539,611	532,501	543,609
Corporate bonds -	164,372	159,256	176,953	181,413
Other financial assets	**16,398**	**16,398**	**4,695**	**4,695**
Liabilities				
Due to other banks and financial institutions	**697,738**	**697,736**	**227,823**	**227,784**
Due to customers	**2,679,183**	**2,683,626**	**2,347,427**	**2,353,571**
Due to individuals	1,531,867	1,536,206	1,477,127	1,483,119
Due to private companies	860,965	861,003	682,960	683,027
Due to other enterprises	286,351	286,417	187,340	187,425
Debt securities in issue	**95,212**	**95,201**	**20,027**	**20,225**
Special and lending funds	**6,667**	**6,667**	**5,749**	**5,749**
Other financial liabilities	**25,053**	**25,023**	**24,231**	**24,194**

Bank

	As of 31 December 2021		As of 31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Due from other banks	**1,196**	**1,196**	**1,598**	**1,598**
Loans	**1,889,629**	**1,901,449**	**1,592,363**	**1,603,328**
Loans to individuals:	**553,087**	**563,912**	**424,419**	**432,274**
Consumer loans -	6,541	6,709	12,748	13,372
Mortgages -	455,126	466,770	297,140	304,449
Other -	91,420	90,433	114,531	114,453
Loans to business customers	**1,211,726**	**1,212,978**	**1,060,502**	**1,063,839**
Central and other authorities -	135,969	131,994	116,274	112,863
Large corporates -	127,772	127,381	109,695	109,884
SME -	947,985	953,603	834,533	841,092
Loans and advances to financial institutions	**124,816**	**124,559**	**107,442**	**107,215**
Finance lease receivables	**194,909**	**194,727**	**155,290**	**154,234**
Investment securities at amortized cost	**692,226**	**698,408**	**697,136**	**712,000**
Government bonds -	535,006	539,374	526,700	537,450
Corporate bonds -	157,220	159,034	170,436	174,550
Other financial assets	**16,271**	**16,271**	**4,278**	**4,278**
Liabilities				
Due to other banks and financial institutions	**703,271**	**703,269**	**231,270**	**231,231**
Due to customers	**2,681,586**	**2,686,029**	**2,349,021**	**2,355,165**
Due to individuals	1,531,867	1,536,206	1,477,127	1,483,119
Due to private companies	863,347	863,385	684,533	684,600
Other	286,372	286,438	187,361	187,446
Debt securities in issue	**95,212**	**95,201**	**20,027**	**20,225**
Special and lending funds	**6,667**	**6,667**	**5,749**	**5,749**
Other financial liabilities	**21,775**	**21,748**	**20,337**	**20,309**

(All amounts are in EUR thousand, unless otherwise stated)

4.2. Financial assets and liabilities measured at fair value

a) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, NASDAQ Stock Exchange, London Stock Exchange, Frankfurt Stock Exchange) or public price quotations (for example, for Lithuanian government bonds, average price quotations from the most active banks that participate in the primary placement auctions of the Lithuanian Government securities are used).
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The Group uses fair value calculated based on Level 2 inputs for accounting of currency derivatives and derivatives related to prices of equity instruments.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes Group's investments into unlisted equity securities, derivatives related to interest rate floor in variable rate loan contracts and liabilities designated at fair value through profit or loss. Details on fair value measurement of these instruments are described in subsection "Details on the main models used in valuation of Level III instruments" (Financial Risk Management disclosure, section 4.2.b), below.

b) Measurement of financial assets and liabilities according to the fair value hierarchy

		2021		2020
	Group	Bank	Group	Bank
LEVEL I				
Financial assets in the trading book				
Listed equity securities	449	449	732	732
Units of investment funds	27,250	-	21,790	-
Government bonds	6,071	4,062	6,404	4,183
Corporate bonds	7,465	3,642	4,533	2,412
Investment securities at fair value	-	-	-	-
Government bonds	53,991	53,991	17,709	17,709
Corporate bonds	24,425	24,425	12,720	12,720
Investment fund units	-	-	459	459
Total Level I financial assets	**119,651**	**86,569**	**64,347**	**38,215**
LEVEL II				
Financial assets in the trading book				
Derivative financial instruments	2,121	2,121	445	445
Total Level II financial assets	**2,121**	**2,121**	**445**	**445**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	96	96	(3,840)	(3,840)
Total Level II financial liabilities	**96**	**96**	**(3,840)**	**(3,840)**
LEVEL III				
Financial assets in the trading book				
Corporate bonds	6,918	6,918	3,603	2,249
Unlisted equity securities	28	28	6	6
Investment securities at fair value	-	-	-	-
Corporate bonds	-	-	-	-
Unlisted equity securities	455	455	525	398
Investment fund units	4,117	4,080	2,929	2,929
Total Level III financial assets	**11,518**	**11,481**	**7,063**	**5,582**

There were no transfers between fair value hierarchy levels during 2021 and 2020.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table presents the changes in Level III instruments during 2021 and 2020:

The Group

	Financial assets in the trading book				Investment securities at fair value					
	Corporate bonds		Unlisted equities		Corporate bonds		Unlisted equities		Investment fund units	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Value as of 1 January	**3,603**	**1,516**	**6**	**3**	**-**	**395**	**525**	**741**	**2,929**	**4,054**
Additions / Recognition	20,288	6,165	46	312	-	-	-	8	1,148	3,025
Disposals	(15,157)	(4,075)	(23)	(309)	-	(395)	(127)	-	(378)	(3,605)
Conversion to shares	-	-	-	-	-	-	-	-	-	-
Derecognition	(1,892)	-	-	-	-	-	-	-	-	-
Changes due to interest accrued/paid	73	1	-	-	-	-	-	-	-	-
Revaluations through profit or loss	3	(4)	(1)	-	-	-	57	(224)	418	(545)
Value as of 31 December	**6,918**	**3,603**	**28**	**6**	**-**	**-**	**455**	**525**	**4,117**	**2,929**

The Bank

	Financial assets in the trading book				Investment securities at fair value					
	Corporate bonds		Unlisted equities		Corporate bonds		Unlisted equities		Investment fund units	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Value as of 1 January	**2,249**	**1,516**	**6**	**3**	**-**	**-**	**398**	**622**	**2,929**	**-**
Additions / Recognition	20,288	4,807	46	315	-	-	-	-	1,111	3,025
Disposals	(13,803)	(4,072)	(23)	(312)	-	-	-	-	(378)	-
Conversion to shares	-	-	-	-	-	-	-	-	-	-
Derecognition	(1,892)	-	-	-	-	-	-	-	-	-
Changes due to interest accrued/paid	73	1	-	-	-	-	-	-	-	-
Revaluations through profit or loss	3	(3)	(1)	-	-	-	57	(224)	418	(96)
Value as of 31 December	**6,918**	**2,249**	**28**	**6**	**-**	**-**	**455**	**398**	**4,080**	**2,929**

	2021		2020	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	476	476	(773)	(322)
from trading securities (corporate bonds)	2	2	(4)	(2)
from investment securities at fair value (unlisted equities)	56	56	(224)	(224)
from investment securities at fair value (investment fund units)	418	418	(545)	(96)

Details on the main models used in valuation of Level III instruments:

Unlisted debt securities. Most commonly used fair value measures in the Group are assessment of discounted cash flows from the security carried out by employees of the Group. The principles for the assessment of fair value of unlisted equity securities are stipulated in the Instruction for Accounting of Securities.

Unlisted equity securities. Most commonly used fair value measures in the Group are: valuations from external independent certified appraisers or assessment of discounted cash flows from the security carried out by employees of the Group. The principles for the assessment of fair value of unlisted equity securities are stipulated in the Instruction for Accounting of Securities.

(All amounts are in EUR thousand, unless otherwise stated)

4.3. Offsetting financial assets and financial liabilities

As of 31 December 2021 and 31 December 2020, only currency derivative instruments were subject to master netting arrangements and similar arrangements. As of 31 December 2021, derivative financial instruments classified as assets in amount of EUR 2,121 thousand and derivative financial instruments classified as liabilities in amount of EUR 96 thousand were subject to those agreements. As of 31 December 2020, derivative financial instruments classified as assets in amount of EUR 444 thousand and derivative financial instruments classified as liabilities in amount of EUR 3,840 thousand were subject to those agreements.

The Group receives collateral in the form of marketable securities in respect of reverse repurchase agreements, which are included in loans to customers. Gross amount of reverse repurchase agreements: 31 December 2021: EUR 10,308 thousand; 31 December 2020: EUR 5,857 thousand. Securities received as a collateral for reverse repurchase agreements can be pledged or sold during the term of transaction but have to be returned on maturity of the transaction. The Group did not pledge or sell any collateral received for reverse repurchase agreements during 2021 and 2020.

4.4. Classes of financial instruments

A table below provides reconciliation of items of financial assets and liabilities as presented in Statement of Financial Position to classes of financial instruments:

	31 December 2021		31 December 2020	
	Group	Bank	Group	Bank
FINANCIAL ASSETS				
Financial assets mandatorily measured at fair value through profit or loss:	**55,164**	**22,045**	**41,426**	**13,813**
Trading securities	18,198	15,099	12,544	9,582
trading debt securities: government bonds -	2,020	11	3,669	4,182
trading debt securities: corporate bonds -	15,701	14,611	8,137	4,662
trading equities -	477	477	738	738
Other trading book securities	29,983	-	24,524	-
other trading book debt securities: government bonds -	2,733	-	2,734	-
other trading book equities -	27,250	-	21,790	-
Investment securities at fair value	4,862	4,825	3,913	3,786
non-trading equities -	4,862	4,825	3,913	3,786
Derivative financial instruments	2,121	2,121	445	445
Financial assets measured at fair value through other comprehensive income:	**78,126**	**78,126**	**30,429**	**30,429**
Debt securities at fair value through other comprehensive income	78,126	78,126	30,429	30,429
government bonds -	53,991	53,991	17,709	17,709
corporate bonds -	24,135	24,135	12,720	12,720
Financial assets measured at amortized cost:	**3,597,396**	**3,564,171**	**2,753,994**	**2,727,024**
Cash and cash equivalents	965,723	964,849	432,584	431,649
Due from other banks	1,196	1,196	1,598	1,598
Loans to customers	1,908,681	1,889,629	1,605,663	1,592,363
loans to financial institutions -	6,947	124,816	4,747	107,442
loans to individuals (retail): consumer loans -	143,462	6,541	133,517	12,748
loans to individuals (retail): mortgages -	455,126	455,126	297,140	297,140
loans to individuals (retail): other -	91,420	91,420	114,531	114,531
loans to business customers: SME -	947,985	947,985	829,759	834,533
loans to business customers: large corporates -	127,772	127,772	109,695	109,695
loans to business customers: central and local authorities and other -	135,969	135,969	116,274	116,274
Investment securities at amortized cost	705,398	692,226	709,454	697,136
government bonds -	541,026	535,006	532,501	526,700
corporate bonds -	164,372	157,220	176,953	170,436
Other financial assets	16,398	16,271	4,695	4,278
Finance lease receivables:	195,174	194,909	155,457	155,290
Finance lease receivables	195,174	194,909	155,457	155,290
individuals -	26,630	26,630	26,308	26,308
business customers -	168,544	168,279	129,149	128,982
TOTAL FINANCIAL ASSETS	**3,925,860**	**3,859,251**	**2,981,306**	**2,926,556**
FINANCIAL LIABILITIES				
Financial liabilities mandatorily measured at fair value through profit or loss:	**96**	**96**	**3,840**	**3,840**
Derivative financial instruments	96	96	3,840	3,840
Financial liabilities measured at amortised cost:	**3,503,853**	**3,508,511**	**2,625,257**	**2,626,404**
Due to banks and financial institutions	697,738	703,271	227,823	231,270
Due to customers	2,679,183	2,681,586	2,347,427	2,349,021
due to individuals -	1,531,867	1,531,867	1,477,127	1,477,127
due to private companies -	860,965	863,347	682,960	684,533
other -	286,351	286,372	187,340	187,361
Special and lending funds	6,667	6,667	5,749	5,749
Debt securities in issue	95,212	95,212	20,027	20,027
Other financial liabilities	25,053	21,775	24,231	20,337
TOTAL FINANCIAL LIABILITIES	**3,503,949**	**3,508,607**	**2,629,097**	**2,630,244**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

5. The risk inherent in insurance activities

The Bank's subsidiary SB Draudimas (hereinafter - the company) is engaged in life insurance business.

Insurance risk

The insurance risk occurs from the uncertainty in estimation of the probability and timing of the insurance events used for the calculation of the insurance premium. This risk is random and therefore unpredictable.

For the portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

The company issues the contracts with mortality, morbidity, survival, casualty risks.

The company manages acceptable insurance risk by valuating the health of the insured person, habits of living, and the history of the health of his family. The company uses a system of several levels of risk to ensure that the payable premium would conform to the state of health of the insured person.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

At present, these risks do not vary significantly in relation to the location of the risk insured by the company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

Concentration of risk is measured by the insurance amount of the accepted risks:

	2021	2020
Maturity	2.56 %	3.07 %
Death	32.88 %	32.44 %
Critical illness	10.09 %	10.50 %
Death in case of accident	14.75 %	14.68 %
Trauma	39.71 %	39.30 %

The company manages these risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits.

The company follows the principles of conservatism and prudence to settle the price for insurance risk therefore the increase in loss rate of any insurance risk would not impact the result of the Group significantly.

Mortality, survival, casualty and morbidity risks

Mortality, morbidity, survival, casualty risks occur because the frequency or severity of claims and benefits are greater than estimated, that will cause that future premiums will not be sufficient to cover the future claims in case of death, illnesses or trauma. For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS or SARS) or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.

The survival insurance risk appears due to the longer life time than planned. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

The most significant factor that could increase the casualty insurance risk is the departure from occupational safety, use of obsolete equipment, increasing rate of accidents.

As portfolio of the company has not significant number of events of death, trauma and casualty, for valuation of the mortality and casualty insurance risks the company uses statistics on mortality and casualty of the population of Lithuania. For valuation of the morbidity insurance risk the company uses morbidity tables of the reinsurance company that has a broad experience of similar activities.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (CONTINUED)

Profit or loss and insurance liabilities are mainly sensitive to changes in mortality, disability/morbidity, lapse rates, expense rates, discount rates which are estimated for calculating adequate value of insurance liabilities during the liability adequacy test.

Changes in variables represent reasonably possible changes in variables mentioned which could have occurred and would have led to significant changes in insurance liabilities as at the end of the reporting period. These reasonably possible changes represent neither expected changes in variables nor worst-case scenarios.

The analysis was prepared for a change in variables with all other assumptions remaining constant and ignores changes in the values of the related assets.

Sensitivity was calculated for the worse direction in movement; therefore, sensitivity to changes was calculated for a 10% increase in mortality, longevity, disability and morbidity, lapse rates and expense rates. Hence changes in discount rates are stated in 100 basis points for both directions.

The company's sensitivity to the changes in key variables that have a material impact, as of 31 December 2021:

Variable	Change in variable	Change in profit/loss	Change in insurance liability
Mortality	10%	(433)	433
Longevity	10%	(12)	12
Disability/Morbidity	10%	(432)	432
Lapse rate	10%	(314)	314
Expense rate	10%	(1.175)	1.175
Discount rate	100bp	1.311	(1.311)
	(100bp)	(1.566)	1.566

The Company's sensitivity to the changes in key variables that have a material impact, as of 31 December 2020:

Variable	Change in variable	Change in profit/loss	Change in insurance liability
Mortality	10%	(569)	569
Longevity	10%	(13)	13
Disability/Morbidity	10%	(351)	351
Lapse rate	10%	(138)	(138)
Expense rate	10%	(868)	868
Discount rate	100bp	1.363	(1.363)
	(100bp)	(1.626)	1.626

Loss rate according to insurance groups:

	2021 (%)	2020 (%)
Life insurance		
Investment life insurance	13.5	11.9
Term life insurance	12.0	12.3
Endowment insurance	17.5	17.9
Annuities	60.5	37.2
Overall loss rate	15.7	14.1

Loss rates by insurance groups were calculated by dividing total claims costs (including change in outstanding claims reserve) per insurance group by gross earned premiums.

Claims lag risk

Claims lag risk occurs when the event is incurred but not yet reported to the Company. If the part of incurred but not reported claims would increase or decrease by 10% during the reporting year, the profit and the equity of the Company would decrease or increase by EUR 7 thousand (2020 – EUR 7 thousand).

Cancellation risk

Cancellation risk is a risk, when the insurance contract is terminated on the initiative of the policyholder earlier than the contract expires. The surrender value, paid to the policyholder, in case of the contract cancellation, consisted of share from the total mathematical technical provision (2021: 4.9%, 2020: 5.3%), except unearned premium technical provision for the end of the reporting year. Due to the fact that technical provision for every contract is not less than the surrender amount in case of the contract cancellation, therefore, increased number of cancellations shall not affect the results of the Company in the long run. Immediate profits in the current year are netted by decrease in the future income of the Company.

The company manages such risk through the prevention of the cancellation, by notifying the policyholder of possible cancellation due payment delay of a periodical insurance premium, by proposing to change the terms of the contract according to the present situation.

Technical provisions inadequacy risk

Technical provisions inadequacy risk is a risk that calculated insurance technical provisions will be insufficient to reflect (cover) company‘s underwriting insurance liabilities. In order to reduce the technical provisions inadequacy risk the company periodically tests technical provisions adequacy and ensures compliance with set limits.

6. Operational risk

Operational risk is the risk to incur losses due to inadequate internal control processes or incorrect process implementation, errors and(or) illegal actions of employees, malfunctioning of information systems or external incidents. Unlike other risks (credit, market, liquidity), which are not being taken on purposefully, with anticipation of benefits, operational risk occurs naturally in the course of Bank’s business.

The principles for management operational risk in the Bank: proper identification and assessment of operational risk; preventing larger operational risk and losses by implementation of efficient internal control; proper organisation and supervision of internal control environment by continuous revision of applicable control methods; concentration of resources and time towards identification and management of main sources of operational risk in all the areas of Bank’s activity.

The Bank has prepared and continuously improves the operational risk management principles and tools applicable to the Bank and its subsidiaries, which are defined in the documents regulating the operational risk management of the Bank and subsidiaries of the Bank.

Operational event recording system. The operation of the system is described in the Instructions for the Administration of Operational Risk Events and the Registration of Operational Risk Events. From September 2021, all employees of SB Lizingas UAB and GD SB Draudimas UAB can independently record and analyse operational risk events in the AIS.

Business Continuity Management. A Covid-19 working group was formed, in 2021 it continued its work, i.e. it constantly monitored the situation in Lithuania and provided recommendations on the organization of work in the Bank to the relevant decision-making executives and / or bodies. In 2021, the documents regulating the Bank's Business Continuity were updated, and tests of the Business Continuity Plans were performed. The Bank has improved the Bank's operational and reputation risk management systems to address climate change and environmental risks. Important outsourcing agreements with suppliers have been revised, and annexes to Important Outsourcing have been signed in accordance with external legislation.

In 2022, the operational and reputation risk management and event registration system of the Bank and the Bank's subsidiaries will be further improved, and a review of the indicator system is planned. It is planned to update the Procurement Procedure for Outsourcing Services. Significant attention will be paid to the review of the Bank's business continuity plan documentation and the comprehensive preparation and testing of testing scenarios for business continuity plans.

FINANCIAL RISK MANAGEMENT (CONTINUED)

7. IT risk

Information technology (IT) risk – is a probability of loss due to breach of confidentiality, failure of integrity of systems and data, inappropriateness or unavailability of systems and data or inability to change information technology (IT) within a reasonable time and with reasonable costs when the environment or business requirements change. Main goal of Bank's IT risk management – avoid or minimize losses caused by IT related factors.

Bank's IT risk is regulated by IT risk management procedure. System of key IT risk indicators (KRIs) helps in measurement and management of IT risk level, this system is constantly improved.

In 2021 Bank continued implementing IT risk decreasing measures. Updated Bank IT risk management procedure was prepared. IT continuity plan was updated, critical IT systems recovery plans was tested. All IT systems moved out from in house to external data center. Risky outdated and end-of-life technologies were removed from Bank's IT systems. Privileged access management system was implemented, significantly elevating level of Bank's IT security, IT systems user access management procedure was updated.

8. Compliance risk

Compliance risk is the risk that the Bank's activities do not comply with the financial institution regulatory requirements set forth in the national legal acts, the EBA (European Banking Authority), the ESMA (European Security and Markets Authority), Financial Crime Investigation Service (FNTT) and Bank of Lithuania guidelines, positions and requirements. The Bank ensures compliance control and puts efforts to avoid breaches of legal acts which could impair interests of the Bank or its clients, damage reputation of the Bank, cause fines or other sanctions, generate financial or other losses to the Bank.The compliance function areas were established by the Bank taking into consideration the volume of operations, the complexity of the activities, transactions executed and their risk level. The compliance function performs compliance risk self assessment using risk-based approach on a regular basis and informs Bank's management about the identified risks and their mitigation measures. During 2021 changes to compliance function continued by relocating compliance function to structure of Risk management service. Nevertheless, compliance function was continuously active in area of anti-money laundering (AML) and terrorist financing prevention, sanctions screening, data privacy, financial instruments market, anti-corruption, anti-market abuse related activities and other areas.

9. Model risk

The Bank defines model risk as the risk to incur a financial loss or to make incorrect business decisions, publish false reporting disclosures because of the usage of models. Setup of models risk management was reviewed and enhanced in 2021. Models risk is managed within the Bank using risk based approach - the Bank maintains a list of its models and performs assessment of models importance based on which independent validation of the selected models is prioritized.

10. ESG risk

ESG (Environmental, social and governance) risks are the risks of any negative financial impact on the Bank stemming from the current or prospective impacts of ESG factors on its counterparties or invested assets. The Environmental risk is further defined as Climate-related and environmental risk, consisting of physical and transition risk:

- Physical risk, which is the risks of any negative financial impact on the institution stemming from the current or prospective impacts of the physical effects of environmental factors on its counterparties or invested assets.
- Transition risk , which is the risks of any negative financial impact on the institution stemming from the current or prospective impacts of the transition to an environmentally sustainable economy on its counterparties or invested assets.

11. Stress tests

Besides the regular assessment of the risks and the capital requirement calculation, the Group also performs stress tests which are a part of Internal Capital Adequacy Assessment Process (ICAAP). During this process it is determined if the Bank's capital is sufficient to cover the possible losses which may occur because of the financial status deterioration. Stress testing for all of the risks is performed at least once a year in accordance with the prudential requirements. Ad hoc stress tests for separate risks are performed in case there is a need to understand the possible impacts of underlying factors.

12. Capital management

The capital of the Bank and its subsidiaries in the prudential scope of calculation (Financial Group, please see Note 31) is calculated and allocated for the risk coverage following the Capital requirements regulation and directive – CRR/CRD IV. The Bank's objectives when managing own funds are as follows:

- to comply with the own funds requirements set by the European Parliament and the Council of the European Union as well as the internal target capital requirements;
- to safeguard the Bank's and the Financial Group's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders;
- to support the development of the Group's business with the help of the strong capital base.

Information regarding capital adequacy is submitted to the supervising authority quarterly in accordance with the CRR/CRD IV requirements.

During the years ended 31 December 2021 and 31 December 2020, the Bank and the Financial Group complied with capital requirements to which it was subject.

According to Solvency II directive Bank's subsidiary SB Draudimas GD UAB has to ensure that all the time its own funds must be higher than Solvency Capital Requirement and Minimum Capital Requirement, which enables the company to cover potential losses and reasonably assure policyholders that payables will be paid out. Solvency II ratio is being calculated and reported quarterly to supervisory authority, the Bank of Lithuania. During the years ended 31 December 2021 and 31 December 2020, Company complied with the Solvency II ratio requirements to which it was subject.

Other companies comprising the Group are not subject to supervisory requirements on a company level. General principles stipulated in the Republic of Lithuania Law on Limited Liability Companies apply – i.e. share capital of the company cannot be less than EUR 2.5 thousand, it the company's shareholders' equity becomes less than ½ of the share capital in the charter of the company, the company has to remediate the situation over the prescribed period of time.

During the years ended 31 December 2021 and 31 December 2020, the Group and the Bank complied with prudential requirements to which it was subject.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Impairment losses on loans and finance lease receivables. The Bank and the Group review their loan and finance lease portfolios to assess impairment at least on a quarterly basis. In determining the impairment loss amount, the Group makes multiple judgements and estimates, including forward looking assumptions. When making expected credit loss estimate, the Bank and the Group analyse financial information received from a client and client's performance in servicing its loans. The methodology and assumptions used (the credit rating of the client; usage of low credit risk exemption for the loans that have 'standard' internal ratings; the recoverability ratio applied; discounted market value of pledged assets) for assessment of client's ability to service debt and estimating both the amount and timing of future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience. However due to inherent limitations of the methodology, the calculated impairment loss as at 31 December 2021 may be inadequate to reflect the losses of the loan portfolio. Please see section 1.3.b of Financial risk management dislosure for the impairment loss sensitivity analysis.

Impairment losses on investments in subsidiaries. The Bank tests investments in its subsidiaries for impairment when impairment indicators are identified. The Bank establishes recoverable amount of investments in subsidiary companies based on discounted future estimated net cash flows to be earned by a subsidiary. Future net cash flows to be earned by investment management and real estate development subsidiaries are based on estimated inflow from sales of financial and other assets held by these subsidiaries less estimated cash outflow related to management and development costs. Future net cash flows from subsidiary involved in leasing operations are estimated based on future expected interest income to be earned on lease portfolio less cash outflows related to financing activities and administration costs. Discount rates are based on current cost of capital used for investments in these subsidiaries. The Group's management applies judgement in estimating cash flows and discount rates used in impairment testing.

Impairment of goodwill. Goodwill is tested for impairment annually. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated is valued using present value techniques, which are further described in Note 17. The Group's management applies judgement in estimating cash flows and discount rates used in impairment testing, changes in these judgements and estimates can significantly affect the assessed value of goodwill. Increase of discount rate used in impairment testing by 2% (other factors held constant) would decrease the net present value of cash generating unit by EUR 826 thousand and would not result in additional impairment of goodwill (2020: decrease the value by EUR 900 thousand and would not result in additional impairment of goodwill).

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

TLTRO-III borrowings. Based on the terms of the third series of the targeted longer-term refinancing operations (TLTRO-III) program of the European Central Bank in comparison to market pricing for other similar collateralized borrowings available, the Group's management concluded that TLTRO-III borrowing (please see Note 20 for more details on the liability) contain a significant benefit relative to market pricing and accounts for part of financial liabilities relating to TLTRO-III as grants under IAS 20. The effective interest rate of these borrowings recognized in Group's income statement include the bonus on the special interest period and reflects the Group's expectation to not meet the lending targets over the operation's life. If there was a subsequent change in the Group's estimate regarding its lending targets, the Group would apply IFRS 9 revision of estimates guidance.

Liabilities related to insurance activities. The value of liabilities related to insurance activities (technical insurance provisions) is determined by making assumptions and estimates that have impact on the reported amounts. These estimates and assumptions are regularly reviewed and based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Please see section 5. of Financial risk management disclosure for the liabilities related to insurance activities sensitivity analysis.

Fair value measurements for Level 3 assets or liabilities. Measurement of the fair value of assets or liabilities assigned to Level 3 requires usage of inputs that are not based on observable market data (unobservable inputs). The Group’s management applies judgement in choosing appropriate methodology, estimating cash flows, discount rates and other parameters used in such valuations. Please see section 4. of Financial risk management disclosure for the fair value approaches used.

Taxes. The tax authorities have carried out a full-scope tax audit at the Bank for the years 1998 to 2001 (income tax audit was done for the period from 1998 to 2000). There were no significant remarks or disputes. The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Bank's management is not aware of any circumstances which may give rise to a potential material liability in this respect. The deferred tax assets recognised at 31 December 2021 have been based on future profitability assumptions of the Bank over a five year horizon. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

(All amounts are in EUR thousand, unless otherwise stated)

SEGMENT INFORMATION

Summary of major indicators for the main business segments of the Group included in the statement of financial position as at 31 December 2021 and in the income statement for the year then ended is presented in the table below.

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
Continuing operations						
Internal	(529)	-	26	(33)	536	-
External	83,803	7,228	484	357	-	91,872
Interest income	**83,274**	**7,228**	**510**	**324**	**536**	**91,872**
Internal	-	-	-	-	-	-
External	(6,844)	(4,086)	(25)		-	(10,955)
Interest expenses	**(6,844)**	**(4,086)**	**(25)**	**-**	**-**	**(10,955)**
Internal	(529)	-	26	(33)	536	-
External	76,959	3,142	459	357	-	80,917
Net interest income	**76,430**	**3,142**	**485**	**324**	**536**	**80,917**
Internal	429	-	-	28	(457)	-
External	17,382	-	-	(222)	-	17,160
Net fee and commission income	**17,811**	**-**	**-**	**(194)**	**(457)**	**17,160**
Internal	(100)	-	26	(5)	79	-
External	94,341	3,142	459	135	-	98,077
Net interest, fee and commissions income	**94,241**	**3,142**	**485**	**130**	**79**	**98,077**
Internal	(150)	-	-	(127)	277	-
External	(37,425)	(3,591)	-	(10,764)	-	(51,780)
Operating expenses	**(37,575)**	**(3,591)**	**-**	**(10,891)**	**277**	**(51,780)**
Amortisation charges	(1,160)	(129)	-	(57)	-	(1,346)
Depreciation charges	(2,544)	(268)	-	(282)	-	(3,094)
Internal	-	-	1,998	(821)	(1,177)	-
External	(4,211)	-	(140)	274	-	(4,077)
Impairment expenses	**(4,211)**	**-**	**1,858**	**(547)**	**(1,177)**	**(4,077)**
Internal	5,082	-	4,470	(809)	(8,743)	-
External	11,585	1,908	(539)	16,528	-	29,482
Net other income	**16,667**	**1,908**	**3,931**	**15,719**	**(8,743)**	**29,482**
Profit (loss) before tax from continuing operations	**65,418**	**1,062**	**6,274**	**4,072**	**(9,564)**	**67,262**
Income tax	(10,758)	(1,074)	-	(207)	-	(12,039)
Profit (loss) per segment after tax from continuing operations	**54,660**	**(12)**	**6,274**	**3,865**	**(9,564)**	**55,223**
Profit or (loss) per segment after tax from discontinued operations	-	-	-	-	-	-
Profit (loss) per segment	**54,660**	**(12)**	**6,274**	**3,865**	**(9,564)**	**55,223**
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	54,660	(12)	6,274	3,865	(9,564)	55,223
Total segment assets	2,288,855	1,766,700	5,582	61,010	(159,665)	3,962,482
Total segment liabilities	2,051,148	1,582,983	5,002	43,482	(126,560)	3,556,055
Net segment assets (shareholders' equity)	237,707	183,717	580	17,528	(33,105)	406,427

(All amounts are in EUR thousand, unless otherwise stated)

SEGMENT INFORMATION (CONTINUED)

A summary of major indicators for the main business segments of the Group included in the statement of financial position as at 31 December 2020 and in the income statement for the year then ended is presented below:

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
Continuing operations						
Internal	(174)	-	223	(134)	85	-
External	76,121	7,354	2,246	308	-	86,029
Interest income	**75,947**	**7,354**	**2,469**	**174**	**85**	**86,029**
Internal	-	-	-	-	-	-
External	(6,894)	(3,377)	(50)	-	-	(10,321)
Interest expenses	**(6,894)**	**(3,377)**	**(50)**	**-**	**-**	**(10,321)**
Internal	(174)	-	223	(134)	85	-
External	69,227	3,977	2,196	308	-	75,708
Net interest income	**69,053**	**3,977**	**2,419**	**174**	**85**	**75,708**
Internal	325	-	-	51	(376)	-
External	16,270	-	-	(225)	-	16,045
Net fee and commission income	**16,595**	**-**	**-**	**(174)**	**(376)**	**16,045**
Internal	151	-	223	(83)	(291)	-
External	85,497	3,977	2,196	83	-	91,753
Net interest, fee and commissions income	**85,648**	**3,977**	**2,419**	**-**	**(291)**	**91,753**
Internal	(113)	-	(1)	(60)	174	-
External	(33,352)	(3,219)	-	(7,524)	-	(44,095)
Operating expenses	**(33,465)**	**(3,219)**	**(1)**	**(7,584)**	**174**	**(44,095)**
Amortisation charges	(959)	(106)	-	(45)	-	(1,110)
Depreciation charges	(2,401)	(250)	-	(345)	-	(2,996)
Internal	-	-	(2,262)	2,002	260	-
External	(10,470)	-	298	(1,801)	-	(11,973)
Impairment expenses	**(10,470)**	**-**	**(1,964)**	**201**	**260**	**(11,973)**
Internal	5,766	-	38	(46)	(5,758)	-
External	7,865	4,841	805	7,718	-	21,229
Net other income	**13,631**	**4,841**	**843**	**7,672**	**(5,758)**	**21,229**
Profit (loss) before tax from continuing operations	**51,984**	**5,243**	**1,297**	**(101)**	**(5,615)**	**52,808**
Income tax	(8,989)	(853)	-	(45)	-	(9,887)
Profit (loss) per segment after tax from continuing operations	**42,995**	**4,390**	**1,297**	**(146)**	**(5,615)**	**42,921**
Profit or (loss) per segment after tax from discontinued operations	-	-	121	-	-	121
Profit (loss) per segment	42,995	4,390	1,418	(146)	(5,615)	43,042
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	42,995	4,390	1,418	(146)	(5,615)	43,042
Total segment assets	1,921,559	1,179,967	12,969	61,613	(147,263)	3,028,845
Total segment liabilities	1,693,496	1,039,539	11,425	44,878	(115,559)	2,673,779
Net segment assets (shareholders' equity)	228,063	140,428	1,544	16,735	(31,704)	355,066

Distribution of the Group's assets and revenue according to geographical segmentation

All Bank's and Group's non-current assets other than financial instruments are located in Lithuania. No material revenue is earned by the Group in foreign countries.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 1
NET INTEREST INCOME

	2021 Group	2021 Bank	2020 Group	2020 Bank
Interest revenue calculated using the effective interest method (on financial assets at amortized cost and fair value through other comprehensive income):	83,035	69,951	78,502	65,067
on loans to other banks and financial institutions and placements with credit institutions	2,135	4,922	921	3,762
on loans to customers	75,590	59,972	70,725	54,688
on debt securities at amortized cost	5,023	4,831	6,559	6,381
on debt securities at fair value through other comprehensive income	287	226	297	236
Other similar income:	8,861	8,719	7,527	7,435
on debt securities at fair value through profit or loss	498	372	292	214
on finance leases	7,656	7,633	7,111	7,097
other interest income	707	714	124	124
Total interest income	**91,896**	**78,670**	**86,029**	**72,502**
Interest expense:				
on financial liabilities designated at fair value through profit or loss	-	-	-	-
on financial liabilities measured at amortised cost	(8,682)	(8,682)	(9,659)	(9,653)
on other liabilities	(2,297)	(2,290)	(662)	(418)
Total interest expense	**(10,979)**	**(10,972)**	**(10,321)**	**(10,071)**
Net interest income	**80,917**	**67,698**	**75,708**	**62,431**

NOTE 2
NET FEE AND COMMISSION INCOME

	2021 Group	2021 Bank	2020 Group	2020 Bank
Fee and commission income:				
for administration of loans of third parties	4,474	4,474	4,598	4,598
for settlement services	5,625	5,636	5,106	5,110
for cash operations	4,964	4,965	5,037	5,037
for account administration	4,276	4,276	4,011	4,011
for guarantees, letters of credit, documentary collection	909	909	763	763
for collection of utility and similar payments	290	290	272	276
for services related to securities	3,284	3,403	1,977	2,119
other fee and commission income	795	1,240	849	1,100
Total fee and commission income	**24,617**	**25,193**	**22,613**	**23,014**
Fee and commission expense:				
for payment cards	(4,229)	(4,229)	(3,459)	(3,459)
for cash operations	(1,168)	(1,168)	(1,203)	(1,203)
for correspondent bank and payment system fees	(653)	(468)	(671)	(452)
for services of financial data vendors	(226)	(226)	(190)	(190)
for services related to securities	(791)	(791)	(678)	(678)
other fee and commission expenses	(390)	(357)	(367)	(345)
Total fee and commission expense	**(7,457)**	**(7,239)**	**(6,568)**	**(6,327)**
Net fee and commission income	**17,160**	**17,954**	**16,045**	**16,687**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 3
NET GAIN FROM TRADING ACTIVITIES

	2021		2020	
	Group	Bank	Group	Bank
Net gain from operations with securities	4,583	1,908	4,407	4,841
Net gain from foreign exchange and related derivatives	(2,718)	(2,791)	7,161	7,156
Net gain (loss) from other derivatives	10,071	10,071	21	21
Total net gain from trading activities	**11,936**	**9,188**	**11,589**	**12,018**

NET GAIN FROM OPERATIONS WITH SECURITIES

	2021		2020	
	Group	Bank	Group	Bank
Securities in the trading book:				
Realised gain (loss) on equity securities	287	36	40	(164)
Unrealised gain (loss) on equity securities	2,635	106	(492)	78
Realised gain on debt securities	71	78	27	25
Unrealised gain (loss) on debt securities	(157)	(56)	(132)	(62)
Dividend and other income from equity securities in the trading book	24	24	23	23
Net gain (loss) on securities in the trading book	**2,860**	**188**	**(534)**	**(100)**
Investment securities:				
Realised gain (loss) on investment equities at fair value through profit or loss	(102)	(102)	657	657
Unrealised gain on investment equities at fair value through profit or loss	224	224	(264)	(264)
Realised gain on debt securities at fair value through other comprehensive income	283	280	393	393
Realised gain on debt securities at amortized cost	1,315	1,315	4,149	4,149
Dividend and other income from investment equities	3	3	6	6
Net gain on investment securities	**1,723**	**1,720**	**4,941**	**4,941**
Total	**4,583**	**1,908**	**4,407**	**4,841**

Group‘s net gain on operations with securities in the trading book includes investment result of the insurance company assets under unit-linked contracts (see Note 5): net gain of EUR 2,835 thousand in 2021 and net loss of EUR 421 thousand in 2020.

Bank's internal policy allows frequent, but strictly limited in scale and infrequent but larger scale sales of debt securities at amortized cost. In 2020, a case of larger scale securities at amortized cost sales occurred as in the second quarter, in the light of major uncertainties resulting from Covid-19 pandemic that may have resulted in a potential market strain, Bank's management confirmed a program to sell the securities at amortized cost with potentially risky characteristics with an aim to reduce the overall debt security at amortized cost portfolio credit risk and avoid potential impairments (amounts sold are disclosed in Note 15).

NET GAIN FROM FOREIGN EXCHANGE AND RELATED DERIVATIVES

	2021		2020	
	Group	Bank	Group	Bank
Net gain from foreign exchange	(2,718)	(2,791)	13,590	13,585
Net gain (loss) from derivatives related with foreign exchange	10,071	10,071	(6,429)	(6,429)
Total	**7,353**	**7,280**	**7,161**	**7,156**

Group‘s net gain from foreign exchange includes investment result of the insurance company assets under unit-linked contracts (see Note 5): a net gain of EUR 4 thousand in 2021 and a net gain of EUR 5 thousand in 2020.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 3
NET GAIN FROM TRADING ACTIVITIES (CONTINUED)

NET GAIN (LOSS) FROM OTHER DERIVATIVES

	2021		2020	
	Group	Bank	Group	Bank
Net gain (loss) from derivatives related to prices of financial instruments	-	-	21	21
Total	**-**	**-**	**21**	**21**

NOTE 4
OTHER OPERATING EXPENSES

	2021		2020	
	Group	Bank	Group	Bank
Rent of buildings and premises	(262)	(268)	(295)	(240)
Utility services for buildings and premises	(895)	(813)	(748)	(680)
Other expenses related to buildings and premises	(856)	(856)	(1,315)	(1,313)
Transportation expenses	(321)	(243)	(307)	(242)
Legal costs	(494)	(494)	(290)	(290)
Personnel and training expenses	(485)	(442)	(305)	(280)
IT and communication expenses	(6,660)	(5,976)	(5,188)	(4,595)
Marketing and charity expenses	(3,112)	(1,283)	(2,716)	(1,211)
Service organisation expenses	(1,934)	(1,812)	(2,058)	(1,943)
Non-income taxes, fines	(10)	667	(250)	204
Costs incurred due to debt recovery	(275)	(89)	(384)	(116)
Other expenses	(1,338)	(658)	(1,321)	(975)
Total	**(16,643)**	**(12,268)**	**(15,177)**	**(11,681)**

NOTE 5
REVENUE AND EXPENSES RELATED TO INSURANCE ACTIVITIES

Bank's subsidiary SB Draudimas GD UAB (hereinafter - insurance company) is engaged in life insurance business. Revenue and expenses from main activities of this company are presented in the tables below.

REVENUE RELATED TO INSURANCE ACTIVITIES

	2021		2020	
	Group	Bank	Group	Bank
Revenue related to insurance activities	8,137	-	7,225	-
Total	**8,137**	**-**	**7,225**	**-**

EXPENSES RELATED TO INSURANCE ACTIVITIES

	2021		2020	
	Group	Bank	Group	Bank
Expenses related to insurance activities:				
*change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts**	(2,969)	-	400	-
other changes of the technical insurance provisions	(956)	-	(2,351)	-
insurance benefits paid	(3,035)	-	(2,827)	-
commission expenses incurred and other	(1,072)	-	(670)	-
Total	**(8,032)**	**-**	**(5,448)**	**-**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 5
REVENUE AND EXPENSES RELATED TO INSURANCE ACTIVITIES (CONTINUED)

* The investment result of the insurance company assets under unit-linked contracts is included in the following income statement lines:

	2021		2020	
	Group	**Bank**	**Group**	**Bank**
Interest and similar income	61	-	61	-
Net gain (loss) from operations with securities	2,835	-	(421)	-
Net gain from foreign exchange	73	-	(3)	-
Total	**2,969**	**-**	**(363)**	**-**

NOTE 6
OTHER INCOME

NET GAIN FROM DISPOSAL OF TANGIBLE ASSETS

In 2021 net gain on disposal of tangible assets (mostly real estate, accounted for as Property, plant and equipment, Investment property or Inventories in the statement of financial position) at the Group amounted to EUR 3,736 thousand (Bank: net gain of EUR 66 thousand). In 2020 net gain on disposal of tangible assets (mostly real estate, accounted for as Property, plant and equipment, Investment property or Inventories in the statement of financial position) at the Group amounted to EUR 376 thousand (Bank: net gain of EUR 7 thousand).

NET GAIN FROM DERECOGNITION OF FINANCIAL ASSETS

Net gain from derecognition of financial assets (for the year ended 31 December 2021: Group EUR 4,363 thousand, Bank EUR 2,729 thousand; for the year ended 31 December 2020: Group EUR 1,265 thousand, Bank EUR 384 thousand) is based on the difference of the carrying value of loans to customers (accounted at amortized cost) at the moment of sale and the proceeds from sale. Loans to customers facing credit difficulties sold as part of the Group's problem loan recovery activities comprise the major part of loans sold.

Net gain from sale of debt securities at amortized cost as well as from other securities in included in trading income (Note 3).

OTHER OPERATING INCOME

	2021		2020	
	Group	**Bank**	**Group**	**Bank**
Income from rent of investment property and other income from investment property	181	69	330	42
Income from rent of other assets	121	178	225	144
Net gain (loss) from modification of financial assets	(35)	(31)	(47)	(32)
Portion of TLTRO III negative interest attributable to grant	587	587	-	-
Other income	456	333	266	298
Total	**1,310**	**1,136**	**774**	**452**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 7
IMPAIRMENT LOSSES

	2021		2020	
	Group	Bank	Group	Bank
Impairment losses on loans:				
Impairment charge for the year, net (see Note 13)	5,832	2,176	11,270	10,294
Recoveries of loans previously written off	(849)	(542)	(1,309)	(694)
Total impairment losses (reversals) on loans	**4,983**	**1,634**	**9,961**	**9,600**
Impairment losses on finance lease receivables:				
Impairment charge for the year, net (see Note 14)	(797)	(802)	656	655
Recovered previously written-off finance lease receivables	-	-	(142)	-
Total impairment losses (reversals) on finance lease receivables	**(797)**	**(802)**	**514**	**655**
Total impairment losses (reversals) on loans and finance lease receivables	**4,186**	**832**	**10,475**	**10,255**
Impairment losses on financial assets other than loans and finance lease receivables:				
Due from other banks: impairment charge, net (see Note 10)	64	64	20	20
Debt securities: impairment charge, net (see Note 15)	(10)	(11)	56	52
Other financial assets: impairment charge, net (see Note 19)	114	88	(352)	(350)
Total impairment losses on financial assets other than loans and finance lease receivables:	**168**	**141**	**(276)**	**(278)**
Non-financial assets:				
Goodwill: impairment charge	-	-	-	-
Non-financial assets other than goodwill: impairment charge	7	7	2,007	7
Non-financial assets other than goodwill: reversal of impairment charge	(828)	(6)	(34)	(34)
Total impairment losses on non-financial assets:	**(821)**	**1**	**1,973**	**(27)**
Provisions (see Note 25):				
Provisions for pending legal issues: charge	-	-	-	-
Provisions for commitments and guarantees given: charge / (reversal)	544	-	(199)	-
Total provisions:	**544**	**-**	**(199)**	**-**
Total impairment losses on other assets	**(109)**	**142**	**1,498**	**(305)**
Impairment losses on subsidiaries (see Note 16):				
Investments in subsidiaries: impairment charge	-	-	-	114
Investments in subsidiaries: reversal of impairment charge	-	-	-	-
Total impairment losses on subsidiaries	**-**	**-**	**-**	**114**
Total	**4,077**	**974**	**11,973**	**10,064**

Impairment losses on other non-financial assets other than goodwill include impairment of investment properties (Note 26), investments classified as held for sale and other non-financial assets (Note 19).

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 8
INCOME TAX

	2021		2020	
	Group	Bank	Group	Bank
Current tax	11,032	9,981	10,081	9,125
Deferred taxes	930	684	(511)	(908)
Deferred tax adjustment due to change in tax rate	-	-	-	-
Adjustment of previous year income tax	77	77	317	317
Total	**12,039**	**10,742**	**9,887**	**8,534**

The tax on the Bank's and the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2021		2020	
	Group	Bank	Group	Bank
Profit before income tax from continuing operations	67,262	66,747	52,808	51,629
Tax calculated at a tax rate of 15%	10,089	10,012	7,921	7,744
Tax calculated at a tax rate of 5%	2,427	2,427	2,481	2,481
Income not subject to tax	(4,144)	(2,687)	(5,645)	(3,127)
Expenses not deductible for tax purposes	3,618	941	5,070	1,488
Additional deduction of film, charity expenses	(28)	(28)	(369)	(369)
Adjustments of previous year income tax	77	77	317	317
Unrecognized deferred tax assets for recognized tax losses	-	-	112	-
Income tax charge	**12,039**	**10,742**	**9,887**	**8,534**

Deferred tax assets

	Group						Bank			
	Revaluation of financial instruments and other assets	*Impairment of investment property and inventories*	*Accruals*	*Right of use*	*Carryforward of unused tax losses*	*Total*	*Accruals*	*Right of use*	*Revaluation of financial instruments and other assets*	*Total*
At 1 January 2020	**(395)**	**(562)**	**(445)**	**9**	**(26)**	**(1,419)**	**(445)**	**9**	**(395)**	**(831)**
To be credited/(charged) to net profit	(778)	154	(114)	(16)	(106)	(860)	(114)	(16)	(778)	(908)
To be credited/ (charged) to other comprehensive income	49	-	-	-	-	49	-	-	49	49
Reclassification to discontinued activity	-	152	-	-	-	152	-	-	-	-
At 31 December 2020	**(1,124)**	**(256)**	**(559)**	**(7)**	**(132)**	**(2,078)**	**(559)**	**(7)**	**(1,124)**	**(1,690)**
To be credited/(charged) to net profit	740	46	(59)	-	2	729	(56)	-	740	684
To be credited/ (charged) to other comprehensive income	(244)	-	-	-	-	(244)	-		(244)	(244)
Reclassification to discontinued activity	-	-	-	-	-	-	-	-	-	-
At 31 December 2021	**(628)**	**(210)**	**(618)**	**(7)**	**(130)**	**(1,593)**	**(615)**	**(7)**	**(628)**	**(1,250)**

NOTE 8
INCOME TAX (CONTINUED)

Deferred tax liabilities

Group

	Right of use assets	Revaluation of financial instruments and other assets	Total
At 1 January 2020	**(1)**	**918**	**917**
To be credited/(charged) to net profit	1	333	334
To be credited/ (charged) to other comprehensive income	-	-	-
At 31 December 2020	**-**	**1,251**	**1,251**
To be credited/(charged) to net profit	-	201	201
To be credited/ (charged) to other comprehensive income	-	-	-
At 31 December 2021	**-**	**1,452**	**1,452**

Taxable losses of the Group and the Bank are carried forward for indefinite term through the use of future taxable profits. Management of the Bank has estimated that future taxable profits of the Bank and the Group will be sufficient to realize the accumulated tax losses. Therefore deferred tax asset from the accumulated tax losses was recognized.

Projected terms of expected utilization of deferred tax assets, netted with projected payment of deferred tax liabilities, are presented in the table below:

		2021		2020
	Group	**Bank**	**Group**	**Bank**
Up to 1 year	(1,730)	(404)	711	679
2-5 years	1,871	1,654	116	1,011
Total	**141**	**1,250**	**827**	**1,690**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

		2021		2020
	Group	**Bank**	**Group**	**Bank**
Deferred tax assets	1,593	1,250	2,078	1,690
Deferred tax liabilities	(1,452)	-	(1,251)	-

NOTE 9
EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period. There were no potential ordinary shares at 31 December 2021 and 31 December 2020, therefore the Group had no dilutive potential ordinary shares and diluted earnings per share are equal to basic earnings per share.

The number of shares in issue for the year ended 31 December 2021 and 31 December 2020 was 600,726 thousand. Weighted average number of shares in issue for the year ended 31 December 2021 was 600,462 thousand (2020: 600,717 thousand).

Basic earnings per share

Group

	2021	2020
Net profit from continuing operations attributable to equity holders	55,223	42,921
Net profit (loss) from discontinued operations attributable to equity holders	-	121
Net profit attributable to equity holders	**55,223**	**43,042**
Weighted average number of shares in issue during the period (thousand units)	600,462	600,717
Basic earnings per share (EUR)	**0.09**	**0.07**
Basic earnings per share (EUR) from continuing operations	0.09	0.07
Basic earnings per share (EUR) from discontinued operations	-	0.00

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 10
CASH AND CASH EQUIVALENTS

	2021		2020	
	Group	Bank	Group	Bank
Cash and other valuables	66,861	66,861	69,496	69,398
Balances in bank correspondent accounts:				
Gross value	31,089	30,215	13,115	12,278
Allowance for impairment	(21)	(21)	(8)	(8)
Total balances in bank correspondent accounts, net value	31,068	30,194	13,107	12,270
Placements with Central Bank:				
Correspondent account with Central Bank	582,788	582,788	120,407	120,407
Mandatory reserves in local currency, gross value	285,091	285,091	229,608	229,608
Mandatory reserves in local currency, allowance for impairment	(85)	(85)	(34)	(34)
Total placements with Central Bank, net value	867,794	867,794	349,981	349,981
Total	**965,723**	**964,849**	**432,584**	**431,649**

The compulsory reserves held in the Bank of Lithuania are estimated on a monthly basis based on the value of indicated liabilities using the established compulsory reserve rate. With effect from 1 January 2015, the compulsory reserve rate was set at 1%. The mandatory reserves are held with the Bank of Lithuania in the form of current deposits. The Bank is free to use the funds held in the current account with the Bank of Lithuania, the average monthly amount of which may be not less than the estimated compulsory reserves.

The balances in bank correspondent accounts and placements with Central Bank are classified as Stage 1 financial assets. Breakdown of balances in bank correspondent accounts by credit rating is presented in the table below:

Rating *

	2021		2020	
	Group	Bank	Group	Bank
From AA- to AA+	3,410	3,242	1,889	1,721
From A- to A+	6,755	6,484	4,797	4,526
From BBB- to BBB+	14,390	14,036	2,484	2,130
Lower than BBB-	2,433	2,433	787	787
No external credit rating (Standard internal rating)	321	321	2,803	2,759
No external rating (Substandard internal rating)	3,780	3,699	355	355
Total	**31,089**	**30,215**	**13,115**	**12,278**

* for local banks that are subsidiaries of foreign banks, credit rating of the parent institution is used in case no credit rating of the local institution is available.

Reconciliation of allowance for impairment of cash and cash equivalents (including due from banks presented in Note 11) is presented in the table below:

	Group	*Bank*
Allowance for impairment of cash equivalents and due from banks as of 1 January 2020:	**23**	**23**
Change in allowance for impairment	**20**	**20**
FX and other movements	(1)	(1)
Allowance for impairment of cash equivalents and due from banks as of 31 December 2020:	**42**	**42**
Change in allowance for impairment	64	64
FX and other movements	-	-
Allowance for impairment of cash equivalents and due from banks as of 31 December 2021:	**106**	**106**

As of 31 December 2021, balances in correspondent accounts in amount of EUR 3,778 thousand (as of 31 December 2020 - EUR 2,574 thousand) were pledged for derivatives contracts.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 10
CASH AND CASH EQUIVALENTS (CONTINUED)

Liabilities from financing activities

The table below sets out movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

	2021				2020			
	Dividends payable	**Debt securities in issue**	**Lease liabilities**	**Total**	**Dividends payable**	**Debt securities in issue**	**Lease liabilities**	**Total**
As at 1 January	**45**	**20,027**	**7,314**	**27,386**	**55**	**20,044**	**2,780**	**22,879**
Dividends declared	3,304	-	-	3,304	-	-	-	-
Issuance in cash	-	75,000	-	75,000	-	-	-	-
Contract additions / terminations	-	-	185	185	-	-	6,074	6,074
Payment in cash	(3,299)	-	(1,432)	(4,731)	(10)	-	(1,569)	(1,579)
Redemption in cash	-	-	-	-	-	-	-	-
Accrued interest	-	1,415	26	1,441	-	1,213	29	1,242
Coupon payments in cash	-	(1,230)	-	(1,230)	-	(1,230)	-	(1,230)
As at of 31 December	**50**	**95,212**	**6,093**	**101,355**	**45**	**20,027**	**7,314**	**27,386**

The table below sets out movements in the Bank's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

	2021				2020			
	Dividends payable	**Debt securities in issue**	**Lease liabilities**	**Total**	**Dividends payable**	**Debt securities in issue**	**Lease liabilities**	**Total**
As at 1 January	**45**	**20,027**	**6,944**	**27,016**	**55**	**20,044**	**2,532**	**22,631**
Dividends declared	3,304	-	-	3,304	-	-	-	-
Issuance in cash	-	75,000	-	75,000	-	-	-	-
Contract additions / terminations	-	-	136	136	-	-	5,766	5,766
Payment in cash	(3,299)	-	(1,281)	(4,580)	(10)	-	(1,376)	(1,386)
Redemption in cash	-	-	-	-	-	-	-	-
Accrued interest	-	1,415	19	1,434	-	1,213	22	1,235
Coupon payments in cash	-	(1,230)	-	(1,230)	-	(1,230)	-	(1,230)
As at of 31 December	**50**	**95,212**	**5,818**	**101,080**	**45**	**20,027**	**6,944**	**27,016**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 11
DUE FROM OTHER BANKS

	2021		2020	
	Group	Bank	Group	Bank
Pledged deposits	-	-	540	540
Term deposits	101	101	370	370
Loans	1,095	1,095	688	688
Gross value	**1,196**	**1,196**	**1,598**	**1,598**
Allowance for impairment	-	-	-	-
Net value	**1,196**	**1,196**	**1,598**	**1,598**
Breakdown due from other banks by the maturity:				
Short-term (up to 1 year)	1,096	1,096	1,420	1,420
Long-term (over 1 year)	100	100	178	178
Total	**1,196**	**1,196**	**1,598**	**1,598**

As of 31 December 2020, pledged deposits consisted of funds pledged for derivatives contracts. As of 31 December 2021, term deposits amounting to EUR 101 thousand were pledged for the guarantees or letters of credit issued for the Bank's clients. As of 31 December 2020, term deposits amounting to EUR 100 thousand were pledged for the guarantees or letters of credit issued for the Bank's clients, EUR 270 thousand – for derivatives contracts.

All amounts due from banks are classified as Stage 1 financial assets. Breakdown of balances due from banks by credit rating is presented in the table below:

Rating *

	2021		2020	
	Group	Bank	Group	Bank
From AA- to AA+	514	514	100	100
From A- to A+	680	680	688	688
From BBB- to BBB+	2	2	810	810
Total	**1,196**	**1,196**	**1,598**	**1,598**

* for local banks that are subsidiaries of foreign banks, credit rating of the parent institution is used in case no credit rating of the local institution.

NOTE 12
FINANCIAL ASSETS AND LIABILITIES IN THE TRADING BOOK

Total balances of financial assets and liabilities in the trading book are presented in the table below:

	2021		2020	
	Group	Bank	Group	Bank
Assets:				
Derivatives:	2,121	2,121	445	445
currency derivatives	2,121	2,121	445	445
derivatives related to prices of financial instruments	-	-	-	-
Securities in the trading book	48,181	15,099	37,068	9,582
Liabilities:				
Derivatives:	(96)	(96)	(3,840)	(3,840)
currency derivatives	(96)	(96)	(3,840)	(3,840)
derivatives related to prices of financial instruments	-	-	-	-

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 12
FINANCIAL ASSETS AND LIABILITIES IN THE TRADING BOOK (CONTINUED)

Derivative Financial Instruments – Currency Derivatives

As of 31 December 2021 and 31 December 2020, the Group and the Bank had exposure to currency forwards, which represent commitments to purchase and/or sell foreign and local currency in the future at a fixed price.

		2021		2020
	Group	Bank	Group	Bank
Currency forwards:				
Assets	2,121	2,121	445	445
Liabilities	(96)	(96)	(3,840)	(3,840)
Notional amount	151,452	151,452	161,262	161,262
Net gain (loss) from currency derivatives in profit or loss	10,071	10,071	(6,429)	(6,429)

Derivative Financial Instruments – Derivatives Related to Prices of Financial Instruments

The Bank had issued fixed term deposits with additional interest that may be paid for the entire deposit term, if the value of the underlying assets (a group of equity or other financial instruments) linked with the deposit reaches the barrier. Deposit additional interest condition is a call option sold to the customer therefore it is treated as a derivative embedded in the host contract (deposit). The Bank used call options bought from other counterparties to close the position resulting from embedded options in the deposit contracts. Details on gain from options related to prices of financial instruments are presented below:

		2021		2020
	Group	Bank	Group	Bank
Net gain (loss) from derivatives related to prices of financial instruments in profit or loss	-	-	21	21

Securities in the Trading Book

		2021		2020
	Group	Bank	Group (restated)	Bank
Trading debt securities:				
Government bonds	2,020	11	3,669	4,182
Corporate bonds	15,701	14,611	8,137	4,662
Other trading book debt securities:				
Government bonds	2,733	-	2,734	-
Total debt securities	**20,454**	**14,622**	**14,540**	**8,844**
Trading equity securities	477	477	738	738
Other trading book equity securities	27,250	-	21,790	-
Total equity securities	**27,727**	**477**	**22,528**	**738**
Total securities in the trading book	**48,181**	**15,099**	**37,068**	**9,582**
Breakdown of debt securities by time remaining to maturity:				
Short-term (up to 1 year)	421	421	1,687	637
Long-term (over 1 year)	20,033	14,201	12,853	8,207
Total	**20,454**	**14,622**	**14,540**	**8,844**

Securities in the trading book are comprised of trading securities and other securities that cover technical insurance provisions under unit-linked insurance contracts of life insurance subsidiary. These securities are measured at fair value through profit or loss.

Securities in the trading book have not been pledged as at 31 December 2021 and 2020.

All of the securities in the trading book, except for unlisted securities, are accounted at fair value that is determined using level 1 requirements as described in fair value hierarchy in Section 4.2 of Financial Risk Management, i.e. fair value is based on quoted prices in active markets for identical assets and liabilities. Unlisted securities are accounted at fair value that is determined using level 3 requirements.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 12
FINANCIAL ASSETS AND LIABILITIES IN THE TRADING BOOK (CONTINUED)

Breakdown of securities in the trading book as at 31 December 2021 and 2020:

	2021		2020	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	**17,721**	**14,622**	**11,806**	**8,844**
AAA	-	-	-	-
from AA- to AA+	-	-	-	-
from A- to A+	4,235	4,046	3,968	3,771
from BBB- to BBB+	830	207	1,665	1,035
from BB- to BB+	514	-	973	610
lower than BB-	-	-	270	270
no rating	12,142	10,369	4,930	3,158
Equities	**477**	**477**	**738**	**738**
listed	449	449	732	732
unlisted	28	28	6	6
units of investment funds	-	-	-	-
Total trading securities	**18,198**	**15,099**	**12,544**	**9,582**
Other trading book securities:				
Debt securities	**2,733**	**-**	2,734	-
AAA	-	-	-	-
from AA- to AA+	-	-	-	-
from A- to A+	199	-	216	-
from BBB- to BBB+	1,726	-	1,614	-
from BB- to BB+	-	-	97	-
lower than BB-	-	-	-	-
no rating	808	-	807	-
Equities	**27,250**	**-**	**21,790**	**-**
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	27,250	-	21,790	-
Total other trading book securities	**29,983**	**-**	**24,524**	**-**
TOTAL	**48,181**	**15,099**	**37,068**	**9,582**

Amount of change in its fair value that is attributable to changes in the credit risk of the asset of Group's other trading book debt securities:

	2021		2020	
	During the year	**Cumulative**	**During the year**	**Cumulative**
Change in fair value attributable to credit risk	33	(4)	(30)	(37)

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS

	2021		2020	
	Group	Bank	Group	Bank
Gross loans to customers	1,944,377	1,917,766	1,648,446	1,630,184
Allowance for loan impairment	(35,696)	(28,137)	(42,783)	(37,821)
NET LOANS TO CUSTOMERS	**1,908,681**	**1,889,629**	**1,605,663**	**1,592,363**
Breakdown of loans to customers according to maturity				
Short-term (up to 1 year)	396,728	460,294	340,229	391,407
Long-term (over 1 year)	1,511,953	1,429,335	1,265,434	1,200,956
Total	**1,908,681**	**1,889,629**	**1,605,663**	**1,592,363**

In 2021, despite the pandemic did not end, the demand for loans was back at normal levels as economic certainty increased, therefore the loan portfolio growth was at intended levels. As general economic situation improved, concerns over adverse pandemic effects did not materialize and Group took active measures towards problem loans, loan portfolio quality improved significantly – loan migration to Stage 2 and Stage 3 has decreased while outflows from these stages increased. The Bank further reviewed its impairment calculation models – see section 1.3 of the Financial Risk Management disclosure. Overall allowance for impairment to loans ratio has decreased, but this was driven by the improved staging composition of the portfolio (decreased shares of Stage 3 and Stage 2 loans), allowance for impairment to loans for Stage 3 has increased over the year.

Reconciliation of the gross loan amount is presented in the following tables.

Group gross loans to customers

	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	**1,282,582**	**251,850**	**114,014**	**1,648,446**	**1,343,181**	**131,631**	**78,275**	**1,553,087**
Transfer between stages:								
from Stage 1 to Stage 2	*(133,971)*	*133,971*	*-*	*-*	*(176,400)*	*176,400*	*-*	*-*
from Stage 1 to Stage 3	*(3,936)*	*-*	*3,936*	*-*	*(48,037)*	*-*	*48,037*	*-*
from Stage 2 to Stage 1	*98,469*	*(98,469)*	*-*	*-*	*15,804*	*(15,804)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*(4,403)*	*4,403*	*-*	*-*	*(8,957)*	*8,957*	*-*
from Stage 3 to Stage 1	*3,214*	*-*	*(3,214)*	*-*	*374*	*-*	*(374)*	*-*
from Stage 3 to Stage 2	*-*	*5,472*	*(5,472)*	*-*	*-*	*1,506*	*(1,506)*	*-*
New loans originated or loan amounts increased	736,637	43,692	1,855	782,184	520,506	36,201	7,998	564,705
Loans derecognized during the period (other than write-offs)	(340,542)	(96,396)	(36,390)	(473,328)	(371,731)	(68,494)	(22,152)	(462,377)
Loans written-off during the period	(2)	(106)	(12,818)	(12,926)	(1,124)	(629)	(5,219)	(6,972)
FX and other movements	-	(2)	4	2	8	(8)	2	2
Gross carrying amount as at 31 December	**1,642,451**	**235,609**	**66,318**	**1,944,378**	**1,282,582**	**251,850**	**114,014**	**1,648,446**

Bank gross loans to customers

	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	**1,267,972**	**247,570**	**114,642**	**1,630,184**	**1,338,335**	**128,344**	**75,438**	**1,542,117**
Transfer between stages:								
from Stage 1 to Stage 2	*(234,322)*	*234,322*	*-*	*-*	*(173,564)*	*173,564*	*-*	*-*
from Stage 1 to Stage 3	*(2,364)*	*-*	*2,364*	*-*	*(50,184)*	*-*	*50,184*	*-*
from Stage 2 to Stage 1	*97,089*	*(97,089)*	*-*	*-*	*14,558*	*(14,558)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*(3,744)*	*3,744*	*-*	*-*	*(8,014)*	*8,014*	*-*
from Stage 3 to Stage 1	*3,190*	*-*	*(3,190)*	*-*	*325*	*-*	*(325)*	*-*
from Stage 3 to Stage 2	*-*	*5,462*	*(5,462)*	*-*	*-*	*1,503*	*(1,503)*	*-*
New loans originated or loan amounts increased	653,643	57,857	1,358	712,858	458,183	34,249	7,409	499,841
Loans derecognized during the period (other than write-offs)	(279,533)	(94,395)	(39,482)	(413,410)	(319,686)	(67,518)	(20,057)	(407,261)
Loans written-off during the period	-	(1)	(11,867)	(11,868)	(3)	-	(4,511)	(4,514)
FX and other movements	(1)	(2)	5	2	8	-	(7)	1
Gross carrying amount as at 31 December	**1,505,674**	**349,980**	**62,112**	**1,917,766**	**1,267,972**	**247,570**	**114,642**	**1,630,184**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

Group gross loans to individuals (retail)

	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	**531,568**	**14,442**	**10,237**	**556,247**	**347,259**	**11,106**	**9,020**	**367,385**
Transfer between stages:								
from Stage 1 to Stage 2	*(6,707)*	*6,707*	*-*	*-*	*(6,199)*	*6,199*	*-*	*-*
from Stage 1 to Stage 3	*(1,901)*	*-*	*1,901*	*-*	*(3,865)*	*-*	*3,865*	*-*
from Stage 2 to Stage 1	*5,739*	*(5,739)*	*-*	*-*	*2,662*	*(2,662)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*(1,401)*	*1,401*	*-*	*-*	*(1,930)*	*1,930*	*-*
from Stage 3 to Stage 1	*606*	*-*	*(606)*	*-*	*327*	*-*	*(327)*	*-*
from Stage 3 to Stage 2	*-*	*1,270*	*(1,270)*	*-*	*-*	*83*	*(83)*	*-*
New loans originated or loan amounts increased	272,351	2,237	629	275,217	279,118	5,980	1,938	287,036
Loans derecognized during the period (other than write-offs)	(122,846)	(4,290)	(2,461)	(129,597)	(86,619)	(3,703)	(5,075)	(95,397)
Loans written-off during the period	(2)	(106)	(1,930)	(2,038)	(1,124)	(629)	(1,032)	(2,785)
FX and other movements	-	-	(2)	(2)	9	(2)	1	8
Gross carrying amount as at 31 December	**678,808**	**13,120**	**7,899**	**699,827**	**531,568**	**14,442**	**10,237**	**556,247**

Bank gross loans to individuals (retail)

	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	**412,013**	**10,162**	**5,690**	**427,865**	**235,709**	**6,422**	**5,835**	**247,966**
Transfer between stages:								
from Stage 1 to Stage 2	*(4,364)*	*4,364*	*-*	*-*	*(3,364)*	*3,364*	*-*	*-*
from Stage 1 to Stage 3	*(329)*	*-*	*329*	*-*	*(1,303)*	*-*	*1,303*	*-*
from Stage 2 to Stage 1	*4,359*	*(4,359)*	*-*	*-*	*1,415*	*(1,415)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*(742)*	*742*	*-*	*-*	*(987)*	*987*	*-*
from Stage 3 to Stage 1	*582*	*-*	*(582)*	*-*	*279*	*-*	*(279)*	*-*
from Stage 3 to Stage 2	*-*	*1,260*	*(1,260)*	*-*	*-*	*81*	*(81)*	*-*
New loans originated or loan amounts increased	189,356	839	132	190,327	209,736	4,028	1,304	215,068
Loans derecognized during the period (other than write-offs)	(59,586)	(1,900)	(1,032)	(62,518)	(30,464)	(1,329)	(3,054)	(34,847)
Loans written-off during the period	-	(1)	(325)	(326)	(3)	-	(324)	(327)
FX and other movements	(1)	-	(1)	(2)	8	(2)	(1)	5
Gross carrying amount as at 31 December	**542,030**	**9,623**	**3,693**	**555,346**	**412,013**	**10,162**	**5,690**	**427,865**

Group gross loans to individuals (retail): Consumer loans

	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	**132,328**	**4,565**	**4,716**	**141,609**	**133,936**	**5,000**	**3,442**	**142,378**
Transfer between stages:								
from Stage 1 to Stage 2	*(2,473)*	*2,473*	*-*	*-*	*(3,161)*	*3,161*	*-*	*-*
from Stage 1 to Stage 3	*(1,597)*	*-*	*1,597*	*-*	*(2,725)*	*-*	*2,725*	*-*
from Stage 2 to Stage 1	*1,484*	*(1,484)*	*-*	*-*	*1,400*	*(1,400)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*(683)*	*683*	*-*	*-*	*(983)*	*983*	*-*
from Stage 3 to Stage 1	*49*	*-*	*(49)*	*-*	*74*	*-*	*(74)*	*-*
from Stage 3 to Stage 2	*-*	*44*	*(44)*	*-*	*-*	*9*	*(9)*	*-*
New loans originated or loan amounts increased	83,633	1,402	552	85,587	69,867	1,965	638	72,470
Loans derecognized during the period (other than write-offs)	(70,135)	(2,533)	(1,495)	(74,163)	(65,946)	(2,555)	(2,031)	(70,532)
Loans written-off during the period	(2)	(106)	(1,657)	(1,765)	(1,124)	(629)	(958)	(2,711)
FX and other movements	(2)	-	1	(1)	7	(3)	-	4
Gross carrying amount as at 31 December	**143,285**	**3,678**	**4,304**	**151,267**	**132,328**	**4,565**	**4,716**	**141,609**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

	Bank gross loans to individuals (retail): Consumer loans							
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	**12,773**	**285**	**190**	**13,248**	**22,386**	**316**	**278**	**22,980**
Transfer between stages:								
from Stage 1 to Stage 2	*(130)*	*130*	*-*	*-*	*(326)*	*326*	*-*	*-*
from Stage 1 to Stage 3	*(25)*	*-*	*25*	*-*	*(163)*	*-*	*163*	*-*
from Stage 2 to Stage 1	*104*	*(104)*	*-*	*-*	*153*	*(153)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*(24)*	*24*	*-*	*-*	*(40)*	*40*	*-*
from Stage 3 to Stage 1	*25*	*-*	*(25)*	*-*	*26*	*-*	*(26)*	*-*
from Stage 3 to Stage 2	*-*	*34*	*(34)*	*-*	*-*	*7*	*(7)*	*-*
New loans originated or loan amounts increased	639	3	55	697	485	13	4	502
Loans derecognized during the period (other than write-offs)	(6,873)	(143)	(68)	(7,084)	(9,791)	(181)	(10)	(9,982)
Loans written-off during the period	-	(1)	(52)	(53)	(3)	-	(250)	(253)
FX and other movements	(3)	-	2	(1)	6	(3)	(2)	1
Gross carrying amount as at 31 December	**6,510**	**180**	**117**	**6,807**	**12,773**	**285**	**190**	**13,248**

	Group gross loans to individuals (retail): Mortgages							
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	**287,749**	**6,923**	**3,892**	**298,564**	**96,764**	**4,643**	**1,453**	**102,860**
Transfer between stages:								
from Stage 1 to Stage 2	*(4,083)*	*4,083*	*-*	*-*	*(784)*	*784*	*-*	-
from Stage 1 to Stage 3	*(296)*	*-*	*296*	*-*	*(963)*	*-*	*963*	-
from Stage 2 to Stage 1	*2,125*	*(2,125)*	*-*	*-*	*1,181*	*(1,181)*	*-*	-
from Stage 2 to Stage 3	*-*	*(679)*	*679*	*-*	*-*	*(648)*	*648*	-
from Stage 3 to Stage 1	*482*	*-*	*(482)*	*-*	*235*	*-*	*(235)*	-
from Stage 3 to Stage 2	*-*	*1,010*	*(1,010)*	*-*	*-*	*60*	*(60)*	-
New loans originated or loan amounts increased	187,213	378	61	187,652	200,488	3,747	1,300	205,535
Loans derecognized during the period (other than write-offs)	(28,099)	(1,365)	(637)	(30,101)	(9,170)	(482)	(179)	(9,831)
Loans written-off during the period	-	-	(37)	(37)	-	-	-	-
FX and other movements	1	-	(3)	(2)	(2)	-	2	-
Gross carrying amount as at 31 December	**445,092**	**8,225**	**2,759**	**456,076**	**287,749**	**6,923**	**3,892**	**298,564**

	Bank gross loans to individuals (retail): Mortgages							
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	**287,749**	**6,923**	**3,892**	**298,564**	**96,764**	**4,643**	**1,453**	**102,860**
Transfer between stages:								
from Stage 1 to Stage 2	*(4,083)*	*4,083*	*-*	*-*	*(784)*	*784*	*-*	-
from Stage 1 to Stage 3	*(296)*	*-*	*296*	*-*	*(963)*	*-*	*963*	-
from Stage 2 to Stage 1	*2,125*	*(2,125)*	*-*	*-*	*1,181*	*(1,181)*	*-*	-
from Stage 2 to Stage 3	*-*	*(679)*	*679*	*-*	*-*	*(648)*	*648*	-
from Stage 3 to Stage 1	*482*	*-*	*(482)*	*-*	*235*	*-*	*(235)*	-
from Stage 3 to Stage 2	*-*	*1,010*	*(1,010)*	*-*	*-*	*60*	*(60)*	-
New loans originated or loan amounts increased	187,212	379	61	187,652	200,488	3,747	1,300	205,535
Loans derecognized during the period (other than write-offs)	(28,100)	(1,365)	(636)	(30,101)	(9,170)	(482)	(179)	(9,831)
Loans written-off during the period	-	-	(37)	(37)	-	-	-	-
FX and other movements	1	-	(3)	(2)	(2)	-	2	-
Gross carrying amount as at 31 December	**445,090**	**8,226**	**2,760**	**456,076**	**287,749**	**6,923**	**3,892**	**298,564**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

	Group gross loans to individuals (retail): Other							
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	**111,491**	**2,954**	**1,629**	**116,074**	**116,559**	**1,463**	**4,125**	**122,147**
Transfer between stages:								
from Stage 1 to Stage 2	*(151)*	*151*	*-*	*-*	*(2,254)*	*2,254*	*-*	*-*
from Stage 1 to Stage 3	*(8)*	*-*	*8*	*-*	*(177)*	*-*	*177*	*-*
from Stage 2 to Stage 1	*2,130*	*(2,130)*	*-*	*-*	*81*	*(81)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*(39)*	*39*	*-*	*-*	*(299)*	*299*	*-*
from Stage 3 to Stage 1	*75*	*-*	*(75)*	*-*	*18*	*-*	*(18)*	*-*
from Stage 3 to Stage 2	*-*	*216*	*(216)*	*-*	*-*	*14*	*(14)*	*-*
New loans originated or loan amounts increased	1,505	457	16	1,978	8,763	268	-	9,031
Loans derecognized during the period (other than write-offs)	(24,612)	(392)	(329)	(25,333)	(11,503)	(666)	(2,865)	(15,034)
Loans written-off during the period	-	-	(236)	(236)	-	-	(74)	(74)
FX and other movements	1	-	-	1	4	1	(1)	4
Gross carrying amount as at 31 December	**90,431**	**1,217**	**836**	**92,484**	**111,491**	**2,954**	**1,629**	**116,074**

	Bank gross loans to individuals (retail): Other							
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	**111,491**	**2,954**	**1,608**	**116,053**	**116,559**	**1,463**	**4,104**	**122,126**
Transfer between stages:								
from Stage 1 to Stage 2	*(151)*	*151*	*-*	*-*	*(2,254)*	*2,254*	*-*	*-*
from Stage 1 to Stage 3	*(8)*	*-*	*8*	*-*	*(177)*	*-*	*177*	*-*
from Stage 2 to Stage 1	*2,130*	*(2,130)*	*-*	*-*	*81*	*(81)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*(39)*	*39*	*-*	*-*	*(299)*	*299*	*-*
from Stage 3 to Stage 1	*75*	*-*	*(75)*	*-*	*18*	*-*	*(18)*	*-*
from Stage 3 to Stage 2	*-*	*216*	*(216)*	*-*	*-*	*14*	*(14)*	*-*
New loans originated or loan amounts increased	1,505	457	16	1,978	8,763	268	-	9,031
Loans derecognized during the period (other than write-offs)	(24,613)	(392)	(328)	(25,333)	(11,503)	(666)	(2,865)	(15,034)
Loans written-off during the period	-	-	(236)	(236)	-	-	(74)	(74)
FX and other movements	1	-	-	1	4	1	(1)	4
Gross carrying amount as at 31 December	**90,430**	**1,217**	**816**	**92,463**	**111,491**	**2,954**	**1,608**	**116,053**

	Group gross loans to financial institutions							
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	**14**	**4,827**	**-**	**4,841**	**15**	**3,623**	**-**	**3,638**
Transfer between stages:								
from Stage 1 to Stage 2	-	-	-	-	-	-	-	-
from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
from Stage 2 to Stage 1	-	-	-	-	-	-	-	-
from Stage 2 to Stage 3	-	-	-	-	-	-	-	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	3,195	3,819	-	7,014	37,154	4,827	-	41,981
Loans derecognized during the period (other than write-offs)	-	(4,827)	-	(4,827)	(37,155)	(3,623)	-	(40,778)
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	1	-	-	1	-	-	-	-
Gross carrying amount as at 31 December	**3,210**	**3,819**	**-**	**7,029**	**14**	**4,827**	**-**	**4,841**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

Bank gross loans to financial institutions

				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	**102,709**	**4,827**	**-**	**107,536**	**96,500**	**3,623**	**-**	**100,123**
Transfer between stages:								
from Stage 1 to Stage 2	*(102,694)*	*102,694*	*-*	*-*	*-*	*-*	*-*	*-*
from Stage 1 to Stage 3	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
from Stage 2 to Stage 1	-	-	-	-	-	-	-	-
from Stage 2 to Stage 3	-	-	-	-	-	-	-	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	3,195	19,382	-	22,577	44,213	4,827	-	49,040
Loans derecognized during the period (other than write-offs)	-	(5,216)	-	(5,216)	(38,004)	(3,623)	-	(41,627)
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	1	-	-	1	-	-	-	-
Gross carrying amount as at 31 December	**3,211**	**121,687**	**-**	**124,898**	**102,709**	**4,827**	**-**	**107,536**

Group gross loans to business customers

				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	**751,000**	**232,581**	**103,777**	**1,087,358**	**995,907**	**116,902**	**69,255**	**1,182,064**
Transfer between stages:								
from Stage 1 to Stage 2	*(127,264)*	*127,264*	*-*	*-*	*(170,201)*	*170,201*	*-*	*-*
from Stage 1 to Stage 3	*(2,035)*	*-*	*2,035*	*-*	*(44,172)*	*-*	*44,172*	*-*
from Stage 2 to Stage 1	*92,730*	*(92,730)*	*-*	*-*	*13,142*	*(13,142)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*(3,002)*	*3,002*	*-*	*-*	*(7,027)*	*7,027*	*-*
from Stage 3 to Stage 1	*2,608*	*-*	*(2,608)*	*-*	*47*	*-*	*(47)*	*-*
from Stage 3 to Stage 2	*-*	*4,202*	*(4,202)*	*-*	*-*	*1,423*	*(1,423)*	*-*
New loans originated or loan amounts increased	461,091	37,636	1,226	499,953	204,234	25,394	6,039	235,667
Loans derecognized during the period (other than write-offs)	(217,696)	(87,279)	(33,929)	(338,904)	(247,957)	(61,168)	(17,077)	(326,202)
Loans written-off during the period	-	-	(10,888)	(10,888)	-	-	(4,187)	(4,187)
FX and other movements	(1)	(2)	6	3	-	(2)	18	16
Gross carrying amount as at 31 December	**960,433**	**218,670**	**58,419**	**1,237,522**	**751,000**	**232,581**	**103,777**	**1,087,358**

Bank gross loans to business customers

				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	**753,250**	**232,581**	**108,952**	**1,094,783**	**1,006,126**	**118,299**	**69,603**	**1,194,028**
Transfer between stages:								
from Stage 1 to Stage 2	*(127,264)*	*127,264*	*-*	*-*	*(170,200)*	*170,200*	*-*	*-*
from Stage 1 to Stage 3	*(2,035)*	*-*	*2,035*	*-*	*(48,881)*	*-*	*48,881*	*-*
from Stage 2 to Stage 1	*92,730*	*(92,730)*	*-*	*-*	*13,143*	*(13,143)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*(3,002)*	*3,002*	*-*	*-*	*(7,027)*	*7,027*	*-*
from Stage 3 to Stage 1	*2,608*	*-*	*(2,608)*	*-*	*46*	*-*	*(46)*	*-*
from Stage 3 to Stage 2	*-*	*4,202*	*(4,202)*	*-*	*-*	*1,422*	*(1,422)*	*-*
New loans originated or loan amounts increased	461,092	37,636	1,226	499,954	204,234	25,394	6,105	235,733
Loans derecognized during the period (other than write-offs)	(219,947)	(87,279)	(38,450)	(345,676)	(251,218)	(62,566)	(17,003)	(330,787)
Loans written-off during the period	-	-	(11,542)	(11,542)	-	-	(4,187)	(4,187)
FX and other movements	(1)	(2)	6	3	-	2	(6)	(4)
Gross carrying amount as at 31 December	**960,433**	**218,670**	**58,419**	**1,237,522**	**753,250**	**232,581**	**108,952**	**1,094,783**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

Group gross loans to business customers: Large corporates

	Stage 1	Stage 2	Stage 3	2021 Total	Stage 1	Stage 2	Stage 3	2020 Total
Gross carrying amount as at 1 January	**67,219**	**42,423**	**1,856**	**111,498**	**115,860**	**1,900**	**1,895**	**119,655**
Transfer between stages:								
from Stage 1 to Stage 2	*(18,739)*	*18,739*	-	-	*(32,079)*	*32,079*	-	-
from Stage 1 to Stage 3	-	-	-	-	*(485)*	-	*485*	-
from Stage 2 to Stage 1	*23,108*	*(23,108)*	-	-	*105*	*(105)*	-	-
from Stage 2 to Stage 3	-	-	-	-	-	*(271)*	*271*	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	*119*	*(119)*	-
New loans originated or loan amounts increased	30,823	7,117	396	38,336	6,348	10,737	52	17,137
Loans derecognized during the period (other than write-offs)	(10,755)	(9,425)	(327)	(20,507)	(22,530)	(2,036)	(728)	(25,294)
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	2	(2)	-	-	-	-	-	-
Gross carrying amount as at 31 December	**91,658**	**35,744**	**1,925**	**129,327**	**67,219**	**42,423**	**1,856**	**111,498**

Bank gross loans to business customers: Large corporates

	Stage 1	Stage 2	Stage 3	2021 Total	Stage 1	Stage 2	Stage 3	2020 Total
Gross carrying amount as at 1 January	**67,219**	**42,423**	**1,856**	**111,498**	**115,860**	**1,900**	**1,895**	**119,655**
Transfer between stages:								
from Stage 1 to Stage 2	*(18,739)*	*18,739*	-	-	*(32,079)*	*32,079*	-	-
from Stage 1 to Stage 3	-	-	-	-	*(485)*	-	*485*	-
from Stage 2 to Stage 1	*23,108*	*(23,108)*	-	-	*105*	*(105)*	-	-
from Stage 2 to Stage 3	-	-	-	-	-	*(271)*	*271*	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	*119*	*(119)*	-
New loans originated or loan amounts increased	30,823	7,117	396	38,336	6,348	10,737	52	17,137
Loans derecognized during the period (other than write-offs)	(10,755)	(9,425)	(327)	(20,507)	(22,530)	(2,036)	(728)	(25,294)
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	2	(2)	-	-	-	-	-	-
Gross carrying amount as at 31 December	**91,658**	**35,744**	**1,925**	**129,327**	**67,219**	**42,423**	**1,856**	**111,498**

Group gross loans to business customers: SME

	Stage 1	Stage 2	Stage 3	2021 Total	Stage 1	Stage 2	Stage 3	2020 Total
Gross carrying amount as at 1 January	**569,835**	**188,541**	**100,413**	**858,789**	**776,961**	**114,077**	**65,872**	**956,910**
Transfer between stages:								
from Stage 1 to Stage 2	*(106,671)*	*106,671*	-	-	*(136,524)*	*136,524*	-	-
from Stage 1 to Stage 3	*(2,035)*	-	*2,035*	-	*(43,687)*	-	*43,687*	-
from Stage 2 to Stage 1	*69,620*	*(69,620)*	-	-	*12,354*	*(12,354)*	-	-
from Stage 2 to Stage 3	-	*(3,002)*	*3,002*	-	-	*(6,756)*	*6,756*	-
from Stage 3 to Stage 1	*2,608*	-	*(2,608)*	-	*47*	-	*(47)*	-
from Stage 3 to Stage 2	-	*4,202*	*(4,202)*	-	-	*1,304*	*(1,304)*	-
New loans originated or loan amounts increased	383,532	29,895	822	414,249	167,924	14,665	5,961	188,550
Loans derecognized during the period (other than write-offs)	(180,111)	(77,464)	(33,602)	(291,177)	(207,240)	(58,917)	(16,343)	(282,500)
Loans written-off during the period	-	-	(10,837)	(10,837)	-	-	(4,187)	(4,187)
FX and other movements	(4)	-	6	2	-	(2)	18	16
Gross carrying amount as at 31 December	**736,774**	**179,223**	**55,029**	**971,026**	**569,835**	**188,541**	**100,413**	**858,789**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

	Bank gross loans to business customers: SME							
				2021				**2020**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January	**572,085**	**188,541**	**105,588**	**866,214**	**787,180**	**115,474**	**66,220**	**968,874**
Transfer between stages:								
from Stage 1 to Stage 2	*(106,671)*	*106,671*	*-*	*-*	*(136,523)*	*136,523*	*-*	*-*
from Stage 1 to Stage 3	*(2,035)*	*-*	*2,035*	*-*	*(48,396)*	*-*	*48,396*	*-*
from Stage 2 to Stage 1	*69,620*	*(69,620)*	*-*	*-*	*12,355*	*(12,355)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*(3,002)*	*3,002*	*-*	*-*	*(6,756)*	*6,756*	*-*
from Stage 3 to Stage 1	*2,608*	*-*	*(2,608)*	*-*	*46*	*-*	*(46)*	*-*
from Stage 3 to Stage 2	*-*	*4,202*	*(4,202)*	*-*	*-*	*1,303*	*(1,303)*	*-*
New loans originated or loan amounts increased	383,532	29,895	822	414,249	167,924	14,665	6,027	188,616
Loans derecognized during the period (other than write-offs)	(182,361)	(77,464)	(38,123)	(297,948)	(210,501)	(60,315)	(16,269)	(287,085)
Loans written-off during the period	-	-	(11,491)	(11,491)	-	-	(4,187)	(4,187)
FX and other movements	(4)	-	6	2	-	2	(6)	(4)
Gross carrying amount as at 31 December	**736,774**	**179,223**	**55,029**	**971,026**	**572,085**	**188,541**	**105,588**	**866,214**

	Group gross loans to business customers: Central and local authorities and other							
				2021				**2020**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January	**113,946**	**1,617**	**1,508**	**117,071**	**103,086**	**925**	**1,488**	**105,499**
Transfer between stages:								
from Stage 1 to Stage 2	*(1,854)*	*1,854*	*-*	*-*	*(1,598)*	*1,598*	*-*	*-*
from Stage 1 to Stage 3	*-*	*-*	*-*	*-*	*-*	*—*	*-*	*-*
from Stage 2 to Stage 1	*2*	*(2)*	*-*	*-*	*683*	*(683)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
from Stage 3 to Stage 1	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
from Stage 3 to Stage 2	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
New loans originated or loan amounts increased	46,737	624	8	47,369	29,962	(8)	26	29,980
Loans derecognized during the period (other than write-offs)	(26,831)	(390)	-	(27,221)	(18,187)	(215)	(6)	(18,408)
Loans written-off during the period	-	-	(51)	(51)	-	-	-	-
FX and other movements	1	-	-	1	-	-	-	-
Gross carrying amount as at 31 December	**132,001**	**3,703**	**1,465**	**137,169**	**113,946**	**1,617**	**1,508**	**117,071**

	Bank gross loans to business customers: Central and local authorities and other							
				2021				**2020**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January	**113,946**	**1,617**	**1,508**	**117,071**	**103,086**	**925**	**1,488**	**105,499**
Transfer between stages:								
from Stage 1 to Stage 2	*(1,854)*	*1,854*	*-*	*-*	*(1,598)*	*1,598*	*-*	*-*
from Stage 1 to Stage 3	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
from Stage 2 to Stage 1	*2*	*(2)*	*-*	*-*	*683*	*(683)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
from Stage 3 to Stage 1	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
from Stage 3 to Stage 2	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
New loans originated or loan amounts increased	46,736	624	8	47,368	29,962	(8)	26	29,980
Loans derecognized during the period (other than write-offs)	(26,830)	(390)	-	(27,220)	(18,187)	(215)	(6)	(18,408)
Loans written-off during the period	-	-	(51)	(51)	-	-	-	-
FX and other movements	1	-	-	1	-	-	-	-
Gross carrying amount as at 31 December	**132,001**	**3,703**	**1,465**	**137,169**	**113,946**	**1,617**	**1,508**	**117,071**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

Movements in allowance for loan impairment by separate class are provided below:

	Group loss allowance against loans to customers							
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	**7,574**	**6,989**	**28,220**	**42,783**	**8,021**	**4,003**	**26,485**	**38,509**
Movements with impact to profit or loss:								
New loans originated	6,332	526	191	7,049	3,013	1,250	726	4,989
Loans derecognized during the period (other than write-offs)	(993)	(779)	(5,282)	(7,054)	(867)	(1,222)	(3,342)	(5,431)
Changes due to change in credit risk (net)	36	(3,118)	7,141	4,059	(2,845)	1,785	9,565	8,505
Update in the methodology for loss allowance estimation	(479)	399	1,866	1,786	1,376	1,802	29	3,207
Total movements with impact to profit or loss:	**4,896**	**(2,972)**	**3,916**	**5,840**	**677**	**3,615**	**6,978**	**11,270**
Movements without impact to profit or loss:								
Loans written-off during the period	(2)	(106)	(12,818)	(12,926)	(1,124)	(629)	(5,219)	(6,972)
FX and other movements	-	-	-	-	-	-	(24)	(24)
Total movements without impact to profit or loss:	**(2)**	**(106)**	**(12,818)**	**(12,926)**	**(1,124)**	**(629)**	**(5,243)**	**(6,996)**
Amount as at 31 December	**12,468**	**3,911**	**19,318**	**35,697**	**7,574**	**6,989**	**28,220**	**42,783**

	Bank loss allowance against loans to customers							
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	**3,826**	**5,435**	**28,560**	**37,821**	**4,552**	**2,259**	**25,254**	**32,065**
Movements with impact to profit or loss:								
New loans originated	3,579	382	151	4,112	869	1,005	660	2,534
Loans derecognized during the period (other than write-offs)	(378)	(272)	(3,951)	(4,601)	(388)	(347)	(1,840)	(2,575)
Changes due to change in credit risk (net)	1,367	(3,333)	2,373	407	(2,551)	669	8,836	6,954
Update in the methodology for loss allowance estimation	(119)	448	1,938	2,267	1,347	1,849	185	3,381
Total movements with impact to profit or loss:	**4,449**	**(2,775)**	**511**	**2,185**	**(723)**	**3,176**	**7,841**	**10,294**
Movements without impact to profit or loss:								
Loans written-off during the period	-	(1)	(11,867)	(11,868)	(3)	-	(4,511)	(4,514)
FX and other movements	-	-	-	-	-	-	(24)	(24)
Total movements without impact to profit or loss:	**-**	**(1)**	**(11,867)**	**(11,868)**	**(3)**	**-**	**(4,535)**	**(4,538)**
Amount as at 31 December	**8,275**	**2,659**	**17,204**	**28,138**	**3,826**	**5,435**	**28,560**	**37,821**

	Group loss allowance against loans to customers: Loans to individuals (Retail)							
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	**5,690**	**1,847**	**3,522**	**11,059**	**5,172**	**2,135**	**3,350**	**10,657**
Movements with impact to profit or loss:								
New loans originated	3,410	151	96	3,657	2,521	266	133	2,920
Loans derecognized during the period (other than write-offs)	(678)	(541)	(1,904)	(3,123)	(541)	(917)	(2,132)	(3,590)
Changes due to change in credit risk (net)	(2,100)	52	3,122	1,074	(507)	1,046	3,484	4,023
Update in the methodology for loss allowance estimation	(745)	(46)	(19)	(810)	169	(54)	(281)	(166)
Total movements with impact to profit or loss:	**(113)**	**(384)**	**1,295**	**798**	**1,642**	**341**	**1,204**	**3,187**
Movements without impact to profit or loss:								
Loans written-off during the period	(2)	(106)	(1,930)	(2,038)	(1,124)	(629)	(1,032)	(2,785)
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	**(2)**	**(106)**	**(1,930)**	**(2,038)**	**(1,124)**	**(629)**	**(1,032)**	**(2,785)**
Amount as at 31 December	**5,575**	**1,357**	**2,887**	**9,819**	**5,690**	**1,847**	**3,522**	**11,059**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

Bank loss allowance against loans to customers: Loans to individuals (Retail)

	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January	**1,961**	**294**	**1,191**	**3,446**	**1,723**	**391**	**1,595**	**3,709**
Movements with impact to profit or loss:								
New loans originated	657	7	56	720	377	20	68	465
Loans derecognized during the period (other than write-offs)	(63)	(34)	(573)	(670)	(63)	(41)	(630)	(734)
Changes due to change in credit risk (net)	(789)	(164)	371	(582)	(213)	(69)	607	325
Update in the methodology for loss allowance estimation	(384)	3	53	(328)	140	(7)	(125)	8
Total movements with impact to profit or loss:	**(579)**	**(188)**	**(93)**	**(860)**	**241**	**(97)**	**(80)**	**64**
Movements without impact to profit or loss:								
Loans written-off during the period	-	(1)	(325)	(326)	(3)	-	(324)	(327)
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	**-**	**(1)**	**(325)**	**(326)**	**(3)**	**-**	**(324)**	**(327)**
Amount as at 31 December	**1,382**	**105**	**773**	**2,260**	**1,961**	**294**	**1,191**	**3,446**

Group loss allowance against loans to customers: Loans to individuals (Retail) – Consumer loans

	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January	**4,047**	**1,621**	**2,424**	**8,092**	**4,064**	**1,858**	**1,937**	**7,859**
Movements with impact to profit or loss:								
New loans originated	2,988	144	90	3,222	2,146	248	70	2,464
Loans derecognized during the period (other than write-offs)	(648)	(521)	(1,608)	(2,777)	(524)	(891)	(1,648)	(3,063)
Changes due to change in credit risk (net)	(1,658)	196	3,007	1,545	(492)	1,082	3,293	3,883
Update in the methodology for loss allowance estimation	(391)	(46)	(75)	(512)	(23)	(47)	(270)	(340)
Total movements with impact to profit or loss:	**291**	**(227)**	**1,414**	**1,478**	**1,107**	**392**	**1,445**	**2,944**
Movements without impact to profit or loss:								
Loans written-off during the period	(2)	(106)	(1,657)	(1,765)	(1,124)	(629)	(958)	(2,711)
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	**(2)**	**(106)**	**(1,657)**	**(1,765)**	**(1,124)**	**(629)**	**(958)**	**(2,711)**
Amount as at 31 December	**4,336**	**1,288**	**2,181**	**7,805**	**4,047**	**1,621**	**2,424**	**8,092**

Bank loss allowance against loans to customers: Loans to individuals (Retail) – Consumer loans

	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January	**318**	**68**	**114**	**500**	**615**	**114**	**203**	**932**
Movements with impact to profit or loss:								
New loans originated	235	-	50	285	2	2	5	9
Loans derecognized during the period (other than write-offs)	(33)	(14)	(277)	(324)	(46)	(15)	(146)	(207)
Changes due to change in credit risk (net)	(347)	(20)	256	(111)	(198)	(33)	416	185
Update in the methodology for loss allowance estimation	(30)	3	(3)	(30)	(52)	—	(114)	(166)
Total movements with impact to profit or loss:	**(175)**	**(31)**	**26**	**(180)**	**(294)**	**(46)**	**161**	**(179)**
Movements without impact to profit or loss:								
Loans written-off during the period	-	(1)	(52)	(53)	(3)	-	(250)	(253)
FX and other movements	-	-	-	-	-	-	—	—
Total movements without impact to profit or loss:	**-**	**(1)**	**(52)**	**(53)**	**(3)**	**—**	**(250)**	**(253)**
Amount as at 31 December	**143**	**36**	**88**	**267**	**318**	**68**	**114**	**500**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

Group loss allowance against loans to customers: Loans to individuals (Retail) – Mortgages

	Stage 1	Stage 2	Stage 3	2021 Total	Stage 1	Stage 2	Stage 3	2020 Total
Loss allowance as at 1 January	**578**	**181**	**665**	**1,424**	**469**	**222**	**442**	**1,133**
Movements with impact to profit or loss:								
New loans originated	413	5	6	424	363	-	63	426
Loans derecognized during the period (other than write-offs)	(27)	(20)	(149)	(196)	(15)	(22)	-	(37)
Changes due to change in credit risk (net)	(177)	(115)	(82)	(374)	(114)	(18)	159	27
Update in the methodology for loss allowance estimation	(339)	8	40	(291)	(125)	(1)	1	(125)
Total movements with impact to profit or loss:	**(130)**	**(122)**	**(185)**	**(437)**	**109**	**(41)**	**223**	**291**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(37)	(37)	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	**-**	**-**	**(37)**	**(37)**	**-**	-	**-**	**-**
Amount as at 31 December	**448**	**59**	**443**	**950**	**578**	**181**	**665**	**1,424**

Bank loss allowance against loans to customers: Loans to individuals (Retail) – Mortgages

	Stage 1	Stage 2	Stage 3	2021 Total	Stage 1	Stage 2	Stage 3	2020 Total
Loss allowance as at 1 January	**578**	**181**	**665**	**1,424**	**469**	**222**	**442**	**1,133**
Movements with impact to profit or loss:								
New loans originated	413	5	6	424	363	-	63	426
Loans derecognized during the period (other than write-offs)	(27)	(20)	(149)	(196)	(15)	(22)	-	(37)
Changes due to change in credit risk (net)	(177)	(115)	(82)	(374)	(114)	(18)	159	27
Update in the methodology for loss allowance estimation	(339)	8	40	(291)	(125)	(1)	1	(125)
Total movements with impact to profit or loss:	**(130)**	**(122)**	**(185)**	**(437)**	**109**	**(41)**	**223**	**291**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(37)	(37)	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	**-**	**-**	**(37)**	**(37)**	**-**	-	**-**	**-**
Amount as at 31 December	**448**	**59**	**443**	**950**	**578**	**181**	**665**	**1,424**

Group loss allowance against loans to customers: Loans to individuals (Retail) – Other

	Stage 1	Stage 2	Stage 3	2021 Total	Stage 1	Stage 2	Stage 3	2020 Total
Loss allowance as at 1 January	**1,065**	**45**	**433**	**1,543**	**639**	**55**	**971**	**1,665**
Movements with impact to profit or loss:								
New loans originated	9	2	-	11	12	18	-	30
Loans derecognized during the period (other than write-offs)	(3)	-	(147)	(150)	(2)	(4)	(484)	(490)
Changes due to change in credit risk (net)	(265)	(29)	197	(97)	99	(18)	32	113
Update in the methodology for loss allowance estimation	(15)	(8)	16	(7)	317	(6)	(12)	299
Total movements with impact to profit or loss:	**(274)**	**(35)**	**66**	**(243)**	**426**	**(10)**	**(464)**	**(48)**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(236)	(236)	-	-	(74)	(74)
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	**-**	**-**	**(236)**	**(236)**	**-**	**-**	**(74)**	**(74)**
Amount as at 31 December	**791**	**10**	**263**	**1,064**	**1,065**	**45**	**433**	**1,543**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

Bank loss allowance against loans to customers: Loans to individuals (Retail) – Other

	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January	**1,065**	**45**	**412**	**1,522**	**639**	**55**	**950**	**1,644**
Movements with impact to profit or loss:								
New loans originated	9	2	-	11	12	18	-	30
Loans derecognized during the period (other than write-offs)	(3)	-	(147)	(150)	(2)	(4)	(484)	(490)
Changes due to change in credit risk (net)	(265)	(29)	197	(97)	99	(18)	32	113
Update in the methodology for loss allowance estimation	(15)	(8)	16	(7)	317	(6)	(12)	299
Total movements with impact to profit or loss:	**(274)**	**(35)**	**66**	**(243)**	**426**	**(10)**	**(464)**	**(48)**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(236)	(236)	-	-	(74)	(74)
FX and other movements	-	-	-	-	-	-	—	—
Total movements without impact to profit or loss:	**-**	**-**	**(236)**	**(236)**	**-**	**-**	**(74)**	**(74)**
Amount as at 31 December	**791**	**10**	**242**	**1,043**	**1,065**	**45**	**412**	**1,522**

Group loss allowance against loans to customers: Loans to financial institutions

	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January	**-**	**94**	**-**	**94**	**-**	**38**	**-**	**38**
Movements with impact to profit or loss:								
New loans originated	1	133	-	134	-	184	-	184
Loans derecognized during the period (other than write-offs)	-	(156)	-	(156)	-	(111)	-	(111)
Changes due to change in credit risk (net)	49	39	-	88	-	42	-	42
Update in the methodology for loss allowance estimation	14	(92)	-	(78)	-	(59)	-	(59)
Total movements with impact to profit or loss:	**64**	**(76)**	**-**	**(12)**	**-**	**56**	**-**	**56**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Amount as at 31 December	**64**	**18**	**-**	**82**	**-**	**94**	**-**	**94**

Bank loss allowance against loans to customers: Loans to financial institutions

	2021				2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January	**-**	**94**	**-**	**94**	**-**	**38**	**-**	**38**
Movements with impact to profit or loss:								
New loans originated	1	133	-	134	-	184	-	184
Loans derecognized during the period (other than write-offs)	-	(156)	-	(156)	-	(111)	-	(111)
Changes due to change in credit risk (net)	49	39	-	88	-	42	-	42
Update in the methodology for loss allowance estimation	14	(92)	-	(78)	-	(59)	-	(59)
Total movements with impact to profit or loss:	**64**	**(76)**	**-**	**(12)**	**-**	**56**	**-**	**56**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Amount as at 31 December	**64**	**18**	**-**	**82**	**-**	**94**	**-**	**94**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

Group loss allowance against loans to customers: Loans to business customers								
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	**1,884**	**5,048**	**24,698**	**31,630**	**2,849**	**1,830**	**23,135**	**27,814**
Movements with impact to profit or loss:								
New loans originated	2,921	242	95	3,258	492	800	593	1,885
Loans derecognized during the period (other than write-offs)	(315)	(82)	(3,378)	(3,775)	(326)	(194)	(1,210)	(1,730)
Changes due to change in credit risk (net)	2,087	(3,209)	4,019	2,897	(2,338)	697	6,081	4,440
Update in the methodology for loss allowance estimation	252	537	1,885	2,674	1,207	1,915	310	3,432
Total movements with impact to profit or loss:	**4,945**	**(2,512)**	**2,621**	**5,054**	**(965)**	**3,218**	**5,774**	**8,027**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(10,888)	(10,888)	-	-	(4,187)	(4,187)
FX and other movements	-	-	-	-	-	-	(24)	(24)
Total movements without impact to profit or loss:	**-**	**-**	**(10,888)**	**(10,888)**	**-**	**-**	**(4,211)**	**(4,211)**
Amount as at 31 December	**6,829**	**2,536**	**16,431**	**25,796**	**1,884**	**5,048**	**24,698**	**31,630**

Bank loss allowance against loans to customers: Loans to business customers								
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	**1,865**	**5,047**	**27,369**	**34,281**	**2,829**	**1,830**	**23,659**	**28,318**
Movements with impact to profit or loss:								
New loans originated	2,921	242	95	3,258	492	801	592	1,885
Loans derecognized during the period (other than write-offs)	(315)	(82)	(3,378)	(3,775)	(325)	(195)	(1,210)	(1,730)
Changes due to change in credit risk (net)	2,107	(3,208)	2,002	901	(2,338)	696	8,229	6,587
Update in the methodology for loss allowance estimation	251	537	1,885	2,673	1,207	1,915	310	3,432
Total movements with impact to profit or loss:	**4,964**	**(2,511)**	**604**	**3,057**	**(964)**	**3,217**	**7,921**	**10,174**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(11,542)	(11,542)	-	-	(4,187)	(4,187)
FX and other movements	-	-	-	-	-	-	(24)	(24)
Total movements without impact to profit or loss:	**-**	**-**	**(11,542)**	**(11,542)**	**-**	**-**	**(4,211)**	**(4,211)**
Amount as at 31 December	**6,829**	**2,536**	**16,431**	**25,796**	**1,865**	**5,047**	**27,369**	**34,281**

Group loss allowance against loans to customers: Loans to business customers – Large corporates								
				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	**627**	**885**	**291**	**1,803**	**1,065**	**47**	**117**	**1,229**
Movements with impact to profit or loss:								
New loans originated	129	-	19	148	37	14	—	51
Loans derecognized during the period (other than write-offs)	(4)	(33)	-	(37)	(65)	(7)	—	(72)
Changes due to change in credit risk (net)	(295)	(649)	551	(393)	(560)	569	165	174
Update in the methodology for loss allowance estimation	80	(63)	17	34	150	262	9	421
Total movements with impact to profit or loss:	**(90)**	**(745)**	**587**	**(248)**	**(438)**	**838**	**174**	**574**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Amount as at 31 December	**537**	**140**	**878**	**1,555**	**627**	**885**	**291**	**1,803**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

Bank loss allowance against loans to customers: Loans to business customers – Large corporates

				2021				2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January	**627**	**885**	**291**	**1,803**	**1,065**	**47**	**117**	**1,229**
Movements with impact to profit or loss:								
New loans originated	129	-	19	148	37	14	—	51
Loans derecognized during the period (other than write-offs)	(4)	(33)	-	(37)	(65)	(7)	—	(72)
Changes due to change in credit risk (net)	(295)	(649)	551	(393)	(560)	569	165	174
Update in the methodology for loss allowance estimation	80	(63)	17	34	150	262	9	421
Total movements with impact to profit or loss:	**(90)**	**(745)**	**587**	**(248)**	**(438)**	**838**	**174**	**574**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Amount as at 31 December	**537**	**140**	**878**	**1,555**	**627**	**885**	**291**	**1,803**

Group loss allowance against loans to customers: Loans to business customers – SME

				2021				2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January	**1,155**	**4,136**	**23,739**	**29,030**	**1,560**	**1,777**	**22,377**	**25,714**
Movements with impact to profit or loss:								
New loans originated	2,703	218	76	2,997	425	541	593	1,559
Loans derecognized during the period (other than write-offs)	(297)	(28)	(3,378)	(3,703)	(234)	(181)	(1,204)	(1,619)
Changes due to change in credit risk (net)	2,375	(2,712)	3,470	3,133	(1,437)	328	5,886	4,777
Update in the methodology for loss allowance estimation	(70)	707	1,784	2,421	841	1,671	298	2,810
Total movements with impact to profit or loss:	4,711	(1,815)	1,952	4,848	**(405)**	**2,359**	**5,573**	**7,527**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(10,837)	(10,837)	-	-	(4,187)	(4,187)
FX and other movements	-	-	-	-	-	-	(24)	(24)
Total movements without impact to profit or loss:	**-**	**-**	**(10,837)**	**(10,837)**	-	**-**	**(4,211)**	**(4,211)**
Amount as at 31 December	**5,866**	**2,321**	**14,854**	**23,041**	**1,155**	**4,136**	**23,739**	**29,030**

Bank loss allowance against loans to customers: Loans to business customers – SME

				2021				2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January	**1,136**	**4,135**	**26,410**	**31,681**	**1,540**	**1,777**	**22,901**	**26,218**
Movements with impact to profit or loss:								
New loans originated	2,703	218	76	2,997	425	542	592	1,559
Loans derecognized during the period (other than write-offs)	(297)	(28)	(3,378)	(3,703)	(233)	(182)	(1,204)	(1,619)
Changes due to change in credit risk (net)	2,395	(2,711)	1,453	1,137	(1,437)	327	8,034	6,924
Update in the methodology for loss allowance estimation	(71)	707	1,784	2,420	841	1,671	298	2,810
Total movements with impact to profit or loss:	**4,730**	**(1,814)**	**(65)**	**2,851**	**(404)**	**2,358**	**7,720**	**9,674**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(11,491)	(11,491)	-	-	(4,187)	(4,187)
FX and other movements	-	-	-	-	-	-	(24)	(24)
Total movements without impact to profit or loss:	**-**	**-**	**(11,491)**	**(11,491)**	**-**	**-**	**(4,211)**	**(4,211)**
Amount as at 31 December	**5,866**	**2,321**	**14,854**	**23,041**	**1,136**	**4,135**	**26,410**	**31,681**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

Group loss allowance against loans to customers: Loans to business customers – Central and local authorities and other

	Stage 1	Stage 2	Stage 3	2021 Total	Stage 1	Stage 2	Stage 3	2020 Total
Loss allowance as at 1 January	**102**	**27**	**668**	**797**	**224**	**6**	**641**	**871**
Movements with impact to profit or loss:								
New loans originated	89	24	-	113	30	245	-	275
Loans derecognized during the period (other than write-offs)	(14)	(21)	-	(35)	(27)	(6)	(6)	(39)
Changes due to change in credit risk (net)	7	152	(2)	157	(341)	(200)	30	(511)
Update in the methodology for loss allowance estimation	242	(107)	84	219	216	(18)	3	201
Total movements with impact to profit or loss:	**324**	**48**	**82**	**454**	**(122)**	**21**	**27**	**(74)**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(51)	(51)	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	**-**	**-**	**(51)**	**(51)**	**-**	**-**	**-**	**-**
Amount as at 31 December	**426**	**75**	**699**	**1,200**	**102**	**27**	**668**	**797**

Bank loss allowance against loans to customers: Loans to business customers – Central and local authorities and other

	Stage 1	Stage 2	Stage 3	2021 Total	Stage 1	Stage 2	Stage 3	2020 Total
Loss allowance as at 1 January	**102**	**27**	**668**	**797**	**224**	**6**	**641**	**871**
Movements with impact to profit or loss:								
New loans originated	89	24	-	113	30	245	-	275
Loans derecognized during the period (other than write-offs)	(14)	(21)	-	(35)	(27)	(6)	(6)	(39)
Changes due to change in credit risk (net)	7	152	(2)	157	(341)	(200)	30	(511)
Update in the methodology for loss allowance estimation	242	(107)	84	219	216	(18)	3	201
Total movements with impact to profit or loss:	**324**	**48**	**82**	**454**	**(122)**	**21**	**27**	**(74)**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(51)	(51)	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	**-**	**-**	**(51)**	**(51)**	**-**	**-**	**-**	**-**
Amount as at 31 December	**426**	**75**	**699**	**1,200**	**102**	**27**	**668**	**797**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 14
FINANCE LEASE RECEIVABLES

As part of its lending services, the Bank offers its customers various types of finance lease contracts. Main finance lease model of the Bank is to finance goods or services sold by vendors to the customers. The Bank acts as a lender, although legally it is the owner of the assets leased.

No other material income except for the finance income (included in net interest income - see Note 1) is earned by the Bank from the finance lease. The Bank does not provide any buy-back guarantees or residual value guarantees at its own risk. In some cases when such guarantees are offered to customers that use Bank‘s finance lease products, the vendor of the assets leased provides such guarantees. In such cases the Bank additionally assesses the vendor‘s capacities to meet such obligations.

Risk profile of finance lease contracts is described in detail in part 1.6. of the Financial Risk Management disclosure.

The Group

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	*Total*
Gross investments in leasing:							
Balance at 31 December 2020	58,692	51,365	31,633	17,464	9,964	1,840	170,958
Change during 2021	26,015	(236)	3,951	6,445	5,582	(998)	40,759
Balance at 31 December 2021	**84,707**	**51,129**	**35,584**	**23,909**	**15,546**	**842**	**211,717**
Unearned finance income on finance leases:							
Balance at 31 December 2020	(5,156)	(3,208)	(1,588)	(714)	(225)	(25)	(10,916)
Change during 2021	(807)	(323)	(421)	(268)	(31)	10	(1,840)
Balance at 31 December 2021	**(5,963)**	**(3,531)**	**(2,009)**	**(982)**	**(256)**	**(15)**	**(12,756)**
Net investments in leasing before provisions:							
At 31 December 2020	53,536	48,157	30,045	16,750	9,739	1,815	160,042
At 31 December 2021	78,744	47,598	33,575	22,927	15,290	827	198,961
Changes in provisions:							
Balance at 31 December 2020	**(1,986)**	**(964)**	**(602)**	**(333)**	**(194)**	**(506)**	**(4,585)**
Provisions reversed / (additional provisions charged)	125	291	128	11	(21)	241	775
Provisions for finance lease debts written off	-	-	-	-	-	23	23
Balance at 31 December 2021	**(1,861)**	**(673)**	**(474)**	**(322)**	**(215)**	**(242)**	**(3,787)**
Net investments in leasing after provisions:							
At 31 December 2020	51,550	47,193	29,443	16,417	9,545	1,309	155,457
At 31 December 2021	76,883	46,925	33,101	22,605	15,075	585	195,174

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 14
FINANCE LEASE RECEIVABLES (CONTINUED)

The Bank

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Gross investments in leasing:							
Balance at 31 December 2020	57,776	51,365	31,633	17,464	9,964	1,840	170,042
Change during 2021	25,912	(236)	3,951	6,445	5,582	(998)	40,656
Balance at 31 December 2021	**83,688**	**51,129**	**35,584**	**23,909**	**15,546**	**842**	**210,698**
Unearned finance income on finance leases:							
Balance at 31 December 2020	(5,150)	(3,208)	(1,588)	(714)	(225)	(25)	(10,910)
Change during 2021	(807)	(323)	(421)	(268)	(31)	10	(1,840)
Balance at 31 December 2021	**(5,957)**	**(3,531)**	**(2,009)**	**(982)**	**(256)**	**(15)**	**(12,750)**
Net investments in leasing before provisions:							
At 31 December 2020	52,626	48,157	30,045	16,750	9,739	1,815	159,132
At 31 December 2021	77,731	47,598	33,575	22,927	15,290	827	197,948
Changes in provisions:							
Balance at 31 December 2020	(1,239)	(964)	(602)	(333)	(194)	(510)	(3,842)
Provisions reversed / (additional provisions charged)	130	291	128	11	(21)	241	780
Provisions for finance lease debts written off	-	-	-	-	-	23	23
Balance at 31 December 2021	**(1,109)**	**(673)**	**(474)**	**(322)**	**(215)**	**(246)**	**(3,039)**
Net investments in leasing after provisions:							
At 31 December 2020	51,387	47,193	29,443	16,417	9,545	1,305	155,290
At 31 December 2021	76,622	46,925	33,101	22,605	15,075	581	194,909

Movements in provision for impairment of finance lease receivables by class are as follows:

Group loss allowance against finance lease receivables

				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	**800**	**931**	**2,854**	**4,585**	**693**	**445**	**2,823**	**3,961**
Movements with impact to profit or loss:								
New loans originated	711	330	64	1,105	357	529	222	1,108
Loans derecognized during the period (other than write-offs)	(110)	(129)	(763)	(1,002)	(109)	(133)	(281)	(523)
Changes due to change in credit risk (net)	(246)	(343)	122	(467)	(707)	(300)	80	(927)
Update in the methodology for loss allowance estimation	(189)	(550)	305	(434)	566	390	42	998
Total movements with impact to profit or loss:	**166**	**(692)**	**(272)**	**(798)**	**107**	**486**	**63**	**656**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	(32)	(32)
FX and other movements	-	-	(1)	(1)	-	-	-	-
Total movements without impact to profit or loss:	**-**	**-**	**(1)**	**(1)**	**-**	**-**	**(32)**	**(32)**
Loss allowance as at 31 December	**966**	**239**	**2,581**	**3,786**	**800**	**931**	**2,854**	**4,585**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 14
FINANCE LEASE RECEIVABLES (CONTINUED)

Bank loss allowance against finance lease receivables

				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	**799**	**931**	**2,112**	**3,842**	**692**	**445**	**2,050**	**3,187**
Movements with impact to profit or loss:								
New loans originated	710	330	64	1,104	356	529	221	1,106
Loans derecognized during the period (other than write-offs)	(110)	(129)	(763)	(1,002)	(109)	(133)	(281)	(523)
Changes due to change in credit risk (net)	(245)	(343)	117	(471)	(707)	(300)	80	(927)
Update in the methodology for loss allowance estimation	(189)	(550)	305	(434)	567	390	42	999
Total movements with impact to profit or loss:	**166**	**(692)**	**(277)**	**(803)**	**107**	**486**	**62**	**655**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	(1)	(1)	-	-	-	-
Total movements without impact to profit or loss:	**-**	**-**	**(1)**	**(1)**	**-**	**-**	**-**	**-**
Loss allowance as at 31 December	**965**	**239**	**1,834**	**3,038**	**799**	**931**	**2,112**	**3,842**

Group loss allowance against finance lease receivables - individuals

				2021				2020
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Loss allowance as at 1 January	**209**	**32**	**134**	**375**	**225**	**40**	**126**	**391**
Movements with impact to profit or loss:								
New loans originated	52	58	-	110	114	6	-	120
Loans derecognized during the period (other than write-offs)	(15)	(2)	(48)	(65)	(19)	(5)	(1)	(25)
Changes due to change in credit risk (net)	(36)	21	(38)	(53)	(264)	(28)	54	(238)
Update in the methodology for loss allowance estimation	(155)	(95)	(2)	(252)	153	19	(13)	159
Total movements with impact to profit or loss:	**(154)**	**(18)**	**(88)**	**(260)**	**(16)**	**(8)**	**40**	**16**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	(32)	(32)
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	**-**	**-**	**-**	**-**	**-**	**-**	**(32)**	**(32)**
Loss allowance as at 31 December	**55**	**14**	**46**	**115**	**209**	**32**	**134**	**375**

Bank loss allowance against finance lease receivables – individuals

				2021				2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	**209**	**32**	**134**	**375**	**224**	**40**	**95**	**359**
Movements with impact to profit or loss:								
New loans originated	52	58	-	110	114	6	-	120
Loans derecognized during the period (other than write-offs)	(15)	(2)	(48)	(65)	(19)	(5)	(1)	(25)
Changes due to change in credit risk (net)	(36)	21	(38)	(53)	(263)	(28)	53	(238)
Update in the methodology for loss allowance estimation	(155)	(95)	(2)	(252)	153	19	(13)	159
Total movements with impact to profit or loss:	**(154)**	**(18)**	**(88)**	**(260)**	**(15)**	**(8)**	**39**	**16**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loss allowance as at 31 December	**55**	**14**	**46**	**115**	**209**	**32**	**134**	**375**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 14
FINANCE LEASE RECEIVABLES (CONTINUED)

Group loss allowance against finance lease receivables – business customers

				2021				2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January	**591**	**899**	**2,720**	**4,210**	**468**	**405**	**2,697**	**3,570**
Movements with impact to profit or loss:								
New loans originated	659	272	64	995	243	523	222	988
Loans derecognized during the period (other than write-offs)	(95)	(127)	(715)	(937)	(90)	(128)	(280)	(498)
Changes due to change in credit risk (net)	(210)	(364)	160	(414)	(443)	(272)	26	(689)
Update in the methodology for loss allowance estimation	(34)	(455)	307	(182)	413	371	55	839
Total movements with impact to profit or loss:	**320**	**(674)**	**(184)**	**(538)**	**123**	**494**	**23**	**640**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	(1)	(1)	-	-	-	-
Total movements without impact to profit or loss:	**-**	**-**	**(1)**	**(1)**	**-**	**-**	**-**	**-**
Loss allowance as at 31 December	**911**	**225**	**2,535**	**3,671**	**591**	**899**	**2,720**	**4,210**

Bank loss allowance against finance lease receivables – business customers

				2021				**2020**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January	**590**	**899**	**1,978**	**3,467**	**468**	**405**	**1,955**	**2,828**
Movements with impact to profit or loss:								
New loans originated	658	272	64	994	242	523	221	986
Loans derecognized during the period (other than write-offs)	(95)	(127)	(715)	(937)	(90)	(128)	(280)	(498)
Changes due to change in credit risk (net)	(209)	(364)	155	(418)	(444)	(272)	27	(689)
Update in the methodology for loss allowance estimation	(34)	(455)	307	(182)	414	371	55	840
Total movements with impact to profit or loss:	**320**	**(674)**	**(189)**	**(543)**	**122**	**494**	**23**	**639**
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	(1)	(1)	-	-	-	-
Total movements without impact to profit or loss:	**-**	**-**	**(1)**	**(1)**	**-**	**-**	**-**	**-**
Loss allowance as at 31 December	**910**	**225**	**1,788**	**2,923**	**590**	**899**	**1,978**	**3,467**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 15
INVESTMENT SECURITIES

Investment securities are comprised of:

- non-trading equities. The Group chose to measure these securities at fair value through profit or loss;
- debt securities at fair value through other comprehensive income;
- debt securities at amortized cost (held to collect cash flows).

	2021 Group	2021 Bank	2020 Group	2020 Bank
INVESTMENT SECURITIES AT FAIR VALUE:				
Non-trading securities at fair value:				
Debt securities at fair value through other comprehensive income:	**78,126**	**78,126**	**30,429**	**30,429**
Government bonds	53,991	53,991	17,709	17,709
Corporate bonds	24,135	24,135	12,720	12,720
Non-trading equity securities at fair value through profit or loss	**4,862**	**4,825**	**3,913**	**3,786**
Total non-trading securities at fair value	**82,988**	**82,951**	**34,342**	**34,215**
TOTAL INVESTMENT SECURITIES AT FAIR VALUE	**82,988**	**82,951**	**34,342**	**34,215**
INVESTMENT SECURITIES AT AMORTIZED COST:				
Securities at amortized cost:				
Debt securities:	**705,398**	**692,226**	**709,454**	**697,136**
Government bonds	541,026	535,006	532,501	526,700
Corporate bonds	164,372	157,220	176,953	170,436
Total securities at amortized cost	**705,398**	**692,226**	**709,454**	**697,136**
TOTAL INVESTMENT SECURITIES AT AMORTIZED COST	**705,398**	**692,226**	**709,454**	**697,136**
Breakdown of debt securities by time remaining to maturity:				
Debt securities at fair value through other comprehensive income:				
Short-term (up to 1 year)	9,166	9,166	6,884	6,884
Long-term (over 1 year)	68,960	68,960	23,545	23,545
Total debt securities at fair value through other comprehensive income	**78,126**	**78,126**	**30,429**	**30,429**
Debt securities at amortized cost:				
Short-term (up to 1 year)	72,976	72,766	70,848	70,737
Long-term (over 1 year)	632,422	619,460	638,606	626,399
Total debt securities at amortized cost	**705,398**	**692,226**	**709,454**	**697,136**

As at 31 December 2021, government bonds at amortized cost with a carrying value of EUR 635,885 thousand were pledged for the borrowing under third series of the targeted longer-term refinancing operations (TLTRO-III) program of the European Central Bank (as at 31 December 2020 EUR 155,921 thousand; see Note 20).

Staging and impairment of the Group's/Bank's investment debt securities:

Group investment debt securities at fair value through other comprehensive income

	2021 Stage 1	2021 Stage 2	2021 Stage 3	2021 Total	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total
Government bonds, gross	54,013	-	-	54,013	17,720	-	-	17,720
Less: allowance for impairment	(22)	-	-	(22)	(11)	-	-	(11)
Government bonds, net	53,991	-	-	53,991	17,709	-	-	17,709
Corporate bonds, gross	24,169	-	-	24,169	11,791	974	-	12,765
Less: allowance for impairment	(34)	-	-	(34)	(9)	(36)	-	(45)
Corporate bonds, net	24,135	-	-	24,135	11,782	938	-	12,720
Total, gross	78,182	-	-	78,182	29,511	974	-	30,485
Less: allowance for impairment	(56)	-	-	(56)	(20)	(36)	-	(56)
Total, net	78,126	-	-	78,126	29,491	938	-	30,429

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 15
INVESTMENT SECURITIES (CONTINUED)

Bank investment debt securities at fair value through other comprehensive income

				2021				2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Government bonds, gross	54,013	-	-	54,013	17,720	-	-	17,720
Less: allowance for impairment	(22)	-	-	(22)	(11)	-	-	(11)
Government bonds, net	53,991	-	-	53,991	17,709	-	-	17,709
Corporate bonds, gross	24,169	-	-	24,169	11,791	974	-	12,765
Less: allowance for impairment	(34)	-	-	(34)	(9)	(36)	-	(45)
Corporate bonds, net	24,135	-	-	24,135	11,782	938	-	12,720
Total, gross	78,182	-	-	78,182	29,511	974	-	30,485
Less: allowance for impairment	(56)	-	-	(56)	(20)	(36)	-	(56)
Total, net	78,126	-	-	78,126	29,491	938	-	30,429

Group investment debt securities at amortized cost

				2021				2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Government bonds, gross	541,191	-	-	541,191	532,674	-	-	532,674
Less: allowance for impairment	(165)	-	-	(165)	(173)	-	-	(173)
Government bonds, net	541,026	-	-	541,026	532,501	-	-	532,501
Corporate bonds, gross	164,297	199	1,020	165,516	176,880	199	1,016	178,095
Less: allowance for impairment	(121)	(3)	(1,020)	(1,144)	(123)	(3)	(1,016)	(1,142)
Corporate bonds, net	164,176	196	-	164,372	176,757	196	-	176,953
Total, gross	705,488	199	1,020	706,707	709,554	199	1,016	710,769
Less: allowance for impairment	(286)	(3)	(1,020)	(1,309)	(296)	(3)	(1,016)	(1,315)
Total, net	705,202	196	-	705,398	709,258	196	-	709,454

Bank investment debt securities at amortized cost

				2021				2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Government bonds, gross	535,167	-	-	535,167	526,869	-	-	526,869
Less: allowance for impairment	(161)	-	-	(161)	(169)	-	-	(169)
Government bonds, net	535,006	-	-	535,006	526,700	-	-	526,700
Corporate bonds, gross	157,334	-	-	157,334	170,553	-	-	170,553
Less: allowance for impairment	(114)	-	-	(114)	(117)	-	-	(117)
Corporate bonds, net	157,220	-	-	157,220	170,436	-	-	170,436
Total, gross	692,501	-	-	692,501	697,422	-	-	697,422
Less: allowance for impairment	(275)	-	-	(275)	(286)	-	-	(286)
Total, net	692,226	-	-	692,226	697,136	-	-	697,136

Reconciliation of allowance for impairment of investment debt securities is presented in the table below:

		2021		2020
	Group	**Bank**	**Group**	**Bank**
Allowance for impairment of investment debt securities as of 1 January:	**1,370**	**343**	**1,317**	**290**
Change in allowance for impairment	(11)	(11)	56	52
Update in the methodology for loss allowance estimation	-	-	-	-
Change in FX rates	(7)	-	(3)	1
Allowance for impairment of investment debt securities as of 31 December:	**1,352**	**332**	**1,370**	**343**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 15
INVESTMENT SECURITIES (CONTINUED)

Breakdown of the Group's/Bank's investment securities as at 31 December 2021 and 2020:

	2021		2020	
	Group	**Bank**	**Group**	**Bank**
Investment securities at fair value:				
Debt securities	**78,126**	**78,126**	**30,429**	**30,429**
AAA	-	-	-	-
from AA- to AA+	-	-	-	-
from A- to A+	57,534	57,534	16,971	16,971
from BBB- to BBB+	9,696	9,696	11,837	11,837
from BB- to BB+	10,896	10,896	1,621	1,621
lower than BB-	-	-	-	-
no rating	-	-	-	-
Equities	**4,862**	**4,825**	**3,913**	**3,786**
listed	290	290	-	-
unlisted	455	455	525	398
units of investment funds	4,117	4,080	3,388	3,388
Total investment securities at fair value	**82,988**	**82,951**	**34,342**	**34,215**
Investment securities at amortized cost:				
Debt securities	**705,398**	**692,226**	**709,454**	**697,136**
AAA	-	-	-	-
from AA- to AA+	3,101	2,896	6,116	5,910
from A- to A+	551,810	545,789	535,155	529,095
from BBB- to BBB+	148,969	143,541	167,269	162,131
from BB- to BB+	1,518	-	914	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
Total investment securities at amortized cost	**705,398**	**692,226**	**709,454**	**697,136**

No material reclassifications between securities portfolios were performed during 2021 and 2020.

Movements in the financial instruments revaluation reserve:

	The Group			The Bank		
	Financial instruments revaluation reserve, before taxes	**Deferred income tax asset (liabilities)**	**Financial instruments revaluation reserve, after taxes**	**Financial instruments revaluation reserve, before taxes**	**Deferred income tax asset (liabilities)**	**Financial instruments revaluation reserve, after taxes**
1 January 2020	**33**	**(42)**	**(9)**	**20**	**(42)**	**(22)**
Revaluation	839	-	839	839	-	839
Sale or redemption of securities	(393)	-	(393)	(393)	-	(393)
Deferred income tax	-	(49)	(49)	-	(49)	(49)
31 December 2020	**479**	**(91)**	**388**	**466**	**(91)**	**375**
Revaluation	(1,026)	-	(1,026)	(1,027)	-	(1,027)
Sale or redemption of securities	(185)	-	(185)	(185)	-	(185)
Deferred income tax	-	240	240	-	240	240
31 December 2021	**(732)**	**149**	**(583)**	**(746)**	**149**	**(597)**

Bank's cash flows and other movements of investment securities at amortized cost:

	2021		2020	
	Group	**Bank**	**Group**	**Bank**
As at 1 January	**709,454**	**697,136**	**545,849**	**535,479**
Acquisitions	100,202	99,382	320,243	318,242
Redemptions	(78,862)	(78,862)	(63,648)	(63,648)
Disposals	(21,177)	(21,177)	(88,785)	(88,785)
Accrued interest	5,128	4,951	6,729	6,552
Received coupon payment	(9,473)	(9,323)	(10,785)	(10,559)
Foreign currency exchange rate impact	105	105	(122)	(122)
Impairment	18	11	(9)	(5)
Reclassifications	3	3	(18)	(18)
As at 31 December	**705,398**	**692,226**	**709,454**	**697,136**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 16
INVESTMENTS IN SUBSIDIARIES

The Group consists of the Bank and its subsidiaries listed below in this note. All of the entities comprising the Group operate in Lithuania.

							Carrying amount
	Share in equity	**31 December 2021**			**31 December 2020**		
Bank		Gross amount	Impairment	Net carrying amount	Gross amount	Impairment	Net carrying amount
Investments in consolidated directly controlled subsidiaries:							
SB Draudimas GD UAB	100.00 %	11,788	-	11,788	10,513	-	10,513
SB Lizingas UAB	100.00 %	13,224	-	13,224	13,274	-	13,274
Šiaulių Banko Lizingas UAB	100.00 %	1,074	-	1,074	1,074	-	1,074
Šiaulių Banko Turto Fondas UAB	100.00 %	5,582	-	5,582	4,274	-	4,274
Total		**31,668**	**-**	**31,668**	**29,135**	**-**	**29,135**

Reconciliation of Bank’s investment in subsidiary amounts is presented in the table below:

	2021	***2020***
Net book value at 1 January	**29,135**	**31,491**
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	8,830	5,470
Increase in the investment amount	-	-
Dividends paid by the subsidiaries	(6,305)	(4,000)
Impairment	-	(114)
Transfer to subsidiaries held for sale	-	(3,713)
Other changes (changes due constructive obligation to cover losses and rounding)	8	1
Net book value at 31 December	**31,668**	**29,135**

Following strategy to optimize Group's structure, in December 2020, Pavasaris UAB and SBTF UAB were merged with SB turto fondas UAB (formerly - Šiaulių Banko Turto Fondas UAB).

In addition, at 31 December 2020 the Bank had indirectly controlled subsidiaries with 100% share in equity: Apželdinimas UAB (directly controlled by SB turto fondas UAB), Sandworks UAB (directly controlled by Šiaulių Banko Investicijų Valdymas UAB).

In 2020, Group's management took a decision to sell its shares in Minera UAB and to liquidate Šiaulių Banko Investicijų Valdymas UAB in 2021. Therefore these two companies were transferred from consolidated subsidiaries to subsidiaries held for sale (see Note 19). On repricing to fair value less costs to sell, an impairment of EUR 114 thousand was recognized on investment in Minera UAB (included in income statement line "Allowance for impairment losses on investments in subsidiaries"). In 2021 management of the Bank has revised definition of assets held for sale therefore at 31 December 2021 none of subsidiaries are classified as assets held for sale and their profit (losses) are no longer attributed to results from discontinued operations in income statement. On 31 March 2021 shares in Minera UAB were sold for EUR 2,828 thousand to purchaser from outside of the Group generating net loss of EUR 348 thousand from disposal which was presented in Group’s income statement line "Net gain (loss) from derecognition of financial assets" (disposal result in Bank’s accounts is nil). On date of disposal Minera UAB held cash balances of EUR 171 thousand, its total assets (including cash balances) and total liabilities amounted to EUR 5,485 thousand and EUR 2,259 thousand, respectively.

On 9 July 2021 shares in Apželdinimas UAB were sold by Bank’s subsidiary SB turto fondas UAB for EUR 1,876 thousand to purchaser from outside of the Group generating net gain of EUR 1,852 thousand from disposal which was presented in Group’s income statement line "Net gain (loss) from derecognition of financial assets". On date of disposal Apželdinimas UAB held no cash balances, its total assets and total liabilities amounted to EUR 1,120 thousand and EUR 776 thousand, respectively. At 31 December 2020 due to major uncertainties regarding future cash flows Bank’s subsidiary SB turto fondas UAB had recognized an impairment for the whole amount of investment in Apželdinimas UAB (impairment amount EUR 300 thousand). In 2021 impairment for investment in Apželdinimas UAB was reversed due to disposal of shares in Apželdinimas UAB and included in disposal result.

On 30 September 2021 shares in Šiaulių Banko Investicijų Valdymas UAB were sold by Bank to subsidiary SB turto fondas UAB generating net gain of EUR 418 thousand from disposal which was presented in Bank’s income statement line "Net gain (loss) from derecognition of financial assets". Disposal of shares was performed at price determined by independent business appraiser.

After Group structure changes described above, at 31 December 2021 the Bank had indirectly controlled subsidiaries with 100% share in equity: Šiaulių Banko Investicijų Valdymas UAB (directly controlled by SB turto fondas UAB), Sandworks UAB (directly controlled by Šiaulių Banko Investicijų Valdymas UAB). At 31 December 2021 both subsidiaries indirectly controlled by Bank were under liquidation process.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 16
INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Bank's subsidiary SB Draudimas GD UAB (previous name - Bonum Publicum GD UAB) was tested for impairment using embedded value approach as of 31 December 2021 and 31 December 2020. No impairment was determined at these dates. Embedded value equals to the value of in-force business plus the value of the free capital. Value of in-force business is calculated using management estimations of the cash flows from the insurance portfolio and the income from capital-in-lock discounted to net present value using the discount rate (2021: 7.42%, 2020: 7.37%) that reflects current market assessment of the time value of money and the related risks.

No impairment triggers were identified regarding other subsidiaries.

NOTE 17
INTANGIBLE ASSETS

	Software and licences		*Goodwill*		*Total*	
	Group	**Bank**	**Group**	**Bank**	**Group**	**Bank**
As at 1 January 2020:						
Cost	7,990	7,557	1,352	-	9,342	7,557
Accumulated amortisation	(5,054)	(4,636)	-	-	(5,054)	(4,636)
Net book value	**2,936**	**2,921**	**1,352**	**-**	**4,288**	**2,921**
Year ended 31 December 2020:						
Net book value at 1 January	2,936	2,921	1,352	-	4,288	2,921
Acquisitions	2,552	2,373	-	-	2,552	2,373
Write-offs	(1)	-	-	-	(1)	-
Amortisation charge	(1,110)	(1,064)	-	-	(1,110)	(1,064)
Net book value at 31 December	4,377	4,230	1,352	-	5,729	4,230
As at 31 December 2020:						
Cost	10,181	9,578	1,352	-	11,533	9,578
Accumulated amortisation	(5,804)	(5,348)	-	-	(5,804)	(5,348)
Net book value	**4,377**	**4,230**	**1,352**	**-**	**5,729**	**4,230**
Year ended 31 December 2021:						
Net book value at 1 January	4,377	4,230	1,352	-	5,729	4,230
Acquisitions	451	173	-	-	451	173
Write-offs	-	-	-	-	-	-
Amortisation charge	(1,346)	(1,289)	-	-	(1,346)	(1,289)
Net book value at 31 December	3,482	3,114	1,352	-	4,834	3,114
As at 31 December 2021:						
Cost	10,621	9,748	1,352	-	11,973	9,748
Accumulated amortisation	(7,139)	(6,634)	-	-	(7,139)	(6,634)
Net book value	**3,482**	**3,114**	**1,352**	**-**	**4,834**	**3,114**
Economic life (in years)	3–9	3–9				

Goodwill impairment test

For the purpose of impairment testing, goodwill is allocated to one cash generating unit - subsidiary of the Bank SB Draudimas (name changed from Bonum Publicum). The recoverable amount of cash generating unit is determined by applying the embedded value calculations. Embedded value equals to the value of in-force business plus the value of the free capital. Value of in-force business is calculated using management estimations of the cash flows from the insurance portfolio and the income from capital-in-lock discounted to net present value using the discount rate of 7.42% (2020: 7.37%) that reflects current market assessment of the time value of money and the risks related to cash generating unit.

No impairment loss for goodwill was identified in 2021 and 2020 as a result of the test.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 18
PROPERTY, PLANT AND EQUIPMENT

Group	**Buildings, premises and land**	**Vehicles**	**Office equipment**	**Construction in progress**	**Total**
As at 1 January 2020:					
Cost	7,635	2,904	5,844	278	16,661
Accumulated depreciation	(2,484)	(674)	(4,037)	-	(7,195)
Net book value	**5,151**	**2,230**	**1,807**	**278**	**9,466**
Year ended 31 December 2020:					
Net book value at 1 January	5,151	2,230	1,807	278	9,466
Acquisitions	-	894	1,112	17	2,023
Reclassifications	(103)	(37)	(2)	(215)	(357)
Disposals and write-offs	(168)	(464)	(22)	(4)	(658)
Depreciation charge	(147)	(448)	(674)	-	(1,269)
Net book value at 31 December	4,733	2,175	2,221	76	9,205
As at 31 December 2020:					
Cost	7,040	2,939	6,395	76	16,450
Accumulated depreciation	(2,307)	(764)	(4,174)	-	(7,245)
Net book value	**4,733**	**2,175**	**2,221**	**76**	**9,205**
Year ended 31 December 2020:					
Net book value at 1 January	4,733	2,175	2,221	76	9,205
Acquisitions	-	152	620	-	772
Reclassifications	168	(179)	11	-	-
Disposals and write-offs	-	(1)	(1)	-	(2)
Depreciation charge	(147)	(438)	(732)	-	(1,317)
Net book value at 31 December	4,754	1,709	2,119	76	8,658
As at 31 December 2021:					
Cost	7,208	2,756	6,689	76	16,729
Accumulated depreciation	(2,454)	(1,047)	(4,570)	-	(8,071)
Net book value	**4,754**	**1,709**	**2,119**	**76**	**8,658**
Economic life (in years)	15-50	5-12	3-20	-	-

Right-of-use assets and lease liabilities

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The Group leases various offices, equipment and vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Rental contracts are typically made for fixed periods of 4 months to 8 years, but may have extension options. The terminations of agreement by lessee mostly from 3 to 6 months notice. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Group: right-of-use assets	***Buildings, premises and land***	***Vehicles***	***Office equipment***	***Total***
As at 1 January 2021				
Cost	14,040	134	14	14,188
Accumulated depreciation	(6,802)	(93)	(14)	(6,909)
Net book value	**7,238**	**41**	**-**	**7,279**
Year ended 31 December 2021:				
Net book value at 1 January	7,238	41	-	7,279
Contract additions	419	132	-	551
Contract terminations	(21)	(62)	-	(83)
Depreciation charge	(1,607)	(38)	-	(1,645)
Net book value at 31 December	6,029	73	-	6,102
As at 31 December 2021:				
Cost	11,437	186	-	11,623
Accumulated depreciation	(5,408)	(113)	-	(5,521)
Net book value	**6,029**	**73**	**-**	**6,102**
Economic life (in years)	2-20	2-7	3	-

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 18
PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Amounts of lease liabilities recognized in Group's statement of financial position:

	31 December 2021	31 December 2020
Lease liabilities before prepayments	6,169	7,312
Short-term (up to 1 year)	1,433	1,601
Long-term (2-5 years)	3,359	3,905
Long-term (over 5 years)	1,377	1,806
Prepayments paid	(76)	(74)
Lease liabilities, carrying value	**6,093**	**7,238**

The Group recognized in its income statement for the year ended 31 December 2021 lease expense for the low value leases amounting to EUR 3 thousand (for the year ended 31 December 2020 – EUR 8 thousand).

Bank	Buildings and premises	Vehicles	Office equipment	Construction in progress	Total
As at 1 January 2020:					
Cost	7,218	2,282	5,498	70	15,068
Accumulated depreciation	(2,163)	(487)	(3,755)	-	(6,405)
Net book value	**5,055**	**1,795**	**1,743**	**70**	**8,663**
Year ended 31 December 2020:					
Net book value at 1 January	5,055	1,795	1,743	70	8,663
Acquisitions	-	808	1,056	10	1,874
Disposals and write-offs	-	(439)	(15)	(4)	(458)
Depreciation charge	(147)	(356)	(643)	-	(1,146)
Reclassification to assests held for sale	(7)	-	-	-	(7)
Net book value at 31 December	4,901	1,808	2,141	76	8,926
As at 31 December 2020:					
Cost	7,208	2,362	6,120	76	15,766
Accumulated depreciation	(2,307)	(554)	(3,979)	-	(6,840)
Net book value	**4,901**	**1,808**	**2,141**	**76**	**8,926**
Year ended 31 December 2021:					
Net book value at 1 January	4,901	1,808	2,141	76	8,926
Acquisitions	-	129	564	-	693
Disposals and write-offs	-	(179)	(16)	-	(195)
Depreciation charge	-	-	-	-	-
Reclassifications	(147)	(346)	(682)	-	(1,175)
Net book value at 31 December	4,754	1,412	2,007	76	8,249
As at 31 December 2021:					
Cost	7,208	2,180	6,334	76	15,798
Accumulated depreciation	(2,454)	(768)	(4,327)	-	(7,549)
Net book value	**4,754**	**1,412**	**2,007**	**76**	**8,249**
Economic life (in years)	15-50	5-12	3-20	-	-

Bank: right-of-use assets	Buildings, premises and land	Vehicles	Office equipment	Total
As at 1 January 2021:				
Cost	13,446	134	-	13,580
Accumulated depreciation	(6,561)	(93)	-	(6,654)
Net book value	**6,885**	**41**	**-**	**6,926**
Year ended 31 December 2021:				
Net book value at 1 January	6,885	41	-	6,926
Contract additions	390	132	-	522
Contract terminations	(21)	(62)	-	(83)
Depreciation charge	(1,458)	(38)	-	(1,496)
Net book value at 31 December	5,796	73	-	5,869
As at 31 December 2021:				
Cost	10,945	186	-	11,131
Accumulated depreciation	(5,149)	(113)	-	(5,262)
Net book value	**5,796**	**73**	**-**	**5,869**
Economic life (in years)	2-20	2-7	-	-

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 18
PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Amounts of lease liabilities recognized in Bank's statement of financial position:

	31 December 2021	31 December 2020
Lease liabilities before prepayments	5,886	6,944
Short-term (up to 1 year)	1,283	1,452
Long-term (2-5 years)	3,226	3,687
Long-term (over 5 years)	1,377	1,805
Prepayments received	(68)	(67)
Lease liabilities, carrying value	**5,818**	**6,877**

Please see Note 10 for reconciliation of movements lease liabilities.

As at 31 December 2021 and 31 December 2020, there were no property, plant and equipment pledged to third parties.

Future minimum lease payments to be received under non-cancellable lease agreements for the Bank and the Group were as follows (this includes investment property disclosed in Note 26):

			2021			**2020**
	up to 1 year	***1-5 years***	***over 5 years***	***up to 1 year***	***1-5 years***	***over 5 years***
Group	141	365	-	463	998	437
Bank	144	493	307	141	463	437

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 19
OTHER ASSETS

	2021		2020	
	Group	Bank	Group	Bank
Financial assets:				
Amounts receivable	16,398	16,271	4,695	4,278
Breakdown of financial assets according to maturity				
Short-term (up to 1 year)	15,188	15,061	4,480	4,063
Long-term (over 1 year)	1,210	1,210	215	215
Non-financial assets:				
Breakdown of non-financial assets according to maturity				
Short-term (up to 1 year)	7,566	7,097	4,248	3,831
Long-term (over 1 year)	4,173	1,192	5,853	1,432
Inventories	538	-	1,391	-
Deferred charges	1,274	1,243	748	736
Assets under reinsurance and insurance contracts	1,773	-	1,315	-
Prepayments	3,957	2,820	3,477	1,469
Foreclosed assets	103	54	509	431
Other	4,094	4,172	2,661	2,627
TOTAL OTHER ASSETS	**28,137**	**24,560**	**14,796**	**9,541**

Balances of other financial assets include impairment. Reconciliation of allowance for impairment of other financial assets is presented in the table below:

	Group	*Bank*
Allowance for impairment of other financial assets as of 1 January 2020:	**517**	**505**
Change in allowance for impairment	(352)	(350)
Other financial assets written-off during the period	(2)	(2)
Reclassifications and other movements	(2)	-
Allowance for impairment of other financial assets as of 31 December 2020	**161**	**153**
Change in allowance for impairment	114	88
Other financial assets written-off during the period	(15)	(13)
Reclassifications and other movements	-	-
Allowance for impairment of other financial assets as of 31 December 2021:	**260**	**228**

Inventories relate to real estate projects under development and real estate held for sale by the Bank's subsidiary SB turto fondas UAB. All inventories are accounted at lower of cost and net realisable value. Inventories are not pledged.

Net impairment expense of EUR 1 thousand related to repricing inventories and other non-financial assets down to realisable value was included in year 2021 income statement for the Group (the Bank – net expense of EUR 1 thousand). In 2020, the Group included net impairment reversal on inventories and other non-financial assets of EUR 25 thousand in its income statement (the Bank – net expense reversal of EUR 27 thousand).

Assets held for sale and liabilities related to assets held for sale

Assets held for sale consist of:

	2021		2020	
	Group	Bank	Group	Bank
Assets related to subsidiaries classified as held for sale	-	-	6,687	3,713
Real estate classified as held for sale	620	620	860	860
Total assets classified as held for sale	**620**	**620**	**7,547**	**4,573**
Liabilities attributable to subsidiaries classified as held for sale	-	-	98	-

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 19
OTHER ASSETS (CONTINUED)

Real estate properties that are planned to be sold within one year are included in assets classified as held for sale. They are included in Traditional banking operations and lending segment. As of 31 December 2021, such real estate assets consisted of four properties with a fair value of EUR 653 thousand (as of 31 December 2020: six properties with a fair value of EUR 860 thousand). No impairment expense related to the repricing these properties down to the realisable value was recognized in 2021 (2020: no impairment expense was recognized). No income or expenses related to these properties were recorded in profit or loss of discontinued operations. Valuations performed by Group's employees are used to assess the realizable value of these properties. Comparative price methods, i.e. valuation techniques attributable to Level 3 are mostly used valuation techniques.

By implementing its strategic plan, the Bank optimizes the structure of its subsidiaries. In 2020 Bank intended to dispose of two subsidiaries attributable to Other activities segment. The Bank intended to sell its subsidiary Minera UAB through a public tender and to liquidate Šiaulių Banko Investicijų Valdymas in 2021, therefore in 2020 these subsidiaries were reclassified from consolidated subsidiaries to subsidiaries held for sale. Impairment expense related to repricing investment Minera UAB of EUR 114 thousand was recognized in Bank's financial statements for 2020 (income statement line "Allowance for impairment losses on investments in subsidiaries"), no repricing was recognized in Group's financial statements. In 2021 management of the Bank has revised definition of assets held for sale therefore at 31 December 2021 none of subsidiaries are classified as assets held for sale and their profit (losses) are no longer attributed to results from discontinued operations in income statement. Subsidiaries, which were considered as assets held for sale at the end of 2020 and were not sold during 2021, were reclassified to consolidated subsidiaries from 2021. For more details on changes in Group structure see Note 16.

Profit (loss), net assets of the subsidiaries held for sale is presented in the tables below.

	2020
Profit (loss) attributable to discontinued operacions:	
Interest income	56
Net trading income	159
Net gain from disposal of tangible assets	171
Other income	46
Salaries and related expenses	(112)
Other operating expenses	(231)
Depreciation and amortization	(10)
Impairment and provisions	(39)
Profit (loss) before income tax	**40**
income tax	81
Profit (loss) for the year	**121**
Major classes of asset and liabilities included in assets held for sale and liabilities attributable to assets held for sale:	
Investment securities at fair value	1,394
Property, plant and equipment	127
Deferred tax assets	152
Inventories	4,989
Other financial assets	14
Other non-financial assets	11
Total assets	**6,687**
Current income tax liabilities	11
Other financial liabilities	30
Other non-financial liabilities	57
Total liabilities	**98**

Investment in subsidiaries classified as held for sale,as of 31 December 2020	Minera UAB	Šiaulių Banko Investicijų Valdymas UAB	Total
Assets held for sale attributable to entity	5,294	1,393	6,687
Liabilities attributable to assets held for sale attributable to entity	74	24	98
Profit (loss) of the current year (recorded in Discontinued operations line of the income statement)	63	58	121

As all of the entities attributed to assets held for sale were 100%-owned in 2020, the whole amount of the profit (loss) from discontinued operations was attributable to equity owners of the Group in 2020.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 20
DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	2021		2020	
	Group	Bank	Group	Bank (restated)
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	39,133	43,726	49,039	51,546
Time deposits	5,833	6,773	4,172	5,112
Total correspondent accounts and deposits of other banks and financial institutions	**44,966**	**50,499**	**53,211**	**56,658**
Due to central bank	**625,167**	**625,167**	**149,602**	**149,602**
Loans received from:				
Other organisations	6,660	6,660	7,593	7,593
International organisations	20,945	20,945	17,417	17,417
Total loans received	**27,605**	**27,605**	**25,010**	**25,010**
Total	**697,738**	**703,271**	**227,823**	**231,270**
Breakdown of due to other banks and financial institutions according to maturity				
Short-term (up to 1 year)	51,838	56,871	212,425	214,464
Long-term (over 1 year)	645,900	646,400	15,398	16,806
Total	**697,738**	**703,271**	**227,823**	**231,270**

As at 31 December 2021, the outstanding borrowing on the balance sheet under third series of the targeted longer-term refinancing operations (TLTRO-III) program of the European Central Bank amounted to EUR 629 million. This amount consist of EUR 150 million loan obtained in year 2020 with loan maturity date of 28 June 2023 with early repayment option starting on 29 September 2021 and EUR 479 million loan obtained on 29 September 2021 with maturity date of 25 September 2024 with early repayment option starting on 29 June 2022. The Bank intends to use the early repayment option. Interest rate on TLTRO III is -0.5% from June 2020 to June 2021 and for banks meeting the lending thresholds, the interest rate can be as low as -1%. The Bank concluded that during special interest period, starting from June 2021, TLTRO III contains significant benefit in comparison to market pricing for other similarly-collateralised borrowings available to the Bank. Bank concluded that the benefit should be accounted for as government grant under IAS 20 because ECB is viewed as government agency or similar body and the benefit is conditional on compliance with certain conditions relating to Bank‘s operating activities. Government grant element recognised under TLTRO-III program in 2021 income statement line "Other operating income" amounts to EUR 587 thousand. Government grant element of future periods amounting to EUR 910 thousand as of 31 December 2021 is presented in Bank‘s financial position statement in line "Grants". The TLTRO-III negative interest recorded in the 2021 income statement line "Interest income" amounts to EUR 1,795 thousand. In case of subsequent changes in Bank‘s expectations of meeting lending targets, effect of such changes would be recognised in income statement. Amount of interest income recognised in income statement in 2021 that is conditional on meeting lending targets is EUR 1,023 thousand. Securities with a carrying value of EUR 635,885 thousand were placed as a collateral for these borrowings.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 21
DUE TO CUSTOMERS

	2021		2020	
	Group	Bank	Group	Bank
Demand deposits:				
National government institutions	53,063	53,063	49,085	49,085
Local government institutions	127,692	127,692	72,992	72,992
Governmental and municipal companies	32,046	32,046	23,135	23,135
Corporate entities	803,905	806,287	636,651	638,224
Non-profit organisations	37,567	37,567	22,791	22,791
Individuals	773,999	773,999	643,878	643,878
Unallocated amounts due to customers	24,968	24,989	11,887	11,908
Total demand deposits	**1,853,240**	**1,855,643**	**1,460,419**	**1,462,013**
Term deposits:				
National government institutions	1,015	1,015	1,059	1,059
Local government institutions	3,077	3,077	761	761
Governmental and municipality companies	3,939	3,939	2,259	2,259
Corporate entities	57,060	57,060	46,309	46,309
Non-profit organisations	2,984	2,984	3,371	3,371
Individuals	757,868	757,868	833,249	833,249
Total term deposits	**825,943**	**825,943**	**887,008**	**887,008**
Total	**2,679,183**	**2,681,586**	**2,347,427**	**2,349,021**
Breakdown of due to customers according to maturity				
Short-term (up to 1 year)	2,490,727	2,493,109	2,103,016	2,103,689
Long-term (over 1 year)	188,456	188,477	244,411	245,332
Total	**2,679,183**	**2,681,586**	**2,347,427**	**2,349,021**

NOTE 22
SPECIAL AND LENDING FUNDS

	2021		2020	
	Group	Bank	Group	Bank
Special funds	6,667	6,667	5,749	5,749
Lending funds	-	-	-	-
Total	6,667	6,667	5,749	5,749
Breakdown of special and lending funds according to maturity				
Short-term (up to 1 year)	6,667	6,667	5,749	5,749
Long-term (over 1 year)	-	-	-	-
	6,667	**6,667**	**5,749**	**5,749**

The special funds consist of the funds from the mandatory social and health insurance funds. The special funds have to be returned to the institutions which have placed them upon the first requirement of the latter.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 23
DEBT SECURITIES IN ISSUE

At 31 December 2020 Bank subordinated debt securities issued, which consisted of a 10 year bond issue of EUR 20,000 thousand (ISIN code LT0000404287). The bonds were issued on 23 December 2019, annual interest rate is 6.15%. The Bank has a right to call the bonds after 5 years. From 29 April 2020 this issue was listed on Nasdaq Baltic Bond List.

On 29 September 2021 Bank has issued EUR 75,000 thousand subordinated debt securities which consisted subordinated bonds with maturity term of 4 years and annual interest rate of 1.05% (ISIN code LT0000405771). The Bank has a right to call the bonds after 3 years. From 8 October 2021 these bonds are listed on Nasdaq Baltic Bonds List.

Cash flows and other movements of issued debt securities:

		2021		2020
	Group	**Bank**	**Group**	**Bank**
As at 1 January	**20,027**	**20,027**	**20,044**	**20,044**
Issuance	75,000	75,000	-	-
Redemptions	-	-	-	-
Accrued interest	1,415	1,415	1,213	1,213
Coupon payments	(1,230)	(1,230)	(1,230)	(1,230)
As at 31 December	**95,212**	**95,212**	**20,027**	**20,027**

NOTE 24
LIABILITIES RELATED TO INSURANCE ACTIVITIES

Technical insurance provisions:

Bank's subsidiary SB Draudimas UAB is engaged in life insurance business. For the years ended 31 December 2021 and 2020 the technical insurance provisions and their changes were as follows:

	Unearned premiums	**Claims outstanding**	**Mathematical**	**Unit-linked**	**Investment units**	**Total**
Gross:						
At 1 January 2020	15	144	9,291	23,045	1,003	33,498
Change during period	(1)	120	1,242	604	813	2,778
At 31 December 2020	14	264	10,533	23,649	1,816	36,276
Change during period	-	(50)	(224)	4,192	1,215	5,133
At 31 December 2021	14	214	10,309	27,841	3,031	41,409
Reinsurance share:						
At 1 January 2020	(25)	-	(5)	-	-	(30)
Change during period	(3)	(16)	-	-	-	(19)
At 31 December 2020	(28)	(16)	(5)	-	-	(49)
Change during period	(7)	15	-	-	-	8
At 31 December 2021	(35)	(1)	(5)	-	-	(41)
Net value						
At 31 December 2020	**(14)**	**248**	**10,528**	**23,649**	**1,816**	**36,227**
At 31 December 2021	**(21)**	**214**	**10,304**	**27,841**	**3,031**	**41,368**

Liabilities under unit-linked insurance contracts are fully covered with assets: other securities in the trading book and cash (31 December 2021: securities EUR 29,983 thousand, cash EUR 889 thousand, 31 December 2020: securities EUR 24,525 thousand, cash EUR 940 thousand).

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 25
OTHER LIABILITIES

	2021		2020	
	Group	Bank	Group	Bank
Financial liabilities:				(restated)
Trade payables	1,857	-	3,698	2,574
Accrued charges	17,103	15,957	13,294	10,886
Lease liabilities (see Note 18)	6,093	5,818	7,239	6,877
Total financial liabilities	**25,053**	**21,775**	**24,231**	**20,337**
Breakdown of other financial liabilities according to maturity				
Short-term (up to 1 year)	19,678	16,726	16,327	12,433
Long-term (over 1 year)	5,375	5,049	7,904	7,904
Non-financial liabilities:				
Advance amounts received from the buyers of assets	4,332	-	4,789	900
Deferred income	1,307	729	1,255	-
Provisions	935	-	390	-
Other liabilities	677	685	(468)	224
Total non-financial liabilities	**7,251**	**1,414**	**5,966**	**1,124**
Breakdown of other non-financial liabilities according to maturity				
Short-term (up to 1 year)	6,221	853	4,382	1,124
Long-term (over 1 year)	1,030	561	1,584	-
Total non-financial liabilities	**7,251**	**1,414**	**5,966**	**1,124**

Provisions are recognized as the Group‘s subsidiaries involved in the real estate activities grant service commitments for the properties they develop and sell or for pending legal issues against the Group companies. The movement of provisions is presented in the table below:

	2021		2020	
	Group	Bank	Group	*Bank*
Provisions at 1 January	**390**	**-**	**660**	**-**
Additions/(reversals), including increases (decreases) in existing provisions	545	-	(199)	-
Amounts used	-	-	(71)	-
Other movements (reclassifications)	-	-	-	-
Provisions at 31 December	**935**	**-**	**390**	**-**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 26
INVESTMENT PROPERTY

Investment property

	Group	Bank
Year ended 31 December 2020:		
Carrying amount at 1 January	7,570	367
Acquisitions	-	-
Reclassifications	220	7
Impairment	(1,998)	-
Depreciation charge	(192)	(12)
Disposals and write-offs	(48)	-
Carrying amount at 31 December 2020	**5,552**	**362**
As at 31 December 2020:		
Cost	6,875	553
Accumulated depreciation	(1,323)	(191)
Net carrying amount	**5,552**	**362**
Estimated fair value at 31 December 2020	8,869	430
Year ended 31 December 2021:		
Carrying amount at 1 January	5,552	362
Acquisitions	-	-
Reclassifications	(6)	(6)
Impairment	-	-
Depreciation charge	(70)	(12)
Disposals and write-offs	(3,247)	-
Carrying amount at 31 December 2021	**2,229**	**344**
As at 31 December 2021:		
Cost	3,669	532
Accumulated depreciation	(1,440)	(188)
Net carrying amount	**2,229**	**344**
Estimated fair value at 31 December 2021	2,738	490
Economic life (in years)	20-50	20-50

Income from rent of investment property is included in the income statement line “Other operating income” (see Note 6 “Other income”). Maintenance expenses related to investment property (Group: EUR 119 thousand in 2021, EUR 115 thousand in 2020; Bank: EUR 53 thousand in 2021, EUR 40 thousand in 2020) are included in the income statement line “Other operating expenses”. Future minimum lease payments to be received under non-cancellable lease agreements disclosure in Note 18 includes the payments from the investment property leases.

The Group tests the investment property for impairment mainly using valuations from external independent certified appraisers or valuations performed by Group’s employees (as of 31 December 2021, 85% of the carrying value of the investment property was tested for impairment using valuations from external independent certified appraisers; as of 31 December 2020 – 95%). Income or comparative price methods, i.e. valuation techniques attributable to Level 3 (income method or comparative price method) are mostly used valuation techniques to test the investment property for impairment both by external and internal valuators.

NOTE 27
CAPITAL

As of 31 December 2021 and 31 December 2020 the Banks's share capital amounted to EUR 174,210,616.27, it comprised 600,726,263 ordinary registered shares with par value of EUR 0.29 each.

At 31 December 2020 European Bank for Reconstruction and Development (EBRD) possessed 26.02% of the authorised capital and votes of the Bank. On 22 December 2021 EBRD announced that it has agreed to sell an 18 % stake in Bank. EBRD has signed 3 separate agreements with Invalda INVL, an asset management group, Nord Security, (part of the Tesonet group of companies and soon to be renamed Tesonet Global), and ME Investicija, a holding company that owns Girteka Logistics, to sell stakes of 5.87%, 5.87% and 6.29% in Bank, respectively. Acquisitions of shares will take place through a series of transactions until June 2024 and in some cases might be subject to regulatory approvals. On 29 December 2021 ME Investicija announced about acquisition of 5.71% of Bank's shares. After this transaction as of 31 December 2021 EBRD possessed 21.96% of the authorised capital and votes of the Bank.

As at 31 December 2021, the Bank had 16,573 shareholders (as at 31 December 2020: 9,053).

Share premium

The share premium represents the difference between the issue price and nominal value of the shares issued by the Bank. Share premium can be used to increase the Bank's authorised share capital. In 2018, the share premium of EUR 3,428 thousand was recognized in the subordinated loan conversion process.

Reserve capital

The reserve capital is formed from the Bank's profit and its purpose is to ensure the financial stability of the Bank. The shareholders may decide to use the reserve capital to cover losses incurred.

Statutory reserve

According to the Law of the Republic of Lithuania on Banks, allocations to the statutory reserve shall be compulsory and shall not be less than 1/20 of the profit available for appropriation. The statutory reserve may, by a decision of extraordinary general or annual meeting of the shareholders, be used only to cover losses of the activities.

Reserve for acquisition of own shares

On 28 March 2019 the ordinary general meeting of shareholders made a decision to form a reserve for acquisition of own shares from retained earnings. The reserve can be used for two purposes – to preserve the market price of Bank's shares and to acquire the shares that will be granted to Group's employees as part of variable remuneration.

During the year ended 31 December 2021 the Bank acquired 1,000 thousand own shares for EUR 750 thousand. Part of acquired shares were granted to the employees of the Bank and its subsidiaries as deferred part of variable remuneration for 2017. As of 31 December 2021 Bank held 687 thousand own shares with carrying value of EUR 516 thousand.

During the year ended 31 December 2020 the Bank acquired 780 thousand own shares for EUR 320 thousand. The acquired shares were granted to the employees of the Bank and its subsidiaries as a deferred part of variable remuneration for 2016 and 2017. As of 31 December 2020, the Bank did not possess its own shares.

Other equity

Other equity consists of amount that corresponds to the obligation to present Bank's shares to Group's employees as part of variable remuneration.

The Group's remuneration policy prescribes two main elements of remuneration – fixed remuneration and variable remuneration, and various additional benefits. Employees whose professional activities and/or decisions might have a significant impact on the risk accepted by the Group, receive deferred variable remuneration. The remuneration amounts are accrued as staff expenses in income statement. Until 2018, Group's incentive scheme included deferred payments in shares and cash of not less than 40% of variable remuneration being paid in equal instalments during three year period. From 2019 under the Group's incentive scheme employees whose professional activities and/or decisions may have a significant impact on the risk assumed be the Group receive 50% of the annual long term incentive program in cash and 50% in form of Bank's shares options executable after 3 years. The number of share options is based on the currency value of the achieved results divided by the weighted average price at which the Bank's shares are traded on Nasdaq Vilnius during the period of five months prior the approval of renumeration. Each option is convertible into one ordinary share.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 27
CAPITAL (CONTINUED)

The Group has assessed fair value of shares option by the Black-Scholes model which is attributable to Level 3 in fair value hierarchy. The model inputs include:

- For the option granted 31 March 2021: grant date (31 March 2021), expiry day (12 April 2024), share price 0.538 on grant day, expected price volatility of the bank's shares 25%, risk free interest rate - 0.1%;
- For the option granted 31 March 2020: grant date (31 March 2020), expiry day (15 April 2023), share price 0.510 on grant day, expected price volatility of the bank's shares 21%, risk free interest rate -0.1%;
- For the option granted 28 March 2019: grant date (28 March 2019), expiry day (15 April 2022), share price EUR 0.456 on grant day, exercise price 0.393, expected price volatility of the bank's shares 24%, risk free interest rate -0.2%.

The value of the option is included in other equity line in the statement of financial position. Other equity consists of.

		2021		2020
	Group	Bank	Group	Bank
Options	3,288	2,870	2,233	1,959
Shares distributable to the employees	-	-	126	107
Total	**3,288**	**2,870**	**2,359**	**2,066**

At 31 December 2020 shares distributable to employees were for year 2017 variable remuneration. No options were forfeited, exercised or expired during years ended 31 December 2021 and 31 December 2020.

NOTE 28
CONTINGENT LIABILITIES AND COMMITMENTS

Contingent tax liabilities

The Tax Authorities have not carried out a full-scope tax audit of the Bank for the period from 2017 to 2021. The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year carry out an inspection of the Bank‘s books and accounting records and impose additional taxes or fines. Management is not aware of any circumstances that might result in a potential material liability in this respect.

Guarantees issued, letters of credit, commitments to grant loans and other commitments

		2021		2020
	Group	Bank	Group	Bank
Financial guarantees issued	52,931	52,992	48,790	48,851
Letters of credit	1,308	1,308	3,522	3,522
Commitments to grant loans	394,173	404,388	278,825	297,828
Other commitments	3,052	3,052	2,940	2,940
Total	**451,464**	**461,740**	**334,077**	**353,141**

Fair value of the guarantees amounts to EUR 638 thousand at 31 December 2021 (31 December 2020: EUR 308 thousand). It is estimated as the amount of the guarantee fee to be paid by the customers less amortization over the contract period.

Staging of guarantees issued, letters of credit, commitments to grant loans and other commitments:

		2021		2020
	Group	Bank	Group	Bank
Financial guarantees issued:	52,931	52,992	48,790	48,851
Stage 1	52,931	52,992	48,790	48,851
Letters of credit:	1,308	1,308	3,522	3,522
Stage 1	1,308	1,308	3,522	3,522
Commitments to grant loans:	394,173	404,388	278,825	297,828
Stage 1	347,738	357,953	245,485	264,488
Stage 2	44,685	44,685	32,169	32,169
Stage 3	1,750	1,750	1,171	1,171
Other commitments:	3,052	3,052	2,940	2,940
Stage 1	3,052	3,052	2,940	2,940
Total	**451,464**	**461,740**	**334,077**	**353,141**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 28
CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

As the guarantees and letters of credit are either 100% secured by cash collaterals pledged by the customers to the Bank, or are issued using the credit line that the Bank has granted to the customer (which has its own collaterals and impairment is calculated for the credit line), no ECL impairment provisions are formed against these obligations. Commitments to grant loans are included in the EAD model in loan ECL calculations and the impairment is calculated for the whole instrument that includes both on-balance and off-balance sheet amounts, therefore the impairment for commitments to grant loans is included in the loan impairment amount.

The Group‘s liabilities include provisions for other contingent liabilities that are recognized using IAS 37 approach. Such provisions are disclosed in Note 25.

NOTE 29
DIVIDENDS

Dividends are declared during the annual general meeting of shareholders of the Bank when appropriation of profit for the reporting period is performed.

On 31 March 2021 the ordinary general meeting of shareholders made a decision to pay EUR 0.0055 (i.e. 1.90%) dividends per one ordinary registered share with EUR 0.29 nominal value each. The dividends were paid to shareholders as per their stakes at the end of the day of accounting of rights of the Meeting (15 April 2021). Total amount of dividends was EUR 3,304 thousand.

On 31 March 2020 the ordinary general meeting of shareholders did not approve draft profit distribution therefore no dividends were paid out for year 2019 and all the profit that the Bank has earned for 2019 remains undistributed.

Unpaid dividends are included in other financial liabilities in the statement of financial position. The table below shows the movements in dividends for the years 2021 and 2020:

	2021	2020
Unpaid dividend amount at 1 January:	**45**	**55**
Dividends declared	3 304	-
Dividends paid	(3 299)	(10)
Unpaid dividend amount at 31 December:	**50**	**45**

NOTE 30
RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

a) members of the Bank's Supervisory Council and Board (which also are the main decision makers of the Group), their close family members and companies that are controlled, jointly controlled over by these related parties;
b) subsidiaries of the Bank, includes SB draudimas GD UAB, Sandworks UAB, SB Lizingas UAB, Šiaulių Banko Investicijų Valdymas UAB, Šiaulių Banko Lizingas UAB, SB turto fondas UAB;
c) the shareholders holding over 20% of the Bank's share capital or being a part of a voting group acting in concert that holds over 20% of voting rights therefore presumed to have a significant influence over the Group.

During 2021 and 2020, a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 30
RELATED-PARTY TRANSACTIONS (CONTINUED)

The year-end balances of loans (incl. off-balance sheet commitments) granted to and deposits accepted from the Bank's related parties, except for subsidiaries, and ranges of annual interest rates were as follows (data of the Bank):

	Deposits, at the year-end		Range of annual interest rates, %		Loans, at the year-end		Range of annual interest rates, %		Off-balance sheet commitments, at the year-end	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Members of the Council and the Board	1,555	1,606	0.00-0.05	0.00-0.15	53	57	2	2	31	31
Other related parties (excluding subsidiaries of the Bank)	6,319	4,306	0.00-0.15	0.00-0.30	16,167	18,161	0.690-2.25	0.690-3.86	5	5
Total	7,874	5,912	-	-	16,220	18,218	-	-	36	36
% of regulatory capital	2.25%	1.80%	-	-	4.64%	5.55%	-	-	0.00%	0.01%

In 2021 EUR 423 thousand interest income were generated from transactions with related parties (except for subsidiaries).

As at 31 December 2021 loans to related parties (except for subsidiaries) with gross value before impairment provisions of EUR 16,220 thousand (31 December 2020: EUR 18,218 thousand) had collaterals.

At 31 December 2021 and 2020 Bank's subsidiaries had no material transactions with the related parties except for the Bank and its subsidiaries.

As at 31 December 2021 balance of allowances for impairment losses that are related to balances of loans to related parties, except for subsidiaries, was equal to EUR 44 thousand. An impairment expense reversal of EUR 7 thousand related to these loans was recorded profit or loss in 2021. As at 31 December 2020, balance of allowances for impairment losses that are related to balances of loans to related parties, except for subsidiaries, was equal to EUR 51 thousand. An impairment expense of EUR 15 thousand related to these loans was recorded profit or loss in 2020.

Transactions with subsidiaries:

Balances of Bank's transactions with the subsidiaries are given below:

	Deposits, at the year-end		Range of annual interest rates, %		Loans, at the year-end		Range of annual interest rates, %		Off-balance sheet commitments, at the year-end	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Non-financial institutions	6,806	2,575	0.00	0.00	-	4,709	2.60	2.60	-	1,058
Financial institutions	1,129	2,466	0.00-1.90	0.00-1.90	117,868	102,760	2.60	2.60	18,361	26,372

No collateral is obtained on loans to subsidiaries.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 30
RELATED-PARTY TRANSACTIONS (CONTINUED)

Bank's total balances with subsidiaries (see Note 16 for details on investment in subsidiaries):

	2021	2020
Assets		
Loans	117,868	107,468
Other assets	-	93
Bank's investment in subsidiaries	31,668	29,135
Liabilities		
Term deposits	1,710	-
Demand deposits	6,225	4,866
Other liabilities	-	175

Income and expenses arising from transactions with subsidiaries:

	2021	2020
Income		
Interest	2,697	3,210
Commission income	586	494
Income (losses) from foreign exchange operations	(13)	6
Share of the profit or loss of investments in subsidaries accounted for using the equity method	8,830	5,470
Other income	352	250
Expenses		
Interest	(17)	(17)
Operating expenses	-	(1)
Impairment (reversal of impairment) of loans	1,998	(2,158)
Impairment of an investment to subsidiaries	-	114

As at 31 December 2021 balance of allowances for impairment losses that are related to balances of loans to subsidiaries was EUR 13 thousand (as at 31 December 2020: EUR 2,672 thousand).

Remuneration of the management of the Group/Bank

According to the Bank's Remuneration Policy, the members of the management bodies are paid a fixed and annual variable remuneration. The annual variable remuneration fund is formed based on the Bank's performance, taking into account current and future risks. During 2021 the total amount of fixed and annual variable renumeration (total of payments in cash and in shares of the Bank) to the Bank's Board members amounted to EUR 2,121 thousand (2020: EUR 2,037 thousand).

	2021	2020
Fixed renumeration in cash	1,508	1,208
Variable renumeration in cash	560	697
Variable renumeration in shares of Bank	53	132
Total	**2,121**	**2,037**

No other post-employment benefit or long term benefit were paid to members of Board (including management).

Liabilities related to long term benefits related to remuneration are presented in the table below:

	2021	2020
Short-term (up to 1 year)	511	121
Long-term (over 1 year)	995	992
Total	**1,506**	**1,113**

	Payment in cash due in:				*Payment in shares due in:*				*Total*
	up to 1 year	**1 to 2 years**	**2 to 3 years**	**Total**	**up to 1 year**	**1 to 2 years**	**2 to 3 years**	**Total**	
31 December 2020:									
for year 2017 salaries and bonuses	68	-	-	68	53	-	-	53	121
for year 2018 salaries and bonuses	-	-	-	-	-	505	-	505	505
for year 2019 salaries and bonuses	-	-	-	-	-	-	487	487	487
Total liability at 31 December 2020	**68**	**-**	**-**	**68**	**53**	**505**	**487**	**1,045**	**1,113**
31 December 2021:									
for year 2018 salaries and bonuses	-	-	-	-	511	-	-	511	511
for year 2019 salaries and bonuses	-	-	-	-	-	502	-	502	502
for year 2020 salaries and bonuses	-	-	-	-	-	-	493	493	493
Total liability at 31 December 2021	**-**	**-**	**-**	**-**	**511**	**502**	**493**	**1,506**	**1,506**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 31
FINANCIAL GROUP INFORMATION

According to local legislation the Bank is required to disclose certain information for the Financial group. As of 31 December 2021 and 31 December 2020 the Bank owned the following controlled subsidiaries included in the prudential scope of consolidation (the Bank and four subsidiaries comprised the Financial group, all of the entities attributable to Financial Group operate in Lithuania):

1. Šiaulių Banko Lizingas UAB (lease activities),
2. Šiaulių Banko Investicijų Valdymas UAB (investment management activities),
3. Šiaulių Banko Turto Fondas UAB (real estate management activities),
4. SB Lizingas UAB (consumer financing activities).

In the Financial Group financial statements, the subsidiaries of the Bank that are not included in the Financial Group are not consolidated in full as would be required by IFRS 10 but presented on the consolidated balance sheet of the Financial Group as investments in subsidiaries at cost less impairment, in the same way as presented on the balance sheet of the Bank. This presentation is consistent with the regulatory reporting made by the Bank according to the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR).

STATEMENT OF FINANCIAL POSITION

	31 December 2021		31 December 2020	
	Fin. Group	**Bank**	**Fin. Group**	**Bank**
ASSETS				
Cash and cash equivalents	965,160	964,849	432,035	431,649
Securities in the trading book	15,099	15,099	9,582	9,582
Due from other banks	1,196	1,196	1,598	1,598
Derivative financial instruments	2,121	2,121	445	445
Loans to customers	1,908,681	1,889,629	1,610,371	1,592,363
Finance lease receivables	195,174	194,909	155,457	155,290
Investment securities at fair value	82,988	82,951	34,342	34,215
Investment securities at amortized cost	692,226	692,226	697,136	697,136
Investments in subsidiaries	11,788	31,668	11,320	29,135
Intangible assets	3,115	3,114	4,232	4,230
Property, plant and equipment	14,453	14,118	16,233	15,852
Investment property	2,229	344	2,920	362
Current income tax prepayment	820	820	8	8
Deferred income tax asset	1,591	1,250	2,076	1,690
Inventories	538	-	1,311	-
Other financial assets	16,402	16,271	4,672	4,278
Other non-financial assets	9,415	8,289	6,562	5,263
Assets classified as held for sale	620	620	5,116	4,573
Total assets	**3,923,616**	**3,919,474**	**2,995,416**	**2,987,669**
LIABILITIES				
Due to other banks and financial institutions	699,560	703,271	230,143	231,270
Derivative financial instruments	96	96	3,840	3,840
Due to customers	2,679,204	2,681,586	2,347,682	2,349,021
Special and lending funds	6,667	6,667	5,749	5,749
Debt securities in issue	95,212	95,212	20,027	20,027
Current income tax liabilities	1,084	962	1,092	737
Deferred income tax liabilities	1,452	-	1,251	-
Other financial liabilities	24,396	21,775	23,492	20,337
Other non-financial liabilities	7,234	1,414	5,047	1,124
Grants	910	910	-	-
Liabilities related to assets classified as held for sale	-	-	24	-
Total liabilities	**3,515,815**	**3,511,893**	**2,639,347**	**2,632,105**
EQUITY				
Capital and reserves attributable to owners of the Bank				
Share capital	174,211	174,211	174,211	174,211
Share premium	3,428	3,428	3,428	3,428
Treasury shares (-)	(516)	(516)	-	-
Reserve capital	756	756	756	756
Statutory reserve	21,770	21,770	14,304	14,246
Financial instruments revaluation reserve	10,000	10,000	10,000	10,000
Reserve for acquisition of own shares	(597)	(597)	375	375
Other equity	3,242	2,870	2,325	2,066
Retained earnings	195,507	195,659	150,670	150,482
Total equity	**407,801**	**407,581**	**356,069**	**355,564**
Total liabilities and equity	**3,923,616**	**3,919,474**	**2,995,416**	**2,987,669**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 31
FINANCIAL GROUP INFORMATION (CONTINUED)

INCOME STATEMENT

	2021		2020	
	Fin. Group	Bank	Fin. Group	Bank
Continuing operations				
Interest revenue calculated using the effective interest method	82,867	69,951	78,481	65,067
Other similar income	8,744	8,719	7,449	7,435
Interest expense and similar charges	(10,975)	(10,972)	(10,329)	(10,071)
Net interest income	**80,636**	**67,698**	**75,601**	**62,431**
Fee and commission income	24,747	25,193	22,759	23,014
Fee and commission expense	(7,366)	(7,239)	(6,488)	(6,327)
Net fee and commission income	**17,381**	**17,954**	**16,271**	**16,687**
Net gain from trading activities	10,362	9,188	12,018	12,018
Net gain (loss) from derecognition of financial assets	4,735	2,729	1,265	384
Net gain (loss) from disposal of tangible assets	987	66	266	7
Other operating income	1,289	1,136	718	452
Salaries and related expenses	(25,889)	(23,640)	(22,342)	(20,506)
Depreciation and amortization expenses	(4,179)	(3,972)	(3,794)	(3,569)
Other operating expenses	(16,179)	(12,268)	(14,683)	(11,681)
Operating profit before impairment losses	**69,143**	**58,891**	**65,320**	**56,223**
Allowance for impairment losses on loans and other assets	(2,355)	(973)	(12,283)	(10,255)
(Allowance for)/ reversal of allowance for impairment losses on other assets	(545)	(1)	-	305
Allowance for impairment losses on investments in subsidiaries	-	-	(114)	(114)
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	1,242	8,830	(108)	5,470
Profit from continuing operations before income tax	**67,485**	**66,747**	**52,815**	**51,629**
Income tax expense	(11,879)	(10,742)	(9,859)	(8,534)
Net profit from continuing operations for the year	**55,606**	**56,005**	**42,956**	**43,095**
Profit (loss) from discontinued operations, net of tax	-	-	58	-
Net profit for the year	**55,606**	**56,005**	**43,014**	**43,095**
Net profit attributable to:				
Owners of the Bank	55,606	56,005	43,014	43,095
From continuing operations	55,606	56,005	42,956	43,095
From discontinued operations	-	-	58	-
Non-controlling interest	-	-	-	-

STATEMENT OF COMPREHENSIVE INCOME

	2021		2020	
	Fin. Group	Bank	Fin. Group	Bank
Profit for the year	**55,606**	**56,005**	**43,014**	**43,095**
Other comprehensive income (loss):				
Items that may be subsequently reclassified to profit or loss:				
Financial assets valuation gains taken to other comprehensive income	-	-	839	839
Financial assets valuation result transferred to profit or loss	(606)	(606)	(393)	(393)
Deferred income tax on gain (loss) from revaluation of financial asset	121	121	(49)	(49)
Items that may not be subsequently reclassified to profit or loss:				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-
Other comprehensive income (loss), net of deferred tax	**(485)**	**(485)**	**397**	**397**
Total comprehensive income	**55,121**	**55,520**	**43,411**	**43,492**
Total comprehensive income (loss) attributable to:				
Owners of the Bank	55,121	55,520	43,411	43,492
Non-controlling interest	-	-	-	-
	55,121	55,520	43,411	43,492

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 31
FINANCIAL GROUP INFORMATION (CONTINUED)

STATEMENT OF CASH FLOWS

	Year ended			
	31 December 2021		31 December 2020	
	Fin. Group	Bank	Fin. Group	Bank
Operating activities				
Interest received on loans and advances	80,797	68,699	81,084	67,625
Interest received on finance leases	8,218	8,195	7,139	7,123
Interest received on debt securities in the trading book	372	372	463	463
Interest paid	(11,520)	(11,498)	(9,719)	(9,445)
Fees and commissions received	24,747	25,193	22,668	23,014
Fees and commissions paid	(7,366)	(7,239)	(6,443)	(6,327)
Net cash inflows from trade in securities in the trading book	(7,171)	(7,040)	3,310	3,273
Net inflows from foreign exchange trading	4,439	4,439	11,872	11,843
Net inflows from derecognition of financial assets	4,735	2,729	1,265	384
Net inflows from disposal of tangible assets	987	66	266	7
Cash inflows related to other activities of Group companies	1,289	1,136	-	452
Recoveries on loans previously written off	(545)	541	1,372	694
Salaries and related payments to and on behalf of employees	(25,180)	(22,931)	(22,709)	(20,874)
Payments related to operating and other expenses	(20,213)	(17,678)	(19,569)	(26,754)
Income tax (paid)	(11,909)	(10,625)	(8,327)	(8,502)
Net cash flow from operating activities before change in operating assets and liabilities	**41,680**	**34,359**	**62,672**	**42,976**
Change in operating assets and liabilities:				
Decrease in due from other banks	402	402	(1,318)	(1,318)
Increase in loans to customers	(302,727)	(300,088)	(87,806)	(94,789)
Increase in finance lease receivable	(36,149)	(39,380)	(631)	1,571
Decrease (increase) in other financial assets	(11,730)	(11,993)	3,106	2,951
Decrease (increase) in other non-financial assets	4,354	5,287	(17,099)	(7,832)
Increase in due to banks and financial institutions	469,417	472,001	154,613	154,600
Increase in due to customers	332,067	333,110	310,394	311,733
Increase (decrease) in special and lending funds	918	918	(1,311)	(1,311)
Increase (decrease) in other financial liabilities	1,960	2,494	662	7,175
Increase (decrease) in other non-financial liabilities	(2,731)	(4,687)	7,801	14,717
Change	**455,781**	**458,064**	**368,411**	**387,497**
Net cash flow from operating activities	**497,461**	**492,423**	**431,083**	**430,473**
Investing activities				
(Acquisition) of property, plant and equipment, investment property and intangible assets	(892)	(866)	(4,335)	(4,335)
Disposal of property, plant and equipment, investment property and intangible assets	1,853	378	1,609	2,292
(Acquisition) of investment securities at amortized cost	(99,382)	(99,382)	(387,599)	(387,599)
Proceeds from redemption or sale of investment securities at amortized cost	100,039	100,039	225,008	225,008
Interest received on investment securities at amortized cost	9,323	9,323	6,381	6,381
Dividends received	1,306	5,000	2	4,002
(Acquisition) of investment securities at fair value	(89,123)	(89,161)	(24,605)	(28,640)
Sale or redemption of investment securities at fair value	40,148	40,425	4,847	4,551
Interest received on investment securities at fair value	403	403	551	551
Disposal of subsidiaries	2,828	5,428	-	-
Net cash flow from (used in) investing activities	**(33,497)**	**(28,413)**	**(178,141)**	**(177,789)**
Financing activities				
Payment of dividends	(3,299)	(3,299)	(11)	(11)
Interest on debt securities in issue	(1,230)	(1,230)	(1,230)	(1,230)
Issue of debt securities	75,000	75,000	-	-
Redemption of debt securities issued	-	-	-	-
Principal elements of lease payments	(1,310)	(1,281)	(1,569)	(1,376)
Net cash flow (used in) from financing activities	**69,161**	**69,190**	**(2,810)**	**(2,617)**
Net increase (decrease) in cash and cash equivalent	**533,125**	**533,200**	**250,132**	**250,067**
Cash and cash equivalents at 1 January	**432,035**	**431,649**	**181,903**	**181,582**
Cash and cash equivalents at 31 December	**965,160**	**964,849**	**432,035**	**431,649**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 31
FINANCIAL GROUP INFORMATION (CONTINUED)

FINANCIAL GROUP‘S STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Treasyru shares (-)	Reserve capital	Financial instruments *revaluation reserve*	Statutory *reserve*	Reserve for acquisition of own shares	Other equity	Retained earnings	Total
1 January 2020	**174,211**	**3,428**	**-**	**756**	**(22)**	**14,292**	**10,000**	**1,524**	**107,610**	**311,799**
Transfer to statutory reserve	-	-	-	-	-	12	-	-	46	58
Acquisition of own shares	-	-	-	-	-	-	(320)	-	-	(320)
Share-based payment	-	-	-	-	-	-	320	801	-	1,121
Total comprehensive income:	-	-	-	-	397	-	-	-	43,014	43,411
Net profit	-	-	-	-	-	-	-	-	43,014	43,014
Other comprehensive income	-	-	-	-	397	-	-	-	-	397
31 December 2020	**174,211**	**3,428**	**-**	**756**	**375**	**14,304**	**10,000**	**2,325**	**150,670**	**356,069**
Transfer to statutory reserve	-	-	-	-	-	7,466	-	-	(7,466)	-
Acquisition of own shares	-	-	(516)	-	-	-	-	-	-	(516)
Share-based payment	-	-	-	-	-	-	-	917	-	917
Payment of dividends	-	-	-	-	-	-	-	-	(3,304)	(3,304)
Total comprehensive income:	-	-	-	-	(972)	-	-	-	55,606	54,634
Net profit	-	-	-	-	-	-	-	-	55,606	55,606
Other comprehensive income	-	-	-	-	(972)	-	-	-	-	(972)
31 December 2021	**174,211**	**3,428**	**(516)**	**756**	**(597)**	**21,770**	**10,000**	**3,242**	**195,506**	**407,800**

COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

During the years ended 31 December 2021 and 31 December 2020, the Financial group and the Bank complied with prudential requirements to which it was subject.

NOTE 32
EVENTS AFTER BALANCE SHEET DATE

On 26 January 2022 Bank has acquired 2,105 thousand units of own shares. Amount paid for the shares is EUR 1,557 thousand. Purpose of share acquisition - granting shares to the employees of the Bank and the Bank's subsidiaries.

On 24 February 2022 war has started between Russia and Ukraine which could have impact to separate clients of the Group and to macroeconomic situation in world and Lithuania in general. Due to rapidly changing situation and many uncertainties there were no possibilities to assess impact of this event to the Group.

ŠIAULIŲ BANKAS

CONSOLIDATED ANNUAL REPORT FOR 2021

31 December 2021

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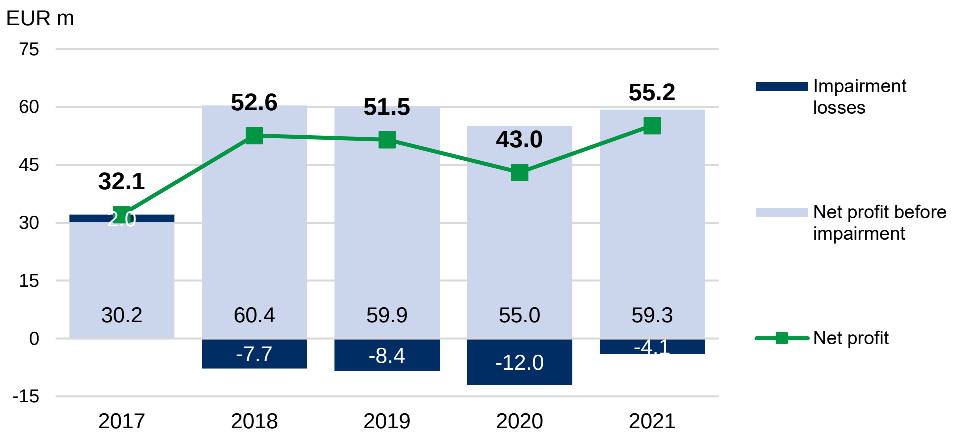
El. paštas info@sb.lt
www.sb.lt

The consolidated report of Šiaulių Bankas AB (hereinafter — the Bank) covers the period 01 January 2021 to 31 December 2021.

The description of alternative performance indicators is available on the Bank's website at:
Homepage › Bank Investors › Financial Information › Alternative Performance Measures.

ANNUAL ACTIVITY RESULTS

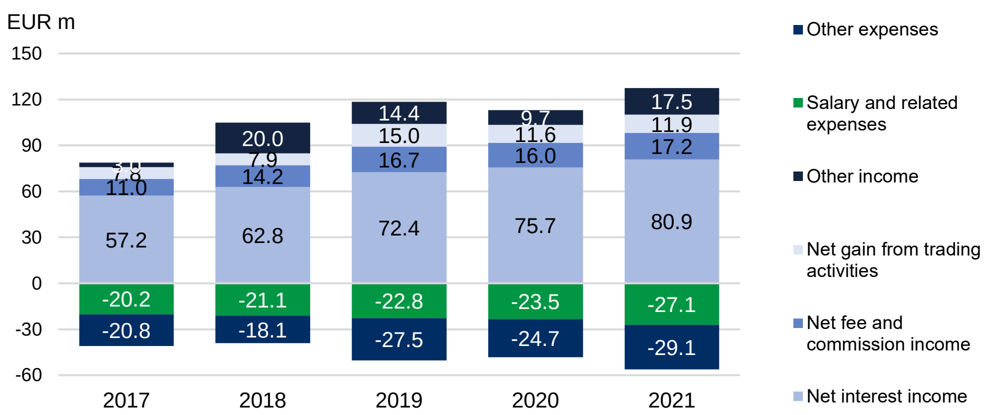
- *Šiaulių bankas Group earned unaudited net profit of EUR 55.2 million last year, or 28% more than in 2020*
- *The loan portfolio increased by 19% year-on-year to over EUR 2.1 billion*
- *The deposit portfolio grew by 14% to EUR 2.6 billion*
- *The mystery shopper research recognised Šiaulių bankas as the bank with the best customer service in Lithuania*



Overview of the key performance indicators

“Compared to 2020, this year has been a successful one, and it seems that the economic situation is getting back on track, despite the still looming pandemic. Both corporate and private clients were actively interested in financing and looking for ways to invest their savings. Although the number of live consultations and cash transactions since the pandemic has not yet returned to normal levels, and the demand for remote servicing is increasing, we are pleased that we have chosen the strategy of staying closer to our clients and letting them choose how they want to be serviced. This has been recognised not only by international evaluators – after the results of the 2021 mystery shopper survey conducted by DIVE Lietuva were published, we regained the title of the bank with the best customer service and scored 100% in the quality score out of a possible 100,” said Vytautas Sinius, CEO of Šiaulių bankas.

Šiaulių bankas Group earned unaudited net profit of EUR 55.2 million in 2021 (28% more than in 2020). Net profit for the Q4 of 2021 was EUR 11.0 million (25% increase compared to Q4 2020).



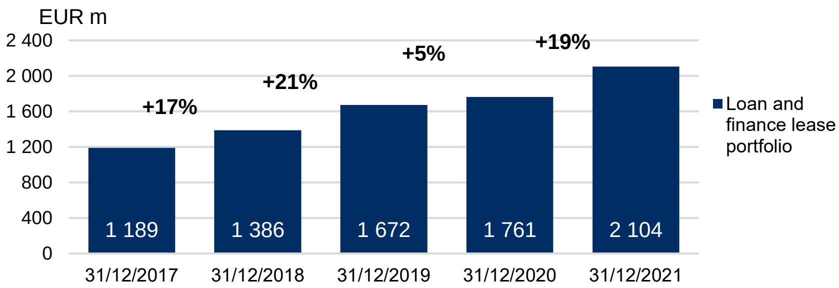
Due to the strong growth in lending volumes and client activeness, both net interest income and net service and commission income grew by 7% each and reached EUR 80.9 million and EUR 17.2 million respectively.

With no significant deterioration in credit quality and no upward trend in overdue loans observed throughout 2021, provisions of EUR 4.1 million were made during the year, compared to provisions of EUR 12.0 million in 2020, mainly taking into account the forecasted impact of COVID-19. The cost of risk (CoR) of the loan portfolio was 0.2% in 2021 (0.6% in 2020).

The Group's cost/income ratio (excluding the impact of the client portfolio of SB draudimas) remained almost unchanged during the year and stood at 42.8% at year-end (42.9% in the previous year), while the ROE increased to 14.3% (12.7% in the previous year). The capital and liquidity position remains strong and prudential ratios are being met by a wide margin.

Overview of Business Segments

Business and Private Clients Financing



With strong growth in both corporate and private client financing, the value of the loan portfolio increased by 3% in Q4 and by 19% to over EUR 2.1 billion in 2021. More than EUR 1.2 billion worth of new lending contracts were signed last year, 71% more than in 2020.

With business expectations remaining stable and growing investments, new business credit agreements worth almost EUR 0.7 billion were signed during the year (twice as much as in 2020) and EUR 200 million in the Q4 alone. While the business finance portfolio remained almost unchanged in Q4, it grew by 11% over the whole of last year to EUR 1.17 billion. The non-performing loan portfolio of business finance continues its downward trend, amounting to EUR 64 million at the end of the year (down by EUR 48 million, or 42% year-on-year).

Despite the ongoing pandemic, strong demand for private clients financing continued to be recorded, especially in the area of housing loans. With a continued high level of new applications, the mortgage portfolio grew by 10% in the fourth quarter and by 53% year-to-date to over EUR 454 million. The consumer finance portfolio grew by 4% in the Q4 and by 6% for the whole of 2021, reaching over EUR 170 million.

The Bank continues to focus on financing energy efficiency projects, with more than EUR 30 million of multi-apartment building modernisation contracts signed in the Q4 and EUR 127 million over the year (+56% year-on-year change). Together with the European Investment Bank (EIB) and other investors, a new EUR 275 million Multi-Apartment Building Modernisation Fund is nearing completion of the contracts signing process. The Fund is expected to start operations in the Q2 of this year.

Daily Banking

Last year, net service and commission income grew consistently each quarter to reach EUR 17.2 million, up 7% year-on-year. More than 15 thousand new private and corporate clients started using the Bank's services in 2021, bringing the total number of clients to 326 thousand. The number of clients subscribing to service plans grew by 7% to 173 thousand.

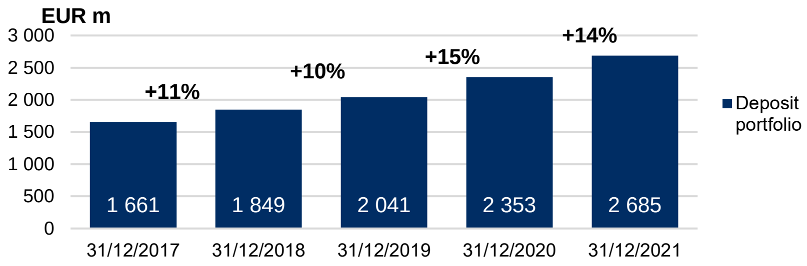
The use of non-cash services continues to grow strongly, while cash transactions are decreasing. The population is increasingly using payment cards - the total number of payment cards issued grew by 25% year-on-year and reached 173 thousand.

Throughout the year, the Bank developed its digital channels in line with customer needs, expanding the number of services in the internet bank and the mobile application. The total number of e-channel users exceeded 218 thousand (+15% compared to 2020). The number of clients served remotely is also steadily increasing.

2021 was a year of recognition for the Bank: Šiaulių bankas won the 2021 Best Bank in Lithuania award in The Banker awards published by The Financial Times; earlier in the year, the Bank was recognised by the business and finance magazine Global Finance Magazine as the best, and then the safest, bank operating in Lithuania. The most important award was the results of the mystery shopper survey conducted by Dive Lietuva in December, which showed that the quality of Šiaulių bankas' customer service is of the highest level, and the aggregated scores of the individual categories amounted to 100% out of 100. Šiaulių bankas has won the position of the bank with the best customer service for the third time: in 2021, 2019 and 2018.

Saving and Investing

The deposit portfolio grew by 14% over the year (EUR 332 million) and exceeded EUR 2.6 billion. Demand deposits, which account for the bulk of the portfolio, grew by 27% or EUR 394 million, while the term deposit portfolio decreased by EUR 61 million (-7%). Clients are increasingly directing their savings towards the Bank's investment products, with commission income from securities-related services reaching EUR 3.3 million for the year (66% increase compared to 2020). At the end of last year, in cooperation with SB draudimas, the Bank's clients were offered a new long-term savings service - investment life insurance.



COVID-19

The ongoing COVID-19 pandemic in 2021 and the restrictions imposed by local authorities to stop its spread continued to affect all market participants. At the beginning of the year, in response to the Government's decisions and recommendations, the Bank operated by reducing the number of operating units, ensuring the conditions for customers to receive services remotely. In the first half of the year, all temporarily closed units were gradually opened - at the end of the year, we had 56 branches operating in 37 cities. During the pandemic, it became common to serve customers remotely - call flows and remote requests have grown steadily since the beginning of the pandemic and the number of remotely identifiable customers has increased.

Aids for customers affected by COVID-19

Šiaulių Bankas continued to support private and business customers to overcome the difficulties of the pandemic. The total of EUR 187 million of loans deferred due to Covid-19 since the start of the pandemic, EUR 180 million have matured and 69 customers (EUR 62 million) re-applied for a deferral in 2021, when 523 Bank customers (EUR 118 million) keep meeting their initial payment obligations.
The portfolio of deferred loans for individuals due to Covid-19 amounts to EUR 9 million (225 customers) at the end of the year, 12 Customers (EUR 1 million) of which requested repeated restructuring and EUR 8 million (213 Customers) returned to payments under the original payment schedule.
The largest number of repeated deferrals in 2021 was made for legal entities operating in the Real Estate (48%), Accommodation and Catering (20%), and Art and Entertainment Activities (20%) sectors, the majority (98%) of re-restructurings were made by August, only 2% of all restructurings took place during the last months of 2021.
Only 9 customers (EUR 1 million) out of 369 customers portfolio taking advantage of the conditions of the moratorium, which amounted to EUR 54 million at the end of the year, re-applied for reorganization in 2021, the rest are making payments under the original payment schedule.

RATINGS

On February 22, 2021, the international rating agency Moody's Investor Service (Moody's) affirmed Šiaulių Bankas' previous long-term debt rating Baa2 and changed its outlook to positive from stable. The bank was also affirmed with a short-term rating of P-2:

- a long-term deposit rating – Baa2;
- a short-term deposit rating - P-2;
- rating outlook - Positive.

The rating outlook improvement reflected expectations that Šiaulių Bankas would maintain a strong capital position, ensure resilient profitability as well as successfully manage asset risk and risk appetite. The rating agency also noted that the rating of Šiaulių Bankas was also affected by the recently improved long-term debt rating of Lithuanian to A2 from A3. Moody's has improved the country's rating after six years considering Lithuania's resilience to shock and its ability to manage pandemic threats to the country's economy.

RISK MANAGEMENT, COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

A complete disclosure of all significant risks incurred by the Group is provided in the chapter Financial Risk Management of the explanatory note of the financial statement for 2021.

Income was growing faster than its expenses which led to the high efficiency of the performance. Capital and liquidity position remain robust - prudential requirements are implemented with adequate reserve. According to the data as of 31 December 2021 the Bank complied with all the prudential requirements set out by the supervisory authority.

The main financial indicators of the Group:

	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
ROAA, %	1.6	2.4	2.1	1.5	1.6
ROAE, %	16.1	22.3	17.6	12.7	14.3
Cost to income ratio, %	52.1	37.3	42.5	42.7	44.1
Loan to deposit ratio, %	72.2	75.1	82.2	75.0	78.6

Data on indicators are also available on the website of Šiaulių Bankas:
- on operating profitability indicators:
Homepage › Bank Investors › Financial Information › Profitability Ratios
- prudential requirements:
Homepage › Bank Investors › Financial Information › Prudential Standards

ACTIVITY PLANS AND FORECASTS

The vision of Šiaulių Bankas: the best financing solutions for business ambitions and people's ideas. Implementing this vision and having a strategic goal to achieve leadership in financial decisions, the Bank Group intends to strengthen its activities in the following priority areas:

- In view of changes in internal efficiency, the competitive environment and regulations, the Bank will pay particular attention to **the implementation and strengthening of higher standard governance and risk management practices**, with particular emphasis on the application of environmental, social responsibility and governance (ESG) principles.
- **Financing products** remain the Bank's strategic product group - priority will continue to be given to the business, consumer, housing and apartment building modernization project segments. Further product development actions will ensure the efficiency and competitiveness of financing products
- Taking into account the changes in the competitive environment and the changing needs of customers, the Bank Group will focus on the **digitization** of processes in order to improve the customer experience and increase sales of financing products;
- **Development of a unified customer base and product integration at the group level**. The Bank Group will seek to exploit the potential for synergies between the Bank's companies by developing existing services and developing new products.
- **Maximizing the efficiency of network operations** by maintaining network leadership and serving customers not only in physical network units but also approaching them remotely.

Strengthening the aforementioned priority areas will ensure sustainable and profitable operations of the Bank Group, increase the market share, meet the expectations of the regulator, investors and other stakeholders.

AUTHORIZED CAPITAL, SHAREHOLDERS

As of 31 December 2021, the authorized capital of the Bank totalled to EUR 174,210,616.27 and is divided into 600,726,263 units of ordinary registered shares with a nominal value of EUR 0.29 each (ISIN LT0000102253 Nasdaq CSD Lithuanian branch). The Charter of the Bank were registered in the Register of Legal Entities on 13 December 2018 after the last increase of the authorized capital by additional contributions. The authorized capital of the bank was not increased during 2021.

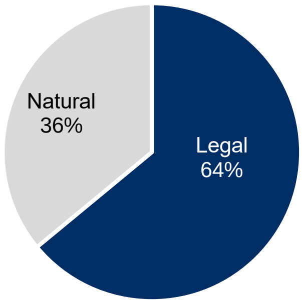
The rights granted by the Bank's shares are specified in the Bank's Charter, which is available on the Bank's website at:
Homepage › About Us › Important Documents

Authorized capital:

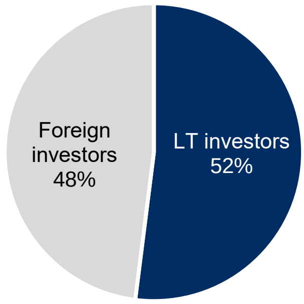
	14/09/2015	26/05/2016	06/06/2017	01/06/2018	13/12/2018
Capital, EUR	91,226,381.99	109,471,658.33	131,365,989.88	157,639,187.74	174,210,616.27

As of 31 December 2021 the number if the Bank's shareholders was 16,573 (at the end of 2020 – 9,053). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the The Republic of Lithuania of Lithuania and the Charter of the Bank: Homepage › About Us › Important Documents

Shareholders by type



Shareholders by residence



Shareholders owning more than 5% of the Bank‘s shares and votes as of 31 December 2021:

	Share of shares and votes, %
EBRD, LEI code 549300HTGDOVDU60GK19	21.96
*Invalda INVL AB, c.c. 121304349**	8.10
ME INVESTICIJA UAB, c.c. 302489393	5.71
*Gintaras Kateiva***	5.29
*Algirdas Butkus****	5.28

* Pursuant to the Law on Securities of the Republic of Lithuania, the shareholder's votes are counted together with the controlled company INVL Asset Management UAB, c.c. 126263073 - 0.66% of the votes

** Votes are counted together with the votes held by the spouse

*** Votes are counted together with controlled companies: Prekybos namai AIVA UAB, c.c. 144031190 - 2%, Mintaka UAB, c.c. 144725916 - 0.88%

There are no restrictions on the transfer of the Bank's shares.

There are no significant agreements to which the Bank is a party that would enter into force, change or terminate upon a change in control of the Bank. At the same time, we would like to inform you that the Bank has concluded cooperation agreements with international financial partners on financing and provision of guarantee instruments to the Bank, which include a change of control clause, which may affect further cooperation.

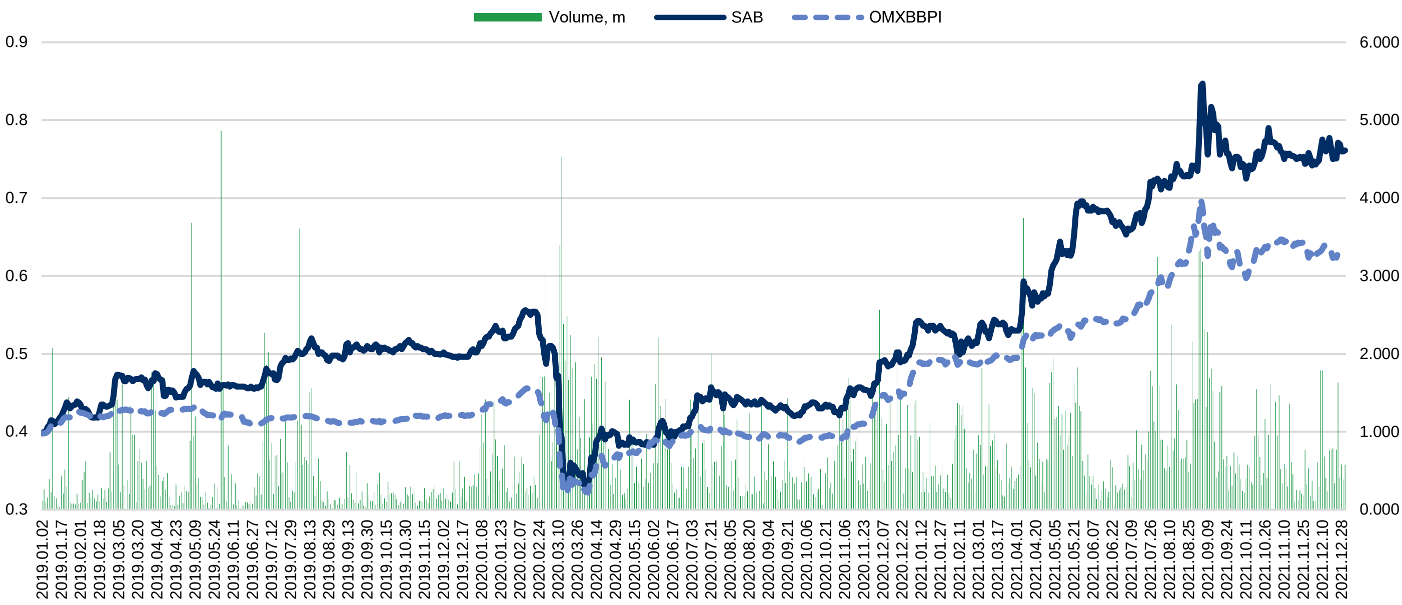
Shares are granted to employees whose activities involve significant risk under continuing Employee option agreements.

Information on shares:

	2017	2018	2019	2020	2021
Capitalization, m EUR	266.8	240.9	304.0	299.2	457.2
Turnover, m Eur	44.5	34.7	48.3	84.5	134.8
Share price on the last trading session day	0.589	0.401	0.506	0.498	0.761
Lowest share price during the reporting period	0.448	0.391	0.394	0.320	0.493
Highest share price during the reporting period	0.627	0.658	0.534	0.558	0.890
Average share price during the reporting period	0.530	0.521	0.473	0.442	0.663
Share book value	0.448	0.448	0.518	0.592	0.678
P/BV	1.3	0.9	1.0	0.8	1.1
P/E	8.3	4.6	5.9	7.0	8.3
Capital increase from retained earnings, %	20.0	-	-	-	-

* description of indicators is provided on the Bank's website: Homepage › Bank Investors › Financial Information › Alternative Performance Measures

Turnover and price of the Bank's shares 2019-2021:



As one of the most traded stocks in the Baltic market, the Bank's shares are included in the following *Nasdaq* indices:

- *OMX Baltic Benchmark (OMXBBGI, OMXBBPI, OMXBBCAPGI, OMXBBCAPPI)* - the Baltic benchmark index consists of the largest and most traded stocks on the Nasdaq Baltic Market representing all sectors;
- *OMX Baltic 10 (OMXB10)* - is a tradable index of the Baltic states consisting of the 10 most actively traded stocks on the Baltic exchanges;
- *OMX Baltic (OMXBGI, OMXBPI)* – is an all-share index consisting of all the shares listed on the Main and Secondary lists of the Baltic exchanges with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Vilnius (OMXVGI)* – is an all-share index which includes all the shares listed on the Main and Secondary lists on the Nasdaq Vilnius with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Baltic Financials (B30GI, B30PI)* – an index of the Baltic financial institutions*;*
- *OMX Baltic Banks (B3010GI, B3010PI*) - an index of the Baltic banks*.*

Return indices (RIs) represent the total return on the shares included in the index and reflect not only stock price movements but also the dividends paid, making these indices a more complete measure of market performance than price indices. Price indices (PIs) only reflect changes in the price of shares included in the index, regardless of dividends. There is a cap on the weight of the shares (CAP) forming indices of a limited number of shares above which the number of shares included in the index is reduced to a cap.

Besides, the Bank's shares are included into such indices as *STOXX Eastern Europe TMI, STOXX All Europe Total Market, STOXX Eastern Europe 300, STOXX EU Enlarged TMI, STOXX Eastern Europe 300 Banks, STOXX Eastern Europe Small 100, STOXX Eastern Europe TMI Small, STOXX Global Total Market, STOXX Lithuania Total Market, Bloomberg ESB Data Index, S&P Frontier BMI Index, and in some FTSE Russell Frontier* indices*.*

ACQUISITION OF OWN SHARES

During the period from 11 August 2021 to 12 August 2021, the Bank repurchased its own shares on the Nasdaq Vilnius Tender Offer Market. 1,000,000 of its own shares were purchased for EUR 750,000 then with the purpose to provide shares to the employees of the Bank and the Bank's subsidiaries. On 13 August 2021 Šiaulių Bankas AB transferred 312 502 own shares to the employees of the Bank and the Bank's subsidiaries as a deferred part of variable remuneration for 2017. Following this transfer, the Bank holds 687,498 its own shares.

The Bank subsidiaries, or persons acting on behalf of the subsidiaries, do not hold any shares in the Bank.

DIVIDENDS

In 2018, the Supervisory Council approved the dividend policy. Carrying out its activities and planning the capital the Bank seeks to ensure a competitive return on investment through dividends and increasing stock value. The Bank shall pay dividends on two assumptions - when external and internal capital and liquidity requirements will be sustained, and the level of capital after dividends will remain sufficient to carry out all approved investment and development plans and other capital-intensive activities. Taking into account the above-mentioned principles and assumptions, the Bank shall seek to allocate at least 25 per cent of the earned annual profit to dividends.

The General Meeting of Shareholders held on 31 March 2021 passed a resolution on the allocation of the Bank's profit. The amount allocated for dividends in this allocation amounts to 7.7 per cent of the net profit for 2020. A dividend of EUR 0.0055 is payable per ordinary registered share with a nominal value of EUR 0.29.

Information on the dividends paid:

	2016	2017	2018	2019	2020
Per cent from nominal value	1.72	1.72	10	-	1.90
Dividend amount per share, Eur	0.005	0.005	0.029	-	0.0055
Dividend amount, Eur	1,887,442	2,264,938	17,421,064	-	3,303,994
Yields from dividends, %	1.1	0.8	6.2	-	1.1
Dividends to Group net profit, per cent	4.3	7.1	33.0	-	7.7

The description of alternative performance indicators is available on the Bank's website at:
Homepage › Bank Investors › Financial Information › Alternative Performance Measures.

AGREEMENTS WITH SECURITIES PUBLIC TRADING INTERMEDIARIES

Agreements with public circulation intermediaries regarding the accounting of securities issued by the Bank are, not concluded, this accounting is managed by the Bank's Securities Accounting Department. The Bank has not entered into market-making agreements with respect to securities issued by the Bank.

According to data as of 31 December 2021 the Bank itself, as an intermediary of public trading, under agreements with the companies issuing securities conducted accounting of 700 companies which totalled to 1000 securities issues (including shares of public and private companies, debt securities, investment fund units). The Bank also conducts market making on the Nasdaq Baltic under a market making programme and under agreements with issuers. As of the end of 2021, the Bank was the market maker of 10 securities issues.

MANAGEMENT OF THE BANK

The Management Board bodies of the Bank are as follows: the General Meeting of the Shareholders of the Bank, Supervisory Council of the Bank, Management Board of the Bank and Chief Executive Officer (CEO).

The General Meeting of Shareholders shall be convened annually, at the latest within 3 months after the end of the financial year. The Board of the Bank, the Supervisory Council and the shareholders having at least 1/10 of all votes have the right to convene the Meeting. The General Meeting of Shareholders is organized, voting is carried out at it, decisions are made in accordance with the procedure established by the Law on Companies. More information on the rights of the General Meeting of Shareholders is provided in the annex “Governance Report” to the consolidated annual report for 2021.

The Supervisory Council of the Bank is a collegial body supervising the activities of the Bank. The Supervisory Council is chaired by the Chairperson. The Bank's Supervisory Council, consisting of seven members, is elected by the General Meeting of Shareholders for a term of four years. The members of the Supervisory Council are nominated for the meeting by the initiators of the meeting or shareholders holding 1/20 of the bank's shares. The Charter of the Bank provide that the number of terms of office of a member of the Supervisory Council is not limited.

The Bank's Supervisory Council (elected on 31 March 2020 and replenished on 10 June 2020, the term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024) currently consists of 8 members, 5 of whom are independent. More information on the functions of the Supervisory Council is provided in the annex “Governance Report” to the consolidated annual report for 2021.

Supervisory Council of the Bank

Name, Surname	Duties at the Supervisory Council	Other current leading positions	Share of capital under the right of ownership, % (31/12/2021)	Share of votes together with the related persons, % (31/12/2021)
Arvydas Salda	Chairman since 1999	Klaipėda free economic zone management company UAB 110707092 Pramonės str. 8, Klaipėda (Board member)	1.61	1.61
Gintaras Kateiva	Member since 2008	Litagra UAB 304564478 Savanorių pr. 173, Vilnius (Chairman of the Board)	5.27	5.29*

Ramunė Vilija Zabulienė	Independent members since 2012	Ars Domina VšĮ 302897128 P. Vileišio str. 9-41, Vilnius (Director); Lewben Art Foundation VŠĮ 302969378 Antano Tumėno str. 4, Vilnius (Board member)	-	-
Darius Šulnis	Member since 2016	Invalda INVL AB 121304349 Gynėjų str. 14, Vilnius (President, Board member); INVL Asset Management UAB 126263073 Gynėjų str. 14, Vilnius (Chairman of the Board), Litagra UAB 304564478 Savanorių pr. 173, Vilnius (Board member); INVL Baltic Farmland UAB 303299781 Gynėjų str. 14, Vilnius (Board member)	-	-
Martynas Česnavičius	Independent member since 2016	D Investicijų valdymas UAB 302937334 Odminių str. 8, Vilnius (Directors, Board member); Board member in other companies: Baltic Mill AB, Malsena Plius UAB , AS Rigas Dzirnavnieks (Latvia), Balti Veski (Estonia), Amber Trust Manageent S.A (Luxembourg), Amber Trust II Manageent S.A (Luxembourg), KJK Management S.A (Luxembourg), KJK Investment S.a.r.l (Luxembourg), KJK Capital OY (Finland), KJK Investicije 0-8 (Slovenia), Leader 96 Eood (Bulgaria), KJK Sports (Luxembourg)	-	0.35**
Miha Košak	Independent member since 2017		-	-
Adriano Arietti	Independent member since 2020-06-03		-	-
Susan Gail Buyske	Independent members since 2020-07-31		-	-

* Pursuant to the Law on Securities of the Republic of Lithuania, votes are counted together with the votes held by the spouse
** Votes are counted together with PRO Finance UAB, company code 110886161 - 0.35%

The Board of the Bank is a collegial management body of the Bank consisting of 7 members. It manages the Bank, manages its affairs and is responsible for the execution of the Bank's financial services in accordance with the law. The rules of procedure of the Board shall determine the Rules of Procedure of the Board. The Management Board of the Bank is elected for four years. The members of the Board are elected, recalled and supervised by the Bank's Supervisory Council. The term of office of the Board shall be four years and the number of terms is not limited. If individual members of the Board are elected, they are elected until the end of the term of office of the existing Board.
The Board of the Bank was elected on 31 March 2020, the term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024. In the meeting of 6 May 2021, the Supervisory Board of the Bank removed Vita Urbonienė from the position of a member of the Board of the Bank and elected Algimantas Gaulia as a new member of the Board of the Bank, who was take up the position of a member of the Board in 30 July 2021 with the permission of the supervisory authority.
More information on the functions of the Board is provided in the annex “Governance Report” to the consolidated annual report for 2021.

Board of the Bank

Name, Surname	Duties at the Board	Other current leading positions at the Bank	Share of capital under the right of ownership, % (31/12/2021)	Share of votes together with the related persons, % (31/12/2021)
Algirdas Butkus	Chairman since 1999	Deputy Chief Executive Officer	2.40	5.28*
Vytautas Sinius	Deputy Chairman since 2014	Chief Executive Officer	0.20	0.20
Donatas Savickas	Deputy Chairman since 1995	Deputy Chief Executive Officer, Head of Finance Division	0.10	0.10
Daiva Šorienė	Members since 2005	Deputy Chief Executive Officer, Head of Sales and Marketing Division	0.01	0.01
Mindaugas Rudys	Member since 2020	Head of Service Development Division	0.03	0.03
Ilona Baranauskienė	Members since 2014.	Head of Legal and Administration Division	0.01	0.01
Algimantas Gaulia	Member since 30 July 2021	Head of Risk Management Division	<0.01	<0.01

* Pursuant to the Law on Securities of the Republic of Lithuania, votes are counted together with controlled companies: Prekybos namai AIVA UAB, company code 144031190 - 2.00%, Mintaka UAB, company code 144725916 - 0.88%.

In 2021, the Nomination Committee set a target for the under-represented gender - a minimum number of 2 of under-represented gender members in the Bank's supervisory and management bodies. At the same time, after assessing the required experience, knowledge and skills of the members of the bodies it was decided to seek to increase the minimum number of members of the under-represented gender in the Bank's supervisory and management bodies, i.e. to increase the gender balance.

The composition of the members of the Bank's supervisory and management bodies in 2021 corresponds to the set goal of the under-represented gender. The age, education and professional experience of the members of the supervisory and management bodies ensure diversity and opportunities to share different views and perspectives.

Diversity of members of the Bank's bodies:

MEMBERS OF THE MANAGEMENT BOARD:

Gender	Age range	Education	Professional experience	Geographic diversity
2 women 5 men	Age range 40 – 75 (members fall into the specified ranges but do not reach the cap)	Bachelor's and Master's degrees gained in the following areas: economics, management and business administration, business management, international economics	Experience of the members of the supervisory / management bodies 22 - 7 years.	Lithuania: Vilnius, Kaunas, Šiauliai

MEMBERS OF THE SUPERVISORY COUNCIL:

Gender	Age range	Education:	Professional experience	Geographic diversity
2 women 6 men	Age range 50 – 75 (members fall into the specified ranges but do not reach the cap)	Bachelor's and Master's degrees gained in the following areas: applied mathematics, economics, business administration, pedagogy, law, political science, public relations	Experience of the members of the supervisory / management bodies 22 - 6 years.	Lithuania, Bulgaria / USA, Italy, Slovenia / Great Britain

THE COMMITTEES FORMED WITHIN THE BANK, AREAS OF THEIR ACTIVITIES

Functions, procedures of formation and the policy of activities of the bank's committees are defined by the legal acts of the Republic of Lithuania, legal acts of the Bank of Lithuania as well as provisions of the certain committees approved by the Management Board or Supervisory Council of the Bank.

COMMITTEES UNDER AUTHORITY OF THE BANK'S SUPERVISORY COUNCIL

Information on the committee members as of 31 December 2021:

The Risk Committee advises the management bodies of the Bank on the overall current and future risk acceptable to the Bank and strategy and assist in overseeing the implementation of the strategy at the Bank, verifies whether prices of liabilities and assets offered to clients take fully into account the Bank’s business model and risk strategy and shall also carries out other functions provided for in its provisions.

	Name, surname	
Chairman	Miha Košak	Member of the Supervisory Council
Members:	Adriano Arietti	Member of the Supervisory Council
	Darius Šulnis	Member of the Supervisory Council
	Ramunė Vilija Zabulienė	Member of the Supervisory Council

The Internal Audit Committee monitors and discusses the process of financial statement preparation, the efficiency of the Bank’s internal control, risk management and internal audit systems, the processes of the audit and internal audit performance on regular basis and performs other functions foreseen by the legal acts of the supervisory authority and provisions of the Internal Audit Committee. Following the laws and legal act of the supervisory authority the composition, competences and arrangement of activities of the internal Audit Committee are formed and controlled by the Bank’s Supervisory Council.

	Name, surname	
Chairman	Ramunė Vilija Zabulienė	Member of the Supervisory Council
Members:	Martynas Česnavičius	Member of the Supervisory Council
	Susan Gail Buyske	Member of the Supervisory Council

The Nomination Committee nominates candidates to fill management body vacancies and recommends, for the approval of the management bodies of the bank or for approval of the general meeting of shareholders, evaluates the balance of skills, knowledge and experience of the management body of the Bank, submits comments and findings related to the matter, assesses the structure, size , composition, operating results of the Bank’s bodies and carries out other functions provided for in its provisions.

	Name, surname	
Chairman	Martynas Česnavičius	Member of the Supervisory Council
Members:	Darius Šulnis	Member of the Supervisory Council
	Miha Košak	Member of the Supervisory Council

The Remuneration Committee evaluates the variable remuneration policies, practices and incentives developed to manage the risk, capital and liquidity of the Bank, supervises the variable remuneration of senior executives responsible for risk management and compliance, drafts variable remuneration decisions and performs other functions set forth in its policies.

	Name, surname	
Chairman	Martynas Česnavičius	Member of the Supervisory Council
Members:	Gintaras Kateiva	Member of the Supervisory Council
	Ramunė Vilija Zabulienė	Member of the Supervisory Council

COMIMITTEES UNDER AUTHORITY OF THE BANK'S MANAGEMENT BOARD

Information on the committee members as of 31 December 2021:

The Loan Committee evaluates loan granting material / documents and loan risk, approves / rejects lending decisions and / or amendments to terms and conditions, suggests regarding loan granting, loan interest rates, improvement of loan administration procedures and performs other functions foreseen by its provisions.

	Name, surname	Position
Chairman	Edas Mirijauskas	Director of Credit Department
Deputy	Diana Leonavičienė	Director of Regional Lending Unit
Members:	Vytautas Sinius	Chief Executive Officer
	Algimantas Gaulia	Head of Risk Management Division
	Daiva Šorienė	Head of Sales and Marketing Division
	Ramūnas Dešukas	Director of the Special Assets Department
	Aurelija Geležiūnė	Director of the Legal Department

The Risk Management Committee performs functions related to the organization, coordination and control of the Bank's risk management system, determines and controls risk measurement indicators corresponding to the risk appetite acceptable to the Bank, as well as performs other functions provided for in its regulations:

	Name, surname	Position
Chairman	Algimantas Gaulia	Head of Risk Management Division
Deputy	Dalia Udrienė	Director of Risk Department
Members:	Tomas Dautoras	Director of Non-Financial Risk Department
	Edas Mirijauskas	Director of Credit Department
	Donatas Savickas	Head of Finance Division
	Daiva Šorienė	Head of Sales and Marketing Division
	Denis Zubov	Director of Credit Risk Management & Control Department

INTERNAL CONTROL ASSESSMENT

The purpose of internal control is to ensure the legality, cost-effectiveness, efficiency, and transparency of the activities of the Bank, implementation of its strategic and other operational plans, protection of its property, reliability and completeness of information and reports, fulfilment of contractual and other obligations to third parties, and management of all related risk factors.

The Bank has a sound and consistent internal control culture that is continuously improved and applied in the Bank's activities, strategy and risk management through the Bank's internal legislation, controls, and staff training.

The internal control system of the Bank is an integral part of its day-to-day activities that is based on the model of three lines of defence.

It should be noted that in 2021, the Bank paid special attention to improving its risk culture, i.e., strengthening the second line of defence, which strengthened the Bank's risk control and compliance management. All employees of the Bank are responsible for the operation of the Bank's internal control processes at their respective levels, and each of them participates in and can influence the internal control system. Risk management responsibilities are delegated not only to the units performing the risk control function, but also to other structural units of the Bank, taking into account the level of risk acceptable to the Bank and its risk-taking capacity. The Bank aims to ensure proper separation of functions between the units of the first and second lines of defence and to maintain a sufficient level of independence of the second line of defence in exercising control functions in the Bank; therefore, the activities of the first and second lines of defence must be organised in line with the principles, objectives, and scope of activities of the relevant units.

The assessment of the efficiency and adequacy of the Bank's internal control system as well as comprehensive, independent, and objective assessment of risk management and compliance are performed by the Internal Audit Service of the Bank, which belongs to the third line of defence. The Service informs the Internal Audit Committee and the Board of the Bank about the observed deficiencies or violations.

EXTERNAL AUDIT

In 2021, the Bank was audited by KPMG Baltics UAB (company address: Konstitucijos pr. 29, LT-08105 Vilnius, tel. (8 5) 2102 600, fax (8 5) 2012 659, the company was registered on June 24, 1994, company code 111494971).

This audit company was selected after the Board of the Bank interviewed other international audit companies and considered their proposals. When choosing an audit company, reputation risk, price of services, other factors are considered.

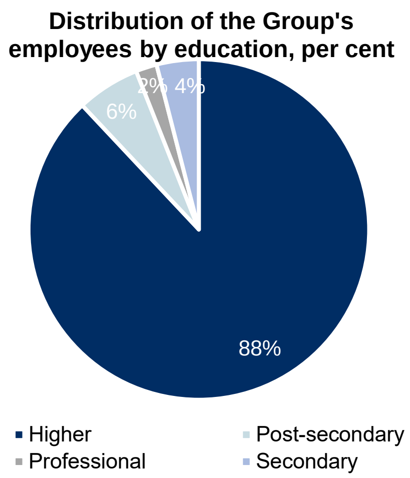
The General Meeting of Shareholders of the Bank held on 31 March 2020 adopted a resolution to elect KPMG Baltics UAB for auditing the consolidated annual financial statements of the Bank for 2020 and 2021 and the consolidated annual report.

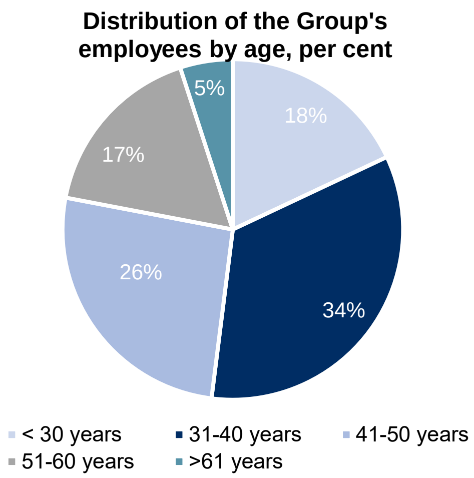
EUR thou (excluding VAT costs)	Group		The Bank	
	2021	**2020**	**2021**	**2020**
Contractual auditing of financial statements	151	121	101	71
Cost for assurance and other related services	62	-	62	-
Costs for tax advice issues	-	-	-	-
Costs for other services	-	3	-	-
Total	**213**	**124**	**163**	**71**

EMPLOYEES

On 31 December 2021, the Bank had 789 employees and the Group – 882 employees (working under fixed-term and open-ended employment contracts, including employees on maternity and parental leave). Compared to 31 December 2020, the number of employees in the Bank increased by 4.4 per cent and in the Group – by 3.9 per cent.

On 31 December 2021, there were 80 per cent women and 20 per cent men working in the Group.





Personnel strategy

The personnel management strategy is focused on the achievement of the Group's long-term goals in order to attract and retain efficient employees, develop and raise their level of expertise, motivate and involve them in the Group's activities, forming a culture of achieving high results.

Employee relations

The Bank maintains long-term employment relationships with its employees. On 31 December 2021, 24 per cent of the Bank's employees had a seniority of 10 and more years. In 2021, the overall employee turnover in the Bank was 11.2 per cent (11 per cent in 2020). Loyalty to the Bank is encouraged every five years by monetary gifts in accordance with a special loyalty program approved by the Bank.

The Bank has a Labour Council, the members of which are 8 employees of the Bank, elected by secret ballot of the Bank's employees holding various positions in the Bank. The Labour Council operates in accordance with the Rules of Procedure of the Labour Council. The Labour Council cooperates with the Bank's Personnel, Asset Management and Administration and other departments by submitting its proposals and seeking the best solutions for the Bank's employees.

Performance evaluation

Once a year, the Bank conducts a formal discussion and review of the employees' annual performance. During these interviews, managers discuss with their employees the results of achieving the annual targets, implemented projects, competencies, identifying strengths and areas for development, agreeing on specific educational tools, career opportunities. The interviews are held with the aim of encouraging the sharing of mutual feedback by strengthening open and value-based communication and collaboration. In order for each employee to feel that their work contributes to and influences the overall results of the Bank and that everyone's efforts are directed in one direction, annual targets are set by agreement between the manager and the employee to contribute to the overall goals and performance of the Bank.

The Bank also organises semi-annual performance reviews to discuss the status of the annual targets and, if necessary, to provide additional measures and actions to achieve them.

The Bank is constantly developing a performance review IT system in order to meet the expectations of managers and employees, digitise the process, and ensure timely analysis of performance reviews.

Engagement

In 2021, the Bank conducted an anonymous comprehensive engagement survey for the second time with the help of an external partner, with the main objectives being:

- to self-assess the annual change in employee engagement and organisational evaluation;
- in accordance with the obtained survey results, to refine the priority areas of the organisation to be improved and to update the action plan for their improvement;
- to properly allocate human and financial resources;
- after identifying the strengths, to develop the image of the employer first internally and then externally.

As in the previous year, the survey questionnaire consisted of 65 questions; the survey was completed by 96% of the Bank's employees, i.e., 2% more than in 2020. Throughout the past year, 2021, we have been implementing the activities and initiatives provided for in the Bank's action plan; therefore, the results of the survey show that the employees' trust in the organisation, strategic coherence and leadership have improved. The results were presented to managers and all employees. In the assessment of the results of the 2021 survey, the areas of the Bank as an organisation to be developed and its strengths were newly identified. Based on the survey results, the Bank prepares its action plan for 2022, i.e., what should be changed, developed and how, which traditions should be maintained in order to further strengthen positive, feedback-based communication and collaboration. The survey will be repeated.

Management of the COVID-19 pandemic

In 2021, we continued our efforts to ensure the smooth work of our employees by providing them with the necessary resources to ensure their good physical and emotional condition. We worked in very different conditions throughout the year. At the beginning of the year, during the total quarantine, the main goal was to keep the network employees healthy by regulating the flow of employees, providing them with all the means of protection and ensuring the regulation of customer flows. Employees whose functions allowed to do so were working remotely. Over the course of the year, the pandemic situation changed; certain exemptions introduced at state level allowed workers to return to work, in part at first and later on in full. This could be achieved by rotating teams, maintaining certain recommended distances, internal, stricter work organisation rules, etc.

We took care of purchasing personal protective equipment throughout the year. We fully provide all employees with face protection (medical masks, FFP2 respirators), disposable gloves, and disinfectant wipes. At the customer service points, we provided customers with disposable medical masks as needed, and we also ensured the possibility to disinfect their hands in all places available. Additional disinfection of frequently touched surfaces was also continued, and all units were equipped with non-contact thermometers to monitor the health of employees.

The COVID-19 working group continued to be active throughout the year. Its members provided general suggestions, recommendations on the organisation of work during the pandemic (including, but not limited to security measures, communication, work tools, etc.) to the relevant decision-making managers and/or bodies, in accordance with the principles of cooperation and the responsibilities of each member.

In 2021, we focused on constructive and informative communication. Especially on the topic of vaccination. We supported the Government's vaccination strategy, provided employees with all available information, and invited them to lectures conducted by representatives of a health care facility. Also, as the Government added large companies to the list of COVID-19 vaccination priority groups, we provided municipalities with lists of our employees who wished to be vaccinated. However, to this day, we maintain respect for personal choice, so we provide the opportunity to work to everyone, both vaccinated and non-vaccinated employees, while maintaining maximum safety of our employees, as they are allowed to access the workspaces only with the National Certificate or a negative antigen test result not older than 7–10 days. For a while, the tests were funded by the state. Later, we funded them as the employer, and now the employees are testing at their own expense. The bank has negotiated competitive testing prices with its partners.

In the event of a confirmed case of coronavirus in any of the Bank's employees, all preventive measures to reduce the possible spread of the disease are taken: the premises visited by the infected employee are disinfected, persons who might have had contact with the infected employee are identified, and close cooperation with public authorities is ensured. Individual communication is maintained with each infected employee: all the necessary information is provided on how to proceed in case of a positive test result and the employee's condition is constantly monitored.

To ensure business continuity during the pandemic, the rules and instructions have been updated:

- Teleworking rules;
- Rules for organising work at the Bank to reduce the risk of COVID-19 infection;
- Instruction in case of suspicion or detection of COVID-19 virus in Šiaulių Bankas AB;
- the Emergency Management Plan has been updated.

Organizational structure

The Bank and the Group constantly strive to work efficiently, to respond flexibly to regulatory requirements, changes and needs of the external environment, to achieve the Bank's strategic goals so that the organisational structure meets business needs as much as possible, ensures optimal organisation of activities, process efficiency and employee competence.

In 2021, in order to make the Bank's operations more efficient, structural changes were implemented in the Bank's divisions:

- taking into account the Bank's strategic priorities, efforts to streamline the Bank's activities by concentrating competencies, growing and tightening legal and regulatory requirements for institutions operating in the financial sector, the activities of the first and second lines of defence in all structural units were separated, financial and risk management functions were separated and assigned to separate services, and changes in the subordination of other units have been implemented accordingly;
- in order to increase the synergy and efficiency of the Bank's divisions, avoid overlapping of processes and communication, strengthen the functions of product/service introduction, delivery and sales promotion, two departments – Sales Department and Marketing and Communication Department – were merged into one department;
- In view of the changing needs and expectations of customers, the functions and responsibilities of the Remote Customer Service Centre (NCAC) have been expanded, and as the importance and significance of NKAC has increased, it has been transformed into a separate structural unit.

Employee training

The year 2021 was very active in the field of training at the Bank. As the chaos of the COVID pandemic subsided and we adapted to the new reality, we organised many new and continued some of the existing training and development programmes in the Bank. We conducted training using a hybrid model – training took place both live and online.

In 2021, we paid a lot of attention to the development of managers at various levels. Having assessed the data of the engagement survey and the general trends, and seeking to purposefully direct the training of managers towards the strengthening of leadership, cooperation, effective communication and other competencies, we returned to the further training model. We chose the Leadership Academy model proposed by an external partner for executives who already have experience in running a company or its division. All managers included in the academy are responsible for the implementation of the Bank's strategy through the employees of their divisions. The programme consists of 6 topics, such as Collaboration That Generates Maximum Value, Situational Leadership, Public Speaking and Facilitation, etc. The duration of the academy is 1.5 years, with over 100 executives of various levels participating.

We have also strengthened the leadership and overall competencies of the Bank's senior management accordingly. To this end, three sessions on Public Speaking and Presentation, Facilitation and Leadership were planned.

Taking into account the structural changes of the Bank and the expressed needs of the target group for training, in 2021, it was decided to strengthen the risk management competencies of the members of the Board and the Supervisory Board of the Bank. To this end, training on the following topics was planned and organised: Non-Financial Risk Management and Innovation and Digitisation.

All new employees of the Bank participate in the two-day event New Employees' Days, where representatives of the Bank from different fields share their professional experience, introduce new colleagues to the Bank's structure, functions of departments, present the Bank's services, products, processes and projects. During the New Employees' Days, we play a game focusing on the Bank's values and learn about the Bank's values in practical situations. More than one hundred employees participated in the New Employees' Days.

For the purpose of continuing the development of process management in the Bank, a process management and improvement program was prepared in 2021. It sets out the stages for the implementation of process management and the pursuit of cultural change through the following principles: customer focus, digital thinking and simplicity. The program was presented to department heads, while aiming to perform efficiency work in each chain, setting goals accordingly. A complete process and operational efficiency training strategy has been developed, covering each employee, starting with a general understanding of processes and work efficiency and deepening specific knowledge in this area for specific positions.

Furthermore, in 2021, the strengthening of project management competencies was continued – a new project preparation and management procedure that was drawn up in 2020 entered into force, and practical project management training for the Bank's employees was carried out based on it.

In 2021, we continued to prioritise regulatory requirements for employee qualifications and experience. We have adhered to the training plan designed to strengthen knowledge in the field of prevention of money laundering and terrorist financing. We also used an online training platform to ensure compliance with the GDPR and IT security requirements, which provided mandatory Personal Data Protection (2 modules) and Digital Security training for each employee. The purpose of this training is to provide a thorough introduction to personal data protection and digital security requirements and practices.

In order to build the expertise of compliance professionals, personnel in the areas of money laundering prevention, know-your-customer and financial settlement, and to help them gain relevant knowledge and global best practices in risk management, anti-money laundering and financial crime prevention, we have secured access for some of them to ICA and CAMS certifications, which are considered a benchmark of excellence worldwide.

In 2021, the unique program Financing Solutions Forum organised by the Bank was continued, aimed at strengthening the functional and general competencies of credit specialists. The program's spring and fall sessions were held online. Because of the topics presented in the final conference of the forum and its scope, it became the Annual Conference of Šiaulių Bankas. This year, the conference was held online again. Presentations of the speakers and debates were broadcast live from a specially designed studio, and the broadcast could be watched by all employees of the Bank. The conference focused on the importance of sustainability in a global, business and personal context from an environmental, social and governance perspective.

In 2021, we focused on developing the emotional competence of our employees. We organised joint employee initiatives such as Health Week, Spring Fun (spring initiative for active movement), and gave the employees the opportunity to listen to lectures on topics such as stress and its management, quality sleep, eye care, our health reserves and more.

By strengthening the motivation and skills development of the Bank's employees working remotely, we created opportunities for employees to participate in remote sessions: organisation of remote work, long-term motivation. We organised internal training on the capabilities and use of MS Teams to perform work functions (in 2020, the Bank started using Microsoft products).

In 2021, the Bank continued the tradition of organising training by internal lecturers on sales and work organisation.

The staff of the Bank's centre and network units raised their competence by participating in external conferences and seminars.

Internship opportunities

In 2021, the Bank continued to cooperate with Lithuanian higher education institutions, providing opportunities for students to carry out a wide range of internships at the Bank, even in the context of the pandemic, assessing each case individually.

In 2021, 16 students completed compulsory or voluntary internships in various divisions of the Bank.

Students had the opportunity to carry out internships in various divisions of the Bank, gain practical work experience and establish professional contacts important for their future careers.

After the internship, the Bank provides opportunities for students to find employment and start a professional career.

Employee motivation

The majority of the Group's employees may be granted quarterly and/or annual bonuses for achieving the unit's and/or personal goals. The employees can also be motivated by one-time bonuses for exceptional results, participation in projects significant to the Bank, etc.

The annual variable remuneration in cash and in the Bank's shares may be granted only to the Nominated Employees. Nominated Employees are the managers of the Bank and some of the Group's companies and members of the Board of the Bank, as well as other employees of the Bank and the Group whose professional activities have a significant impact on the risk profile of the Bank and the Group and for which such employees are considered to be recipients of annual variable remuneration in accordance with the applicable legal acts of the Republic of Lithuania and the European Union. For more information on remuneration of Nominated Employees, see the Remuneration Policy section of this notice.

In 2021, the Bank, as a socially responsible employer, provided health insurance to all employees who successfully completed the probationary period and returned after paternity leave. Health insurance is one of the most important additional incentive measures. It provides faster access to health-related services to the insured employees, for example, receiving treatment in health care institutions of their choice, visiting specialists, getting various tests done, purchasing medicines, and accessing other health promotion services.

The Group's employees have the option of accruing additional retirement benefits in exceptional circumstances, with part of the contribution paid by the employee and part paid by the employer. The long-term incentive programme Kaupkime Kartu has been developed together with the Bank's subsidiary SB Draudimas UAB (specialising in life insurance), in which more than 30 per cent of employees participate.

Other additional benefits provided to the Bank's employees, which are also not based on the employee's performance:

- telework;
- flexible working hours;
- additional leave depending on the position for certain senior positions and for uninterrupted service;
- paid training leave;
- one-time bonuses on personal celebrations and events significant for the Bank;
- new employee's package, gifts to employees and their children on major holidays;
- one-time payments in the event of death of a family member, major accident, critical illness, etc.;
- payment for the first 2 days of the employee's incapacity for work;
- free flu vaccines and other discounts provided by the Bank's partners;
- team building events;
- opportunity to participate in interbank and other tournaments in various sports.

REMUNERATION POLICY

This information has been prepared and is provided in accordance with the Description of the Minimum Requirements for Remuneration Policy, the provisions of Article 450 of Regulation (EU) No 575/2013 of the European Parliament and of the Council, the Articles of Association of the Bank, decisions of the Supervisory Council and the Board as well as other laws on the requirements for remuneration policy of the Bank as a financial institution and a public limited liability company whose shares are admitted to trading on a regulated market.

Information related to the decision-making process applicable when setting remuneration policy as well as the number of meetings held by the principal body supervising remuneration during the financial year

The Remuneration Policy review process took place in 2021, in the light of the envisaged changes in the applicable requirements for the Remuneration Policy of the Bank. It is planned to submit the updated draft of the Remuneration Policy for the approval of the 2022 General Meeting of Shareholders of the Bank. The Remuneration Policy is addressed and applies to the Bank and the Group companies. The Group companies that are subject to special remuneration requirements under other laws shall draw up and approve their own remuneration policy that applies jointly with this Remuneration Policy. Once approved, the Remuneration Policy shall be published on the website of the Bank.

The responsibility for the establishment of the principles of the Remuneration Policy and the models of remuneration system, as well as for the periodic review of the Remuneration Policy at the Bank shall be with the Supervisory Council, while the responsibility for the implementation of the Remuneration Policy shall be with the Board. The Internal Audit Service of the Bank shall perform regular controls by carrying out annual internal audit of the Remuneration Policy in order to verify compliance with the principles of the Remuneration Policy.

The draft Remuneration Policy to be submitted for approval to the General Meeting of Shareholders has been drawn up in consultation with external consultants.

The Bank has formed a Remuneration Committee that carries out competent and independent assessments of the variable remuneration policy and practice, and ensures that the remuneration system takes into account all types of risk, capital and liquidity, and is compatible with sound and efficient risk management as well as with the business strategy, objectives and the long-term interests of continuing operations of the Bank or the Group company. The composition of the Remuneration Committee, the procedure for its formation, its functions, rights and responsibilities are set out in the Rules of Procedure of the Remuneration Committee as approved by the Supervisory Council of the Bank. The composition of the Remuneration Committee is approved by the Supervisory Council of the Bank, the list of Committee members is provided and the functions of the Committee are described in the Chapter of the Annual Report 'Committees Formed at the Bank and the Spheres of their Activities'. 6 (six) meetings of the Remuneration Committee were held in 2021.

Information on the correlation between remuneration and performance

The Remuneration System is a complex of remuneration package elements used by the Group to attract, motivate and retain the best employees who would help implement the long-term objectives and the business strategy of the Group.

The Bank and the companies of the Group use a combination of fixed and variable remuneration.

Fixed remuneration represents the principal part of the Remuneration. The aspects taken into account when setting the official remuneration of a particular employee shall include his/her competence, experience, qualifications, specific know-how, internal fairness, market trends, etc. Additional benefits apply regardless of employees' individual performance, without incentivising risk-taking. Additional benefits are based on pre-defined criteria.

Variable remuneration is paid in order to link employees' individual performance targets with the long-term interests of the Group, with the view of ensuring sustainable business development, encouraging employees to act honestly and in good faith, transparently and professionally, with due regard to the rights and interests of customers.

The amount of variable remuneration is based on the overall assessment of the performance of the employee, the unit and the Group. The variable remuneration granted to an employee may depend on the job position of the employee, the importance of his/her decisions that may have a significant effect on the risk taken by the Group. The assessment of an employee's individual annual performance targets and achievements includes not only the his/her personal financial performance, but also his/her non-financial / non-quantitative input (e.g. relations with customers, colleagues, compliance with standards, implementation of the requirements set out in internal documents, initiative, responsibility, performance improvement, etc.).

The principles for calculating variable remuneration are drawn up in such a way as to be compatible with the strategy, objectives, values, the interests of long-term continuing operations of the Group, as well as to promote sound and efficient risk management, help avoid conflicts of interest, ensure compliance with the codes of ethics, while not encouraging employees to take excessively high risks that are unacceptable to the Group, and ensure the principles of protection of investors and customers in the process of the Group's services as well as act in the best interests of the customers.

The variable remuneration budget shall be formed only after assessing the performance of the Group and after taking into account the current and future risk exposure, the costs of the capital employed and liquidity support. The variable remuneration budget must not restrict the Group's capacity to strengthen its capital base.

The Remuneration Policy seeks to promote responsible business, fair dealing with customers and avoiding conflicts of interest in relations with customers, so that the monetary / non-monetary rewards do not become an incentive for employees to pursue their own interests, the interests of the Bank or any other company of the Group to the detriment of customers' interest.

Essential characteristics of the remuneration system structure, including information on criteria used in performance assessment, risk exposure adjustment, deferment policy and award criteria. The ratio between fixed and variable remuneration

The Bank and the Group companies, depending on their size, the nature, scale and complexity of their operations and the risks they take, are subject to fixed remuneration and variable remuneration (remuneration components):

- Fixed remuneration for employees consists of (i) official remuneration and (ii) additional benefits;
- Fixed remuneration for members of the Supervisory Council of the Bank who are not employees consists of (i) official remuneration (ii) supplement to the official remuneration;
- Variable remuneration is defined as (i) annual variable remuneration, (ii) supplements, (iii) one-off bonuses.

Detailed information on the remuneration components at the Bank and the Group companies is presented in the Remuneration Policy of the Bank published on the website of the Bank.

Variable remuneration may be awarded to all employees, by maintaining adequate balance between the fixed and the variable remuneration components and by preserving the ability to pursue a flexible policy related to the variable components of remuneration, i.e. the variable remuneration awarded during 1 (one) calendar year must not be more than 100 per cent of the fixed remuneration component in the same 1 (one) calendar year for which the variable remuneration is awarded, in order to promote sound and efficient risk management, except where the General Meeting of Shareholders of the Bank increases the maximum ratio between variable and fixed remuneration to 200 per cent in accordance with the requirements of the law.

The Group does not offer guaranteed variable remuneration.

The actual ratio between variable and fixed remuneration in the Group is calculated by adding up all components of the variable remuneration awarded over a certain period and dividing their sum by the amount of the components of fixed remuneration awarded during the same period.

Pursuant to the Remuneration Policy of the Bank, official remuneration and supplements to the official remuneration are paid to the members of the Supervisory Council of the Bank regardless of the status, age, citizenship and experience of the member:

- Official remuneration for a member of the Supervisory Council of the Bank means an annual monetary remuneration paid to a member of the Supervisory Council of the Bank for performing the functions of a member of the Supervisory Council that amounts to EUR 50,000 (before applicable taxes), and is paid on a monthly, quarterly or other basis as agreed between the Bank and the member of the Supervisory Council;
- Supplement to the official remuneration of a member of the Supervisory Council means an annual monetary supplement paid for performing additional functions while performing the duties of a member of the Council. The annual supplement to the official remuneration of a member of the Supervisory Council for the position of the Chairman of the Supervisory Council shall be 200 per cent of the annual official remuneration. The annual supplement to the official remuneration of a member of the Supervisory Council for the office of Committee Chairperson shall be 25 per cent of the annual official remuneration. The annual supplement to the official remuneration of a member of the Supervisory Council for his / her duties as a Committee member shall be 15 per cent of the annual official remuneration. The annual supplement to the official remuneration of a member of the Supervisory Council shall be paid proportionately, for the previous month, quarter or any other period as determined by the agreement between the Bank and the member of the Supervisory Council.

The annual amount of the official remuneration and the percentage of supplements to the official remuneration paid to a member of the Supervisory Council shall be approved by the General Meeting of Shareholders of the Bank for the whole term of office by approving the Remuneration Policy of the Bank.

No variable remuneration shall be awarded to members of the Supervisory Council.

Pursuant to the Remuneration Policy of the Bank, annual variable remuneration may only be awarded to Nominated Employees. Nominated Employees means the managers and members of the Board of the Bank and part of the Group companies, as well as other employees of the Bank whose professional activities have a material impact on the risk profile of the Bank and the Group, due to which such employees are considered to be recipients of variable annual remuneration for the purpose of the applicable laws of the Republic of Lithuanian and the European Union and internal documents of the Bank. The list of Nominated Employees shall be drawn up in accordance with the qualitative and quantitative criteria set out in the delegated regulation of the European Commission and, where relevant – additional criteria; the list shall be approved by the Board of the Bank. Group companies, with due regard to the applicable special regulatory requirements, shall designate the nominated employees of a specific Group company as well as the principles of variable remuneration applicable to such persons. Such nominated employees shall not be considered to be the nominated employees of the Group.

The annual variable remuneration may be awarded, paid and/or granted only subject to a sustainable financial position of the Bank and without prejudice to the requirements of other laws. The annual variable remuneration must be reduced or not paid at all, where the performance of the Group fails to meet the indicators set out in the strategy, or where losses are recorded, where the Nominated Employee has acted in bad faith or where his/her actions resulted in a loss to the Bank or the Group. The performance of Nominated Employees over three years shall be taken into account when determining their annual variable remuneration.

The variable remuneration of employees engaged in risk management, compliance and internal audit functions shall not take into account the performance of the units they control.

The annual variable remuneration is divided into two equal parts:

- the immediately payable portion amounting to 50 per cent of the total annual variable remuneration awarded, which is paid in cash;
- the deferred portion amounting to 50 per cent of the total annual variable remuneration is allocated in the Bank's shares. The award of this portion of the remuneration is deferred for a period of 3 years from the date of award of the annual variable remuneration until the grant of the deferred portion, taking into account the potential risks related to the results of the annual assessment of the employee. The deferred portion for the Nominated Employee shall be approved annually, in proportion to the achievement of his/her targets, or shall not be approved (where the targets are not achieved, i.e. when the qualitative criterion is not reached), even in the case when the financial indicators of the Bank have been achieved. Where the Nominated Employee or the Bank exceed the set targets, the deferred portion awarded can’t be increased, except for ex-post adjustments related to share-related events or changes in taxation. Sufficient grounds for adjusting (reducing or not paying) the deferred portion awarded to a particular Nominated Employee may include ex-post risk adjustments and ex-post adjustments related to the activities of the Nominated Employee.

The achievement of annual targets is assessed on the basis of qualitative and quantitative criteria. Account is taken not only of the employee’s personal financial performance, but also of his/her non-financial/non-quantitative inputs, i.e. relations with customers, colleagues, compliance with standards, compliance with internal rules of procedure, policies and procedures, compliance with requirements, initiative, responsibility, his/her following of the values of the Bank, performance improvement, etc. The determined annual variable remuneration for employees is linked to the risk assumed by the unit / employee and the performance of the Group, the Group company and the unit / employee. The criteria for calculating annual variable remuneration and target proportions are affected by position and responsibilities, effect on performance, current and future risk exposure.

In determining / calculating the amount of annual variable remuneration for Nominated Employees, the correlation between the performance of the Group, the risks taken and the remuneration is ensured through the application of the ex-ante risk assessment principle, i.e. the assessment covers the current and potential future risks which arise from or are directly related to the payment of the annual variable remuneration. The ex-ante assessment of annual variable remuneration is based on the assessment of quantitative and qualitative criteria. Quantitative criteria – means the capital and liquidity ratios set out in the approved Risk Appetite Statement; qualitative criteria – means business continuity risk management indicators. The determination / calculation of ex-ante annual variable remuneration amount takes into account the performance and the long-term strategy of the Group and seeks to curb the incentive for employees to take risks in excess of the level acceptable to the Group. The ex-ante assessment of annual variable remuneration analyses whether the amount of the annual variable remuneration is compatible with the main strategic priorities of the Group, its balanced short-term and long-term business objectives and the risk appetite accepted to achieve the objectives. The purpose is to achieve that the amount of annual variable remuneration is sustainable, taking into account the financial position of the Group.

Variable remuneration payments related to employment termination are determined based on the employee's performance within a period established by the Bank or the Group; they are determined in such a way that an employee is not remunerated where his/her activity resulted in losses to the Bank or the Group, except for statutory payments under the law. No options to recover any variable remuneration paid to an employee are provided for.

Information on performance assessment criteria that form the basis for entitlement to shares, options or variable remuneration portions. Main criteria and reasons of the system of variable remuneration elements and other non-monetary benefits

The payment of deferred annual variable remuneration in the Group applies only to the Nominated Employees whose professional activity has a significant effect on the nature of the risk profile of the establishment (Group). Annual variable remuneration, including the immediately payable portion and the deferred portion, may be paid and/or awarded only provided the Bank is in a sound financial position, after the measures of risk-based ex-ante adjustment of annual variable remuneration have been applied (where applicable) and without prejudice to the requirements of the law. Annual variable remuneration must be reduced or not paid at all, if the performance of the Group fails to meet the indicators set out in the strategy, or where losses are recorded, where the Nominated Employee has acted in bad faith or where his/her actions resulted in a loss to the Bank or the Group. The entitlement to the Bank's shares as a portion of variable remuneration shall be based on the same performance assessment criteria as apply to the cash portion.

The deferred portion of annual remuneration in the form of the Bank's shares shall be awarded and granted upon the expiry of the deferment period in accordance with the option transaction (option agreement) between the Bank and the Nominated Employee whereby the Bank grants the Nominated Employee the right to acquire the Bank's shares free of charge upon the expiry of the deferment period.

Employees are prohibited from personally ensuring themselves under insurance strategies or by taking out insurance cover against a decrease of their variable remuneration in order to mitigate the risk determined through the application of the principles for calculating their variable remuneration.

Amounts of payments related to employment termination / end of term in office and notice periods in the Group are determined based on the statutory amounts of such payments and / or the duration of such notice periods established in the laws. The Bank has agreements with most of the Board members (Board members also hold other positions at the Bank under contracts of employment) that upon termination of an employment relationship with a Board member who also holds another position at the Bank, the Bank shall pay a one-time compensation in the amount of the monthly official remuneration for 12 months.

GENERAL QUANTITATIVE INFORMATION ON REMUNERATION

Average monthly remuneration of the Bank's and the Group's employees before taxes

	Bank				Group			
	Managing employees		**Other employees**		**Managing employees**		**Other employees**	
	Average number of employees	Average monthly remuneration, EUR	Average number of employees	Average monthly remuneration, EUR	Average number of employees	Average monthly remuneration, EUR	Average number of employees	Average monthly remuneration, EUR
2020	81	6,964	609	1,688	103	6,329	699	1,675
2021	74	7,765	643	1,867	89	7,391	725	1,882

Information on the salaries of employees of the Bank and the Group in 2020 and 2021, before taxes

In the tables below:

- Information on *Senior Managers; Members of management bodies performing management functions, Persons performing internal control functions and Persons performing administrative functions* is provided separately but is also included under *Area of Business*;
- *Senior Managers; Members of management bodies performing management functions* – means members of the Board of the Bank and the Head of Administration of the Bank, Board members and the general manager of SB lizingas, UAB, Board members and the general manager of SB draudimas, UAB Life Insurance, senior managers of other Group companies are only included under *Area of Business*;
- *Persons performing internal control functions* – means the employees accountable to the management body for the activities carried out in performing the independent risk management function, the compliance control function or the internal audit function;
- *Persons performing administrative functions* – means the management staff of a unit in charge of legal matters, finances (including taxes and budget), human resources, remuneration policy, information technologies or economic analysis;
- *Fixed remuneration* – calculations include all payments in the given year: basic salary; holiday pay, sick pay, income in kind; additional benefits (e.g. pension insurance, health insurance contributions, monetary gifts / payments, prizes, funeral allowances, etc.);
- *Variable remuneration* – calculations include all payments in the given year: quarterly supplements and bonuses; the portion of the annual variable remuneration paid in cash (excluding the deferred portion in shares); deferred portions of annual variable remuneration (in cash and in shares);
- The values of the Total column are calculated by adding up the information under *Area of Business.*

	Managers; Members of the management body performing the management function	Persons performing internal control functions	Persons performing administrative functions	Business areas			Total
				Traditional banking and lending	Treasury and other activities	Business management function	
Bank							
Number of employees 2020-12-31	**7**	**3**	**5**	**398**	**15**	**277**	**690**
Fixed remuneration 2020, thous. euros	1,246	259	777	6,272	415	8,833	15,519
Variable remuneration 2020, thous. euros	815	108	443	1,297	110	2,178	3,586
Group							
Number of employees 2020-12-31	**14**	**3**	**7**	**442**	**81**	**277**	**800**
Fixed remuneration 2020, thous. euros	1,783	259	1,003	7,373	1,647	8,833	17,852
Variable remuneration 2020, thous. euros	1,039	108	545	1,644	197	2,178	4,018
Bank							
Number of employees 2021-12-31	**7**	**3**	**4**	**381**	**16**	**320**	**717**
Fixed remuneration 2021, thous. euros	1,482	217	893	6,780	452	10,525	17,757
Variable remuneration 2021, thous. euros	649	71	301	1,385	103	2,061	3,549
Group							
Number of employees 2021-12-31	**14**	**3**	**8**	**424**	**70**	**320**	**814**
Fixed remuneration 2021, thous. euros	2,079	217	1,106	7,983	1,789	10,525	20,297
Variable remuneration 2021, thous. euros	825	71	390	1,454	136	2,061	3,651

No person at the Bank was paid a remuneration of EUR 1 million or more in 2021.

Information on the Nominated Employees of the Bank and the Group in 2021, before taxes

As of 31 December 2021, the number of Nominated Employees at the Group was 33, including 26 at the Bank, 4 at SB lizingas, UAB, 3 at SB draudimas, UAB Life Insurance holding the positions of the Nominated Employees whose professional activities have a material impact on the risk profile of the Group, and whose positions have been established by the Board of the Bank in accordance with the applicable laws of the Republic of Lithuanian and the European Union and internal documents of the Bank.

The tables below show:

- Information on the fixed remuneration for the members of the management body performing the supervisory function of the Bank (no variable remuneration is awarded for the members of the management body performing the supervisory function of the Bank);
- Information on the fixed and variable remuneration for the Nominated Employees of the Bank and the Group, classified by *Areas of Business*. The Nominated Employees have been identified by their positions held as of 31 December 2021 but the information on the Nominated Employees who have been made redundant in 2021 is also included into the fixed and annual variable remuneration data for the period of their employment;
- Information on *Persons performing internal control functions and Persons performing administrative functions* who are also *Senior Management members; Members of a management body performing management function* is repeated in the relevant columns but is also included under *Area of Business*;
- Information on *Senior Management; Members of management bodies performing management functions, Members of bodies performing internal control functions and Persons performing administrative functions* is provided separately but is also included under *Area of Business*;
- The values provided in Total column have been obtained by adding up the information on Members of the management body with supervisory function and *Areas of Business*.

Bank	**Members of the management body performing supervisory function**	Employees taking significant risks (Nominated Employees): Managers; Members of the management body performing the management function	Persons performing internal control functions	Persons performing administrative functions	Business areas: Traditional banking and lending	Treasury and other activities	Business management function	**Total**
FIXED REMUNERATION in 2021, thou. EUR	**618**	**1,482**	**217**	**893**	**737**	**123**	**2,151**	**3,629**
Number recipients	8	7	3	4	8	2	17	35
ANNUAL VARIABLE REMUNERATION FOR 2020 awarded in 2021, thou. EUR	**-**	**970**	**102**	**462**	**441**	**83**	**1,245**	**1,769**
Non-deferred (paid) annual variable remuneration in cash awarded in 2021 for 2020, thou. EUR	-	485	51	231	220	41	622	883
Deferred (unpaid) annual variable remuneration in shares awarded in 2021 for 2020, thou. EUR	-	485	51	231	220	41	622	883
Deferred (unpaid) annual variable remuneration in shares awarded in 2021 for 2020, No. of shares	-	1,007	106	480	457	86	1,292	1,835
Number of recipients	-	7	2	4	8	2	16	26
Portion of annual variable remuneration in relation to fixed remuneration, %	-	65%	47%	52%	60%	67%	58%	49%
Payments in 2021 related to employment contract termination, thou. EUR	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Maximum amount awarded per person, thou. EUR	-	230	-	230	-	-	230	230
Number of recipients	-	1		1			1	1
Guaranteed variable remuneration in 2021, thou. EUR	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Number of recipients	-	-	-	-	-	-	-	-
Deferred annual variable remuneration in cash paid in 2021 for 2017, thou. EUR	-	65	8	41	36	5	93	134
Deferred annual variable remuneration in shares paid in 2021 for 2017, thou. EUR	-	52	6	33	29	4	75	108
Deferred annual variable remuneration in cash for 2018 not paid as of 31 December 2021, thou. EUR	-	-	-	-	-	-	-	-
Deferred annual variable remuneration in shares for 2018 not paid as of 31 December 2021, thou. EUR (awarded in 2019, payable in 2022)	-	502	34	270	272	40	658	970
Deferred annual variable remuneration in shares for 2019 not paid as of 31 December 2021, thou. EUR (awarded in 2020, payable in 2023)	-	493	40	265	273	42	674	989

Group	Members of the management body performing supervisory function	Employees taking significant risks: Managers; Members of the management body performing the management function	Employees taking significant risks: Persons performing internal control functions	Employees taking significant risks: Persons performing administrative functions	Business areas: Traditional banking and lending	Business areas: Treasury and other activities	Business areas: Business management function	Total
FIXED REMUNERATION in 2021, thou. EUR	**618**	**2,079**	**267**	**1,106**	**1,080**	**377**	**2,151**	**4,226**
Number recipients	8	14	3	6	12	5	17	42
ANNUAL VARIABLE REMUNERATION FOR 2020 awarded in 2021, thou. EUR	**-**	**1,242**	**102**	**583**	**712**	**108**	**1,244**	**2,064**
Non-deferred (paid) annual variable remuneration in cash awarded in 2021 for 2020, thou. EUR	-	621	51	288	356	54	622	1,032
Deferred (unpaid) annual variable remuneration in shares awarded in 2021 for 2020, thou. EUR	-	621	51	295	356	54	622	1,032
Deferred (unpaid) annual variable remuneration in shares awarded in 2021 for 2020, No. of shares	-	1,184	106	591	634	112	1,292	2,038
Number of recipients	-	12	3	5	12	5	17	34
Portion of annual variable remuneration in relation to fixed remuneration, %	-	60%	47%	53%	66%	29%	58%	49%
Payments in 2021 related to employment contract termination, thou. EUR	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Maximum amount awarded per person, thou. EUR	-	230	-	230	-	-	230	230
Number of recipients	-	1	-	1	-	-	1	1
Guaranteed variable remuneration in 2021, thou. EUR	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Number of recipients	**618**	**2,079**	**267**	**1,106**	**1,080**	**377**	**2,151**	**4,226**
Deferred annual variable remuneration in cash paid in 2021 for 2017, thou. EUR	8	14	3	6	12	5	17	42
Deferred annual variable remuneration in shares paid in 2021 for 2017, thou. EUR	**-**	**1,242**	**102**	**583**	**712**	**108**	**1,244**	**2,064**
Deferred annual variable remuneration in cash for 2018 not paid as of 31 December 2021, thou. EUR	-	621	51	288	356	54	622	1,032
Deferred annual variable remuneration in shares for 2018 not paid as of 31 December 2021, thou. EUR (awarded in 2019, payable in 2022)	-	621	51	295	356	54	622	1,032
Deferred annual variable remuneration in shares for 2019 not paid as of 31 December 2021, thou. EUR (awarded in 2020, payable in 2023)	-	1,184	106	591	634	112	1,292	2,038

MAIN INVESTMENTS DURING THE REPORTING PERIOD

The table below shows the main investments made by the Bank's group during the reporting period, in EUR thousand:

Acquisition of property, plant and equipment, investment property and intangible assets	1,014
Acquisition of debt securities at amortized cost	100,202
Acquisition of investment securities at fair value	100,447

COMPANIES COMPRISING GROUP

	Nature of activities	***Registration date***	***Company code***	***Address***	***Tel.***	***e- mail, website***
Šiaulių Bankas AB	commercial banking	04/02/1992	112025254	Tilžės str.149 LT-76348 Šiauliai	+370 41 595 607	info@sb.lt, www.sb.lt

The Bank directly controls the following subsidiaries

SB Lizingas UAB	finance lease, consumer credits.	14/07/1997	234995490	Laisvės al. 80, LT-44249 Kaunas	+370 37 407 200	info@sbl.lt, www.sblizingas.lt
Šiaulių Banko Lizingas UAB	finance leases (leasing) and operating leases.	16/08/1999	145569548	Vilniaus str. 167, LT-76352 Šiauliai	+370 41 598 010, +370 5 272 3015	lizingas@sb.lt, www.sb.lt
SB Turto Fondas UAB	real estate management	13/08/2002	145855439	Vilniaus str. 167, LT-76352 Šiauliai	+370 41 525 322	turtofondas@sb.lt, www.sbip.lt
Life insurance SB draudimas UAB	life insurance	31/08/2000	110081788	Laisvės pr. 3, LT-04215 Vilnius	+370 5 236 2723	info@sbdraudimas.lt, www.sbdraudimas.lt

The Bank indirectly controls the following subsidiaries:

*Šiaulių Banko Investicijų Valdymas UAB **	Investment managment	31/08/2000	145649065	Šeimyniškių st. 1A, LT-09312 Vilnius	+370 5 272 2477	sbiv@sb.lt, www.sbip.lt
*Sandworks UAB**	real estate management	10/10/2012	302896357	Skruzdynės str. 1, LT- 93123 Neringa	+ 370 8 615 34251	

*in liquidation

OTHER INFORMATION, PUBLISHED INFORMATION AND MAJOR EVENTS

TRANSACTIONS WITH RELATING PARTIES

Information on these transactions with related parties is provided in note 30 to the Bank's financial statements for the year 2021.

INFORMATION ON SANCTIONS IMPOSED

During 2021, neither Šiaulių Bankas nor the Group companies were subject to any sanctions.

INFORMATION ON RESEARCH AND DEVELOPMENT ACTIVITIES

The Bank is constantly investing and looking for ways to ensure expansion and better operational efficiency.

INFORMATION ABOUT HARMFUL TRANSACTIONS

During the reporting period, no harmful transactions that were not in accordance with the Bank's objectives, normal market conditions, harming the interests of shareholders or other groups of persons and which had or could have a negative impact on the Bank's activities or results of operations were concluded. There were also no transactions where the Bank's executives, controlling shareholders or other related parties would have been in a conflict of interest due to their different duties to the Bank and their private interests and / or duties.

REPORTS ON MATERAIL EVENTS

In accordance with the procedures set by the Charter of the Bank and the legal acts of the Republic of Lithuania reports on material events are announced in the Central regulated information base and on the Bank‘s website at:

Homepage › Bank Investors › Reports on Stock Events

Other important events are available on the Bank’s website at:

Homepage › About Us › News

Chief Executive Officer
2022-03-07

Vytautas Sinius

REPORT ON THE BANK'S CORPORATE GOVERNANCE FOR 2021

(Annex to the Consolidated Annual Report for 2021)

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Following Article 23[1] s of the Law of the Republic of Lithuania on Financial reporting by Undertakings the Bank discloses its compliance its specific provisions and recommendations.

Clause 1. Reference (s) to the applicable Corporate Governance Code (Codes) and where it is (they are) published and / or a reference to all publicly available information on corporate governance practices.

The Bank’s shares are traded on a regulated market and are listed on the Nasdaq Baltic Main List. Following Article 12(3) of the Law on Securities of the Republic of Lithuania and clause 24.5 of the Listing Rules of Nasdaq Vilnius, the Governance Code for the companies quoted on the Nasdaq Vilnius applies to the Bank, which has been prepared by Nasdaq Vilnius in accordance with the Commission recommendation 2014/208/ES dated 09 April 2014 approved by the European Commission regarding quality of governance reporting provided by undertakings. The Bank follows the Corporate Governance Report form approved by the Board of Nasdaq Vilnius AB on 15 January 2019 which is prepared in accordance with the Governance Code for Listed Companies approved by the Board of Nasdaq Vilnius on 15 January 2019.

Clause 2. In the event of a deviation from, and / or non-compliance with the applicable provisions of corporate governance code (s), the provisions being deviated from and / or not complied with and the reasons for it.

Following Article 12(3) of the Law on Securities of the Republic of Lithuania and clause 24.5 of the Listing Rules of Nasdaq Vilnius AB, the Bank discloses its compliance with the Governance Code for the companies quoted on the Nasdaq Vilnius AB, its specific provisions and recommendations. Where the Bank does not meet some of its provisions or recommendations, it is indicated which specific provisions or recommendations are not met and explanatory information is provided.

Free Form Summary of the Corporate Governance Report

According to the Articles of Association, the Bank’s bodies are the General Meeting of Shareholders, the Supervisory Council, the Management Board and the Chief Executive Officer. The Bank’s Supervisory Council is a collegial eight-member supervisory body with five independent members. The Management Board of the Bank is a seven-member collegiate executive body of the Bank, consisting of the Chief Executive Officer, Deputy Chief Executive Officers and Heads of Bank Divisions. The Bank has 6 committees. 4 Committees – Risk, Audit, Nomination, Remuneration – are formed by the decision of the Supervisory Council from the members of the Supervisory Council, 2 Committees – Loan and Risk Management – by the decision of the Management Board.

The Supervisory Council is elected by the General Meeting of Shareholders for the term of 4 years. The Management Board of the Bank is also elected by the Supervisory Council for a 4-year term. The Management Board elects and dismisses the Chief Executive Officer and his/her Deputies, determines the remuneration of the Chief Executive Officer and other conditions of the employment contract.

More information on the Bank’s corporate governance, shareholders’ rights, activities of the Supervisory Council, Management Board and Committees, members, internal control and risk management systems is provided in the Bank’s consolidated annual report for the year ended 31 December 2021.

Structured table for disclosure

PRINCIPLES/ RECOMMENDATIONS	YES /NO/NOT APPLICABLE
I Principle. General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights.	
The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.	
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. **COMMENT** The information required by legislation and the Bank's documents is publicly available on the Bank's website in Lithuanian and English. All shareholders have the same statutory rights to attend general meetings.	Yes
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders. **COMMENT** The Bank's authorised capital consists of 600,726,263 ordinary registered shares with a par value of EUR 0.29 each. Each share grants one vote at the general meeting. All shares of the Bank entitle the holders to equal rights.	Yes
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares. **COMMENT** The Bank's website contains the Bank's Articles of Association which establish the rights granted to the holders of the Bank's shares. When new shares are issued, the rights granted by the shares shall be disclosed in the prospectus and in other publicly available issue documents.	Yes
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders. **COMMENT** When approving the Articles of Association of the Bank, the General Meeting of Shareholders transferred the right to approve the decisions of the Management Board regarding the sale of a significant part of the assets to the Supervisory Council of the Bank (without prejudice to the requirements of the Law on Companies of the Republic of Lithuania). It should be noted that in the event of a particularly significant transaction, the Bank's bodies, the Management Board or the Supervisory Council, could decide to convene a GMS on this issue, although such an obligation is not directly enshrined in the Bank's Articles of Association.	No
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest. **COMMENT** The General Meetings of Shareholders of the Bank are held in Šiauliai at an address and time announced in advance. Ordinary shareholders' meetings are held at the end of March extraordinary – when necessary. The notice convening the General Meeting of Shareholders shall specify that the draft resolutions may be submitted in writing or by e-mail before the time indicated on the date of the meeting and shall be communicated to the chairperson after he/she has announced the agenda of the meeting, until the meeting begins to discuss the agenda items. In the past two years, the General Meetings of Shareholders were held under the quarantine conditions of the COVID-19 pandemic. Taking into account the existing restrictions of the quarantine regime, the Bank allowed the shareholders to express their will on the issues on the agenda of the meetings only by voting in writing in advance. Despite this limitation, quorums for meetings were customary. The Bank provided additional technical opportunities for shareholders to complete and submit general ballot papers for the meetings.	Yes

1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed. **COMMENT** All information and documents of the General Meeting of Shareholders are drafted in Lithuanian and English and are publicly available on the Bank's website and through the information delivery system regulated by the Nasdaq Baltic.	Yes
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot. **COMMENT** The Bank's shareholders have the right to participate in the shareholders' meeting both in person and through a representative, by issuing a duly authorised proxy or concluding a transfer of voting rights in accordance with the procedure established by legal acts. Shareholders are also be provided with the opportunity to vote in writing in advance by completing the general ballot paper and submitting it to the Bank prior to the meeting.	Yes
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person. **COMMENT** The Bank does not comply with this recommendation because it does not have the necessary hardware and software available. One of the reasons why the equipment is not installed is the risk of information uncertainty and security of transmission due to the presence of a significant part of the Bank's shares in nominee accounts opened in the name of account operators, which means that the Bank does not know the final beneficiaries of some of the shares until the disclosure at the meeting. Although Commission Implementing Regulation (EU) 2018/1212 of 3 September 2018 entered into force on 3 September 2020, in implementing the provisions of the EU Shareholder Rights Directive 2007/36/EC, issuers have the opportunity to obtain their lists of shareholders up to the final shareholders, not all intermediaries disclose the final shareholders of the Bank. Once the lists of shareholders received by the Bank through the Nasdaq CSD disclose all shareholders to the final shareholders in order to enable shareholders to attend and vote at meetings by electronic means, measures must be put in place to ensure information security and reliably identify participants and voters.	No
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided. **COMMENT** The information made public together with the draft resolutions discloses information about the proposed candidates, as well as data on the candidates' education, professional experience and other positions held. Following the approval of the Bank's remuneration policy by the General Meeting of Shareholders on 31 March 2020, which stipulates the payment of fixed remuneration to the members of the Bank's Supervisory Council and the amounts of this fixed remuneration, the information on the candidates for the members of the Supervisory Council provided to the draft resolutions of the Bank to be held at future shareholders' meetings may indicate the remuneration offered to the candidates for their work in the Supervisory Council. In 2021, no new members were elected to the Supervisory Council. The remuneration policy is published on the Bank's website, which is accessible to everyone. The name of the audit company proposed for election to the General Meeting of Shareholders and the proposed remuneration for audit services are provided in the draft resolution for the relevant item on the agenda of the meeting.	Yes

1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders. **COMMENT** General Meetings of Shareholders, which are organised and coordinated in advance, are always attended by persons who can provide information related to the agenda of the meeting. Proposed candidates shall always attend the General Meeting of Shareholders who elect the members of the Supervisory Council except in special cases (e.g., if physical attendance at the meeting is not possible due to the quarantine regime or other important circumstances).	Yes

II Principle. Supervisory Council

2.1 Functions and liability of the supervisory council

The supervisory council f the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.
The supervisory council should ensure the integrity and transparency of the company's financial accounting and control system.

2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare. **COMMENT** The members of the Supervisory Council act in accordance with the principles of good governance and perform their functions taking into account the interests of the Bank and its shareholders, depositors and other interested third parties. The obligations specified in the recommendation are enshrined in the agreement on the activities of a member of the Supervisory Council and in the Rules of Procedure of the Supervisory Council.	Yes
2.1.2. Where decisions of the Supervisory Council may affect the interests of the company's shareholders differently, the Supervisory Council should treat all shareholders impartially. It should ensure that shareholders are properly informed about the company's strategy, risk management and control and resolution of conflicts of interest. **COMMENT** The Supervisory Council follows the recommendations. Before making decisions, the members of the Supervisory Council assess their influence on the activities of the Bank and the shareholders of the Bank. The Bank shall comply with the disclosure requirements of listed companies and shall ensure that the Bank's shareholders are properly informed about the Bank's strategy, operations and risk management and control.	Yes
2.1.3. The supervisory council should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory council should act and pass decisions without an external influence from the persons who elected them. **COMMENT** When making decisions that have a bearing on the Bank's operations and strategy, the Bank's Supervisory Council acts independently and follows the requirements of legal acts. The work and decisions of the members of the Supervisory Council shall not be influenced by the persons who elected them. The Rules of Procedure of the Supervisory Council include the provision stating that each member shall be prepared and able to act objectively, critically and independently and to make informed, objective and independent decisions.	Yes

[1] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

2.1.4. Members of the supervisory council should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent [2] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence. **KOMENTARAS** The members of the Supervisory Council have the right to express their opinion on all issues on the agenda of the meeting, which must be duly reflected in the minutes of the meeting in accordance with the Rules of Procedure of the Supervisory Council. The Rules of Procedure of the Supervisory Council oblige the members of the Supervisory Council to constructively and critically evaluate the proposals, explanations and information submitted to the Supervisory Council. Also, in the event of circumstances that could cause a conflict of interest between a member of the Supervisory Council and the Bank, the member of the Supervisory Council must immediately inform the Bank and the Supervisory Council in writing about such new circumstances. The obligations specified in the recommendation are enshrined in the agreement on the activities of a member of the Supervisory Council and in the Rules of Procedure of the Supervisory Council.	Yes
2.1.5. The supervisory council should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks. **COMMENT** The Bank's Supervisory Council supervises the activities of the Bank's bodies in the exercise of its responsibilities, including that all the Bank's strategies (as well as the tax planning strategy) are developed and implemented in accordance with legal acts.	Yes
2.1.6. The company should ensure that the supervisory council is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory council and its committees. **COMMENT** The Bank ensures the Supervisory Council is provided with the resources necessary for its activities – it technically services the meetings of the Supervisory Council and providing all the necessary information. The clause on the provision of information is enshrined in the agreement on the activities of a member of the Supervisory Council and in the Rules of Procedure of the Supervisory Council. The Rules of Procedure of the Supervisory Council also provide for the right of the Supervisory Council to appoint an expert/group of experts to audit and evaluate the financial accounts of the Bank, considering issues within the competence of the Supervisory Council.	Yes

II Principle. Supervisory Council
2.2 Formation of the Supervisory Council
The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.

2.2.1. The members of the supervisory council elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory council, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks. **COMMENT** Shareholders, in assessing the qualifications and professional experience of the members of the Supervisory Council, shall vote accordingly at the General Meeting of Shareholders in respect of the proposed candidates to the Supervisory Council. Before recommending candidates to the Supervisory Council to the General Meeting of Shareholders, the Nomination Committee evaluates the candidates for the members of the Supervisory Council in accordance with the applicable legal regulations and the Bank's internal legal acts. The evaluation also includes a collective evaluation of the Supervisory Council as a body. The diversity of the qualifications, professional experience and competences of the members of the Supervisory Council is ensured by the fact that a member of the Supervisory Council (nominated or already elected at the shareholders meeting) is allowed to start his/her duties only with the permission of the supervisory authority. The supervisory authority shall also assess the collective suitability of the members of the Supervisory Council when issuing authorisations.	Yes

[2] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuaniai.

2.2.2. Members of the supervisory council should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience. **COMMENT** The Supervisory Council of the Bank is elected for four years. The number of terms of office of a person in the Supervisory Council shall not be limited. The General Meeting of Shareholders may remove the entire Supervisory Council or its individual members before the end of the term of office and may elect new members until the end of the term of office of the existing Supervisory Council.	Yes
2.2.3. Chair of the supervisory council should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory council either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision. **COMMENT** The other (current and former) duties of the Chair of the Supervisory Council of the Bank do not prevent him/her from acting impartially as the Chair of the Supervisory Council. The current Chairman of the Supervisory Council has not been the Chief Executive Officer or a member of the Management Board of the Bank.	Yes
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof. **COMMENT** The members of the Supervisory Council shall devote sufficient time and attention to the duties of the member of the Supervisory Council. In 2021, six (6) meetings of the Supervisory Council were held, four (4) of which were attended by all members of the Supervisory Council and two (2) (one of which was extraordinary and convened as a matter of urgency) – by seven (7) members out of eight (8).	Yes
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances. **COMMENT** There are five (5) independent members in the current eight (8)-member Supervisory Council, whose term is until the ordinary General Meeting of Shareholders in 2024. This was announced when these members were elected by the General Meeting of Shareholders and it is also disclosed in the Bank's consolidated annual reports and the information published on the website of the Bank. The Supervisory Council has not decided that any of the current independent members cannot be considered independent.	Yes
2.2.6. The amount of remuneration to members of the supervisory council for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders. **COMMENT** For their activities and participation in meetings, the members of the Supervisory Council are paid a fixed remuneration which consists of a salary and a bonus paid for performing additional functions while holding the position of a member of the Supervisory Council (Chair of the Supervisory Council, Chair of the Committee, Committee member). The annual amount of the official remuneration and the percentage of bonuses to the official remuneration paid to a member of the Supervisory Council for the entire term of office shall be approved by the General Meeting of Shareholders of the Bank when approving the Remuneration Policy.	Yes
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures. **COMMENT** Each year, the members of the Supervisory Council participate in the overall process of assessing the effectiveness of the Bank's internal management system, which includes assessing its structure, organisation and ability to act as a group, as well as assessing whether the Supervisory Council had achieved the set performance targets. The composition and operating procedures of the Supervisory Council are specified in the Bank's Articles of Association and published in the annual reports.	Yes

III Principle. Management Board
3.1 Functions and liability of the management board
The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.

3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy. **COMMENT** The Bank's Management Board ensures the implementation of the Bank's strategy as approved by the Supervisory Council.	Yes
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development. **COMMENT** The Bank has a Supervisory Council, accordingly the Management Council, performs the functions assigned to it by law and the Bank's Articles of Association. The duty to act in good faith, diligently, responsibly and prudently, to make decisions for the benefit of the Bank and its shareholders and taking into account their legitimate interests is enshrined in the Rules of Procedure of the Management Board of the Bank.	Yes
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers. **COMMENT** The Board of the Bank ensures compliance with laws and internal policies. As set out in the Bank's Articles of Association, the Management Board monitors the implementation of the Bank's risk management policy, independent risk management and compliance, effective functioning of the Bank's internal control system, how appropriate is governance structure, compliance with set principles, values, and code of conduct. The Management Board monitors and supervises whether the actions of the Bank's administration are in accordance with the Bank's strategy, policies, business plans, budget implementation and, where appropriate, special external or internal factors (e.g., non-standard financial sector developments, regulatory changes, supervisory requirements, substantial deviation from business plans, budget) may revoke decisions made by the Chief Executive Officer of the Bank.	Yes
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[3] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards. **COMMENT** The Management Board is responsible for enforcing applicable laws, regulations and standards in the areas of internal control, ethics and compliance, including those included in the OECD Guidelines. The Bank has various documents in place to ensure internal control, ethics and compliance management measures, such as: Code of Ethics; Policy for Anti-Corruption and Unacceptable Conduct; Compliance Policy of the Šiaulių Bankas Group; Conflict of Interest Management Policy; Risk Management Framework; Risk Management Strategy, etc.	Yes
3.1.5. On Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards. **COMMENT** When appointing the Bank's Chief Executive Officer, the Management Board of the Bank takes into account the balance of his/her qualifications, experience and competence, as well as whether the supervisory authority has not objected to such appointment.	Yes

[3] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

III Principle. Management Board
3.2 Formation of the management board

3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks. **COMMENT** The qualifications and professional experience of the members of the Management Board are assessed by the Supervisory Council by voting in favour of the proposed candidates to the Management Board. Before recommending candidates to the Management Board to the Supervisory Council, the Nomination Committee evaluates the candidates to the Management Board in accordance with the applicable legal regulations and the Bank's internal legal acts. The evaluation also includes a collective evaluation of the Management Board as a body. The diversity of the qualifications, professional experience and competences of the members of the Management Board is ensured by the fact that a member of the Management Board (nominated or already elected by the Supervisory Council) is allowed to start his/her duties only with the permission of the supervisory authority. The supervisory authority shall also assess the collective suitability of the members of the Management Board when issuing authorisations.	Yes
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report. **COMMENT** Information on candidates to the Management Board of the Bank, including their curriculum vitae and declaration of interests, shall be submitted to the meeting of the Bank's Supervisory Council at which the Management Board or its individual members are elected. Information about the positions held by the members of the Management Board or their participation in the activities of other companies is constantly collected, stored and presented in the Bank's consolidated annual report and on the Bank's website.	Yes
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company. **COMMENT** Members of the Management Board are familiarised with their duties, activities, organisational and governance framework of the Bank, its strategy and operations.	Yes
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and frequent reapproval of their status. **COMMENT** According to the Bank's Articles of Association, the Management Board of the Bank is elected for four years. The number of terms of office of a person in the Management Board shall not be limited. The Supervisory Council may remove the entire Management Board or its individual members before the end of the term of office and may elect new members until the end of the term of office of the existing Management Board. In 2021, in order to strengthen the risk management function in the Bank, one member of the Management Board was removed, and a new member of the Board was appointed until the end of the term of the current Management Board.	Yes
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision. **COMMENT** The other (current and former) duties of the Chair of the Management Board of the Bank do not prevent him/her from acting impartially as the Chair of the Management Board. The fact that the Chair of the Management Board is the Deputy Chief Executive Officer of the Bank ensures the compliance with the requirement set forth in Article 33(2) of the Law on Banks of the Republic of Lithuania.	Yes
3.2.6. Each member should devote sufficient time and attention to the duties of a board member. If a board member attended less than half of the board meetings during the financial year of the company, the company's supervisory council should be informed about it, if the supervisory council is not formed in the company – the general meeting of shareholders.	Yes

COMMENT

Members of the Management Board devote sufficient time and attention to the performance of the duties of a Management Board member.
The minutes of the company record the participation and voting of the members of the Management Board in making decisions.
In 2021, 56 meetings of the Management Board were held, all of which were attended by at least five Management Board members (according to the Rules of Procedure of the Management Board, a meeting may take place and decisions may be taken when at least 2/3 of the members of the Management Board are present).

3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory council is not formed at the company, and some of its members will be independent[4], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances. — Not applicable

COMMENT

The Bank has a Supervisory Council.

3.2.8. The amount of remuneration to members of the management board for their activity and participation in meetings of the management board should be approved by the general meeting of shareholders. — No

COMMENT

The Bank has a Supervisory Council, which is responsible for electing and removing members of the Management Board. All members of the Management Board also hold other positions in the Bank. In accordance with the Remuneration Policy approved by the General Meeting of Shareholders, the prior approval of the Supervisory Council is required when determining the remuneration and other terms of the employment contract of the members of the Management Board holding other positions in the Bank. The Supervisory Council also approves the annual variable remuneration of the members of the Management Board holding other positions in the Bank.

3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests. — Yes

COMMENT

In accordance with the Rules of Procedure of the Management Board, the Management Board acts in good faith, with care and responsibly, in accordance with the principles of good governance, and performs its functions in the interests of the Bank's shareholders, clients and other interested third parties. A member of the Management Board shall not have the right to vote and attend the Management Board meeting when dealing with issues related to his/her activities on the Management Board or his/her responsibility, as well as matters in which the member may have an interest, or where the lack of objectivity of the member of the Management Board may expose the Bank to other risks.

3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data. — Yes

COMMENT

Each year, the members of the Management Board participate in the overall process of assessing the effectiveness of the Bank's internal management system, which includes assessing management structure, organisation and ability to act as a group, as well as assessing whether the Management Board had achieved the set performance targets. The composition and operating procedures of the Management Board are specified in the Bank's Articles of Association and published in the annual reports.

[4] For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

IV Principle. Rules of procedure of the supervisory board and the management board of the company

The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.

4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this. **COMMENT** The legal acts regulating the activities of the Supervisory Council and the Management Board, the Articles of Association and the Rules of Procedure of the Bank, shall establish the principles and procedure of cooperation between the Supervisory Council and the Management Board and ensure that the supervisory and management bodies function properly for the maximum benefit of the Bank and its shareholders. Management Board members are normally invited to attend meetings of the Supervisory Council.	Yes
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter. **COMMENT** The Supervisory Council and the Management Board of the Bank act in accordance with the procedures established in their Rules of Procedure. Meetings of the Supervisory Council shall be held at least four times a year and at intervals not exceeding four months. In 2021, 6 meetings of the Supervisory Council were held. Meetings of the Management Board shall be convened periodically, but at least once a month, in accordance with the Rules of Procedure of the Management Board. In 2021, 56 meetings of the Management Board were held.	Yes
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution. **COMMENT** The Rules of Procedure of the Supervisory Council and the Management Board provide for a requirement that the notice of the meetings being convened be given in advance. Meetings of the Supervisory Council are held in accordance with a schedule agreed in advance with the Supervisory Council. Extraordinary meetings are convened as necessary. The agenda of the meeting is prepared by the secretary of the Supervisory Council, approved by the chair and submitted to the members of the Supervisory Council in advance not later than four working days before the meeting, and in case the issue should be solved by way of survey – not later than two working days. The meeting may take place and the resolutions adopted at it will be considered valid even if this procedure is not observed if all members of the Supervisory Council agree to it and this is indicated in the minutes of the meeting. The exact place and time of the meeting of the Management Board shall be communicated to the members of the Management Board at least one working day before the meeting, except in urgent cases. The agenda of the meeting and the draft resolutions shall be communicated to the members of the Management Board in advance. The Secretary of the Management Board, in agreement with the Chair of the Management Board, shall ensure that the agenda, draft resolutions and other information are made available to all Management Board members at least one working day prior to the meeting. Additional urgent items may be included on the agenda of a Management Board meeting only with the consent of the Chair of the Management Board.	Yes
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed. **COMMENT** The dates of all meetings of the Supervisory Council and the Management Board cannot be agreed due to the different frequency of meetings of these bodies. The members of the Management Board are invited to attend all meetings of the Supervisory Council, regardless of the issues discussed at the meeting.	Yes

V Principle. Nomination, remuneration and audit committees

5.1 Purpose and formation of committees

The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.

Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.

5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[5]. **COMMENT** The Bank's Supervisory Council has formed Audit, Risk, Nomination and Remuneration Committees which operate in the Bank.	Yes
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees. **COMMENT** *See comment of clause 5.1.1.*	Not applicable
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole. **COMMENT** *See comment of clause 5.1.1.*	Not applicable
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees. **COMMENT** The Audit, Nomination and Remuneration Committees have three members each, and the Risk Committee has four members. The committees are composed of members of the Supervisory Council who are appointed to the committees taking into account their competence. The Remuneration and Nomination Committees have two independent members of the Supervisory Council, the Risk Committee – three members, and the Audit Committee is fully comprised of the independent members. Chairs of all committees are independent members of the Supervisory Council. The Chair of the Supervisory Council shall not be the Chair or member of any committee.	Yes
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance. **COMMENT** The recommendation is implemented through the committees of the Supervisory Council formed and operating in the Bank. The powers (functions, rights and duties) of the committees of the Supervisory Council are determined by the Supervisory Council by approving the operating regulations of each committee. The chairs of the committees shall present to the Supervisory Council information on the activities of each committee between the meetings of the Supervisory Council at the beginning of each meeting of the Supervisory Council, as well as the annual reports of the committees to the Supervisory Council. The powers of the committees, their composition and other information are published in the Bank's annual and semi-annual reports.	Yes

[5] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee. **COMMENT** Only Bank employees or other persons (experts) invited by the committee may attend and participate in the meetings of the committees. The chairs of the committees are enabled to communicate directly with the shareholders.	Yes

V Principle. Nomination, remuneration and audit committees

5.2 Nomination committee

5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning. **COMMENT** The main functions of the Bank's Nomination Committee are in line with this recommendation.	Yes
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee. **COMMENT** Consultations between the Nomination Committee and the Chief Executive Officer of the Bank take place through the information and documents required for the decisions of the Nomination Committee which are prepared by the Secretary of this Committee – Director of the Bank's Personnel Department who coordinates all the issues relating to employment relations with the Chief Executive Officer.	Yes

V Principle. Nomination, remuneration and audit committees

5.3 Remuneration committee

The main functions of the remuneration committee should be the following: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation. **COMMENT** The main functions of the Bank's Remuneration Committee are in line with this recommendation.	Yes

V Principle. Nomination, remuneration and audit committees

5.4 Audit committee

5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities[6] of the audit committee. **COMMENT** The key functions of the Bank's Audit Committee are described in the Regulations of the Audit Committee and correspond to those specified in legal acts.	Yes
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches. **COMMENT** As provided for in the Regulations of the Audit Committee, the members of the committee must be provided with detailed information regarding the specifics of the Bank's accounting, financial and operational activities. The Bank's management staff and persons responsible for accounting and compiling of the financial statements are required to inform the Audit Committee of the methods of accounting for high-value and non-standard transactions, if the accounting of these transactions can be managed by different methods as well as activities in preferential trade zones and/or through specialist entities (enterprises, organisations) in order to find out whether such activity is justified.	Yes
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present. **COMMENT** In accordance with the Regulations of the Audit Committee, other employees of the Bank may be invited to attend the meetings of the Audit Committee (as observers or specialists), but they do not have the right to vote in decision making. All those present at a meeting of the Audit Committee shall have access to information on the items on the agenda for which they are invited. Furthermore, in carrying out its duties, the committee shall be entitled to use the assistance of third parties for the purpose of conducting special investigations or other tasks and obtaining the necessary funding from the Bank.	Yes
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group. **COMMENT** The Bank's Audit Committee, ensuring the effectiveness of the internal audit function, coordinates and periodically assesses the work of internal audit function and discusses the results of inspections, assesses how the identified deficiencies are being eliminated and internal audit plans are being implemented, and, if necessary, takes appropriate actions. In supervising external auditors or audit firms, the committee shall be aware of the auditors' work programme including the scope of assignments in the financial statements audit, the materiality level applied, and the process of identification of significant risks.	Yes

[6] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions. **COMMENT** The Audit Committee verifies if the Bank complies with the effective provisions concerning the possibility for employees to submit complaints or anonymously report suspicions that significant violations are made within the Bank and aims to ensure that procedures are established for a proportionate and independent investigation of such issues and for the necessary follow-up. The Audit Committee also may demand information on major events and non-compliance events, or whether they have been subject to appropriate measures in a timely manner.	Yes
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved. **COMMENT** The Bank's Audit Committee reports to the Supervisory Council once a year, when the financial statements are submitted for approval to the Bank's General Meeting of Shareholders.	No

VI Principle. Prevention and disclosure of conflicts of interest

The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.
The corporate governance framework should recognize the rights of the stakeholders as established by law and promote active cooperation between the company and its stakeholders in creating the company's well-being, jobs and financial stability. In the context of this principle, the term "stakeholders" includes investors, employees, creditors, suppliers, customers, the local community and others with interests in a particular company.

Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value. **COMMENT** The recommendations are followed. This is ensured by the provisions of the Rules of Procedure of the Supervisory Council and the Management Board that a member of the Supervisory Council and the Management Board must avoid activities that may cause a conflict of interest and that he/she must disclose to the Bank any information that may cause or has already caused the conflict of interest and keep the information up to date. The Bank has also approved the Procedure for the Management of Conflicts of Interest, which establishes measures for the identification, prevention and management of conflicts of interest in the Bank, as well as the rights and duties and responsibilities of the Bank's collegial bodies and employees.	Yes

VII Principle. Remuneration policy of the company

The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.

7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy. **COMMENT** The Remuneration Policy approved by the General Meeting of Shareholders on 31 March 2020 is published on the website of the Bank. This policy is in line with the long-term strategy of the Bank and is regularly reviewed in accordance with the procedure and on terms provided for in the legal acts.	Yes
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments. **COMMENT** The Remuneration Policy covers all forms of remuneration applied by the Bank.	Yes

7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance. **COMMENT** The applicable Remuneration Policy provides for a fixed remuneration for the members of the Supervisory Council, independent of the Bank's performance.	Yes
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance. **COMMENT** The Remuneration Policy stipulates that the amounts of pay-outs, notice periods related to the termination of employment or term of office shall be determined in accordance with labour law, except in exceptional cases when individual conditions are agreed for objective reasons or after evaluating long-term employment in the Bank or Group companies and decided by the relevant competent body. No prior agreements on severance pay shall apply, but in exceptional cases and at the discretion of the relevant competent body, such agreements may occur.	No
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares. **COMMENT** The Bank has a system of payment of a part of the annual variable remuneration in the Bank's shares. The Remuneration Policy and other documents regulating the Bank's remuneration system provide for the granting of rights to shares three years after the initial appointment (through the Employee Options). The retention of shares after the grant is not provided for the members of the Management Board and the Chief Executive Officer and is in no way linked to the end of their term of office.	No
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year. **COMMENT** The Remuneration Policy approved on 31 March 2020 by the General Meeting of Shareholders of the Bank is in line with the new provision of the Law on Companies laid down in Article 20(1)(6). As of 2021, the Bank publishes information on the implementation of the Remuneration Policy.	Yes
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders. **COMMENT** In 2019, the General Meeting of Shareholders approved the Rules for Granting Shares in accordance with the wording of the Law on Companies in force at that time. In 2020, the Ordinary General Meeting of Shareholders approved the Remuneration Policy. These documents govern the share-based payment option scheme. Changes in the Rules for Granting Shares and Remuneration Policy are possible only by the decision of the General Meeting of Shareholders.	Yes

VIII Principle. Role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.

8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected. **COMMENT** The Bank identifies employees, shareholders, customers, suppliers and partners, regulators, communities and the public, associates and the media as key stakeholder groups. The rights and legitimate interests of all these groups are respected, and this is more fully disclosed in the Social Responsibility Report.	Yes
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc. **COMMENT** Depending on the stakeholder group, participation is made possible. This is explained in more detail in the Social Responsibility Report. One of the Bank's exclusive instruments is employee participation in the share capital through the payment of part of the annual variable remuneration in the Bank's shares.	Yes
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information. **COMMENT** Stakeholders are given access to the necessary information, except where the information is confidential.	Yes
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function. **COMMENT** The Bank provides different stakeholder groups with different channels for reporting illegal or unethical practices. For employees – through the Bank's internal information system AIS, for shareholders – through investor relations channels, for customers – through the Remote Call Centre, etc.	Yes

IX Principle. Disclosure of information

The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.

9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:	
9.1.1. operating and financial results of the company; **COMMENT** Disclosed quarterly in interim and annual financial statements.	Yes
9.1.2. objectives and non-financial information of the company; **COMMENT** Disclosed in interim and annual financial statements.	Yes
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary. **COMMENT** It is disclosed on the Bank's website and in its interim and annual statements. The acquisition or disposal of a stake is also publicly announced when the person or group of persons who have acquired or lost the stake inform the Bank thereof in accordance with the established procedure.	Yes

9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration; **COMMENT** It is disclosed on the Bank's website and in its interim and annual statements.	Yes
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities; **COMMENT** Information on the composition and activities of the Committees is disclosed in an annual report. The number of committee meetings and attendance by the members shall not be disclosed.	No
9.1.6. potential key risk factors, the company's risk management and supervision policy; **COMMENT** Information on the Bank's risk management and supervision is disclosed in the annual financial statements.	Yes
9.1.7. the company's transactions with related parties; **COMMENT** It is disclosed on the Bank's website in accordance with the criteria established by legal acts and internal documents of the Bank.	Yes
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.); **COMMENT** It is disclosed on the Bank's website in accordance with the criteria established by legal acts and internal documents of the Bank.	Yes
9.1.9. structure and strategy of corporate governance; **COMMENT** It is disclosed on the Bank's website and in its interim and annual statements.	Yes
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects.This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts; **COMMENT** Information on environmental, social and governance (ESG) aspects and the management of these risks is disclosed in the Social Responsibility Report. Information on significant investment projects planned and implemented within the scope of the Bank's activities is published as essential information of the issuer through the regulated information publication system administered by Nasdaq.	Yes
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companie**s**. **COMMENT** The Bank discloses consolidated results for the Group as a whole through consolidated interim and annual statements and consolidated annual report.	Yes
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7. **COMMENT** Information on the professional experience, qualifications and potential conflicts of interest of the Bank's Supervisory Council, Management Board and Chief Executive Officer that could affect their decisions is disclosed. The Consolidated Annual Report and the Consolidated Financial Statements disclose information on the total personnel costs, the salaries paid to key executives of the Bank during the year; the Remuneration Report provides detailed information on the remuneration received by each member of the collegial body.	Yes

9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time. **COMMENT** Information is provided to shareholders and investors to the same extent and simultaneously in the Lithuanian and English languages and is publicly available on the Bank's website.	Yes

X Principle. Selection of the company's audit firm

The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.

10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm: **COMMENT** The Bank's consolidated financial statements are audited, and the financial information presented in the annual report is audited by an independent firm of auditors in accordance with the International Standards on Auditing as adopted by the EU.	Yes
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company. **COMMENT** The candidate audit firms are selected by the Audit Committee and proposed to the General Meeting of Shareholders by the Supervisory Council.	Yes
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders. **COMMENT** The fee information for the audit firm for non-audit services (if any) would be disclosed publicly in the Bank's consolidated annual reports. The Supervisory Council and the Management Board have this information at their disposal.	Yes

Clause 3. Information on risk scope and risk management - describes risk management related to financial reporting, risk mitigation measures and the internal control system in place.

More details are provided in the Financial Risk Management disclosure in notes to the financial statements for the year 2021 and on the internal control system in the Consolidated Annual Report 2021.

Clause 4. Information on significant direct or indirect holdings.

As of 31 December 2021, the following shareholdings have been declared in accordance with the procedure established in the Law on Securities of the Republic of Lithuania and the disclosure rules of the Bank of Lithuania:

- European Bank for Reconstruction and Development (EBRD) holds 21.96% stake, which was reported on 30 December 2021.
- Algirdas Butkus together with his controlled companies Aiva Trading House UAB and Mintaka UAB holds a stake, the acquisition of which was reported on 18 September 2019. The size of the stake on the reporting date was 5.59%, it accounted for 5.28% of the Bank's shares as at 31 December 2021.
- Gintaras Kateiva together with his spouse Vilinda Kateiviene own a 5.29% stake, the acquisition of which was reported on 18 September 2019.
- Invalda INVL AB owns a holding of more than 5 per cent of the shares, the acquisition of which was reported on 17 September 2015. The size of the stake on the reporting date was 6.79%; as of 31 December 2021, the holding of Invalda INVL AB owned together with subsidiaries INVL Asset Management UAB and INVL Live UAB accounted for 8.10% of the Bank's shares.
- ME Investicija UAB holds a 5.71% stake, which was reported on 29 December 2021.

Clause 5. Information on related party transactions as provided for in Article 372 of the Law on Companies (identifying the parties to the transaction (legal form, name, code, register of the legal entity, register where the data concerning this entity are collected and stored; natural person's name, address for correspondence) and transaction value).

Pursuant to the provisions of the Law on Companies of the Republic of Lithuania, the Management Board of the Bank approved the *Procedure for Concluding Transactions with Parties Related with the Bank*. This procedure defines transactions that have a significant impact on the Bank, the Bank's finances, assets and liabilities. Pursuant to the Articles of Association of the Bank (paragraph 12.3), transactions are considered significant if their value is equal to or greater than 1/5 of the Bank's authorised capital.

In 2021, the Bank published on its website one notice regarding a significant transaction with parties related with the Bank:

NOTIFICATION 10/03/2021
Transactions entered with SB Lizingas UAB, subsidiary of Šiaulių Bankas AB
Company code 234995490, address Laisvės al. 80/Maironio str. 26 Kaunas.

Transaction information:

- credit limit: EUR 110,000,000 (maturity – 30/03/2022, interest rate – 2.6 per cent)

Credit transactions with the party related with Šiaulių Bankas AB were concluded in the ordinary course of business of Šiaulių Bankas under standard market conditions. According to the assessment of Šiaulių Bankas AB, credit transactions and credit transaction terms and conditions are fair and reasonable in relation to Šiaulių Bankas AB and its shareholders who are not parties to these credit transactions.

Clause 6. Information on and description of shareholders having special control rights.

There are no shareholders with special control rights in the Bank.

Clause 7. Details of any existing restrictions on voting rights, such as restrictions on the exercise of voting rights by a certain percentage or number of persons, the time limits by which voting rights may be exercised or the systems by which ownership of the securities is separated from the shareholder.

As of 31 December 2021, the Bank was not aware of any restrictions on the voting rights attached to the Bank's shares, the time limits for exercising the voting rights, or any voting rights conferred by these shares separated from the shareholder under any systems.

Clause 8. Information on the rules governing the election and replacement of the members of the Board as well as amendments to the Charter of the Company.

According to the Bank's Articles of Association, the members of the Management Board are elected, removed and supervised by the Bank's Supervisory Council. The selection of the members of the Management Board is carried out in accordance with the Regulations on the Selection of Management Board Members, and the evaluation of the candidates to the Management Board is carried out in accordance with the Policy on the Assessment of Members of the Management body and Key Function Holders. In accordance with this policy, the Nomination Committee evaluates the candidate and recommends that the appointing/electing person/body make a final decision on the respective position in the Bank. A member of the Management Board must also obtain the permission of the supervisory authority before taking up his/her duties at the Bank.

The Bank's Articles of Association are amended by the General Meeting of Shareholders of the Bank. Decisions on the amendment of the Articles of Association are adopted by a majority of votes, which may not be less than 2/3 of all votes granted by the shares of the shareholders participating in the meeting.

Clause 9. Information on the powers of board members.

The Management **Board of the Bank** is a collegial management body of the Bank consisting of seven (7) members. The term of office of the Management Board is four years and the number of terms is not limited. If individual members of the Management Board are elected, they are elected until the end of the term of office of the existing Management Board. The Management Board acts in accordance with its Rules of Procedure.

The Bank’s Management Board shall consider and approve:

- the Bank's annual report;
- the governance structure of the Bank and positions of employees; positions for which persons are hired by holding competitions;
- regulations of the branches, representative offices and other separate subdivisions of the Bank;
- the Bank’s lending procedure in accordance with the Lending Policy approved by the Bank’s Supervisory Council;
- the procedure for issuing guarantees, sureties and assuming other obligations;
- the procedure for writing off loans and other debt obligations;
- regulations of the Loan Committee and Risk Management Committee of the Bank;

The Management Board also elects/appoints and removes the Chief Executive Officer of the Bank and his/her deputies, determines the remuneration of the Chief Executive Officer, other terms and conditions of his/her employment contract, approves his/her job description, promotes him/her and imposes sanctions, determines which information is considered a trade secret and confidential information of the Bank.

The Management Board shall adopt:

- decisions on the Bank becoming the promoter and/or participant of other legal entities;
- decisions on opening branches, representative offices and other separate subdivisions of the Bank and on terminating their activities;
- decisions on the investment, transfer or lease of fixed assets with the book value exceeding 1/20 of the Bank's authorised capital (calculated separately for each type of transaction);
- decisions on the pledge and mortgage of fixed assets with the book value exceeding 1/20 of the Bank's authorised capital (the total amount of transactions is calculated);
- decisions on the issue of guarantees or sureties to secure obligations of other entities in the amount exceeding 1/20 of the Bank's authorised capital;
- decisions on the acquisition of fixed assets for a price exceeding 1/20 of the Bank's authorised capital;
- decisions to issue non-convertible bonds;
- Rules of Procedure of the Management Board;
- decisions on other matters that are considered or decided by the Management Board under the laws and Articles of Association of the Bank.

The Management Board shall set forth:

- the terms and conditions of issue of the Bank's shares;
- the procedure for issuing the Bank's bonds. When the General Meeting decides on the issue of convertible bonds, the Management Board shall have the right to determine additional terms and conditions of their issue and approve the subscription agreements which the Chief Executive Officer or a person authorised by him/her is entitled to sign;
- the recruitment procedure and cases in which employees are hired by the Bank with the approval of the Management Board.

The Management Board shall execute resolutions passed by the General Meeting of Shareholders and the Supervisory Council.

The Management Board shall analyse and evaluate the materials submitted by the Chief Executive Officer of the Bank concerning:

- the strategic business plan of the Bank and information on its implementation;
- organisation of the Bank's activities;
- the Bank's financial position;
- results of economic activity, revenue and expenditure estimates, inventory and other records of changes in assets.

The Management Board analyses and evaluates the draft Rules for Granting Shares and submits it to the Supervisory Council and the General Meeting of Shareholders along with the feedback and proposals. The Management Board, furthermore, analyses and assesses the set of annual financial statements of the Bank and profit/loss distribution project, and submits them to the Supervisory Council and the General Meeting of Shareholders together with the annual report of the Bank, and handles other matters related to the business of the Bank if they do not fall within the competence of other bodies of the Bank under the laws or Articles of Association of the Bank.

The Management Board is responsible for convening and organising the General Meetings of Shareholders in a timely manner.

Clause 10. Information on the competence of the general meeting of shareholders, rights of shareholders and their implementation, if not provided by law.

The competence of the General Meeting of Shareholders, the rights of shareholders and exercise thereof do not differ from those provided by law.

Clause 11. Information on the composition of the management, supervisory bodies and their committees, areas of their and company head's activity.

The Supervisory Council is a collegial body supervising the activities of the Bank. The Supervisory Council is chaired by the Chairperson. The Bank's Supervisory Council, consisting of eight (8) members, is elected by the General Meeting of Shareholders for a period of four years. The members of the Supervisory Council are proposed to the General Meeting by the initiators of the General Meeting or shareholders holding 1/20 of the Bank's shares.

Candidates are proposed before or during the meeting. Each candidate to the Supervisory Council shall inform the General Meeting of his/her duties and responsibilities, as well as his/her other activities related to the Bank and other legal entities related to the Bank.

In the election of the members of the Supervisory Council, each shareholder shall have the number of votes attributable to the shares he/she holds multiplied by the number of members of the Supervisory Council being elected. These votes are distributed at the shareholder's discretion, for one or more candidates. The candidates who receive most votes shall be elected.

Five (5) independent members were elected to the Supervisory Council for this term. The Articles of Association of the Bank provide that the number of terms of office of a member of the Supervisory Council shall not be limited.

The functions of the Supervisory Council are as follows:

- considers and approves the Bank's business strategy, analyses and assesses information on the implementation of the Bank's business strategy, provides this information to the Ordinary General Meeting of Shareholders;
- elects members of the Management Board and removes them from office, submits proposals to the Management Board regarding the candidacy of the Chairperson of the Management Board. Setting the remuneration and other terms and conditions of employment contracts of the members of the Management Board who hold other positions in the Bank, the Chief Executive Officer and his/her deputies requires prior approval of the Supervisory Council. If the Bank is operating at a loss, the Supervisory Council must consider whether the members of the Management Board are suitable for the position;
- elects members of the Audit Committee;
- supervises activities of the Management Board and the Chief Executive Officer of the Bank;
- supervises the implementation of business plans of the Bank, analyses the Bank's revenue and expenses, own investments and capital adequacy issues;
- adopts the Rules of Procedure of the Supervisory Council of the Bank;
- approves business plans and annual budget of the Bank;
- approves any type of policies related to the Bank's activities including the risk management policy;
- ensures that the Bank has an efficient internal control system in place;
- submits to the General Meeting of Shareholders feedback and proposals on the draft Rules for Granting Shares;
- makes proposals and comments to the General Meeting of Shareholders on the draft set of annual financial statements of the Bank, profit/loss distribution project and report of the Bank, and the activities of the Management Board and Chief Executive Officer;
- makes proposals to the Management Board and Chief Executive Officer to revoke their decisions that contradict the laws and other legal acts, the Articles of Association of the Bank or decisions of the General Meeting of Shareholders;
- submits to the General Meeting of Shareholders and the Management Board comments and proposals regarding the draft remuneration policy of public limited liability companies whose shares are admitted to trading on a regulated market and the draft remuneration report;
- approves the lending policy and sets forth the procedure for lending that is subject to the approval of the Supervisory Council;
- makes proposals to the Management Board and Chief Executive Officer to revoke their decisions that contradict the laws and other legal acts, Articles of Association of the Bank or decisions of the General Meeting of Shareholders;
- draws up the list of transactions and decisions of the management bodies of the Bank, the conclusion/adoption or execution of which requires the approval of the Supervisory Council;
- passes decisions that fall within the competence of the Supervisory Council under the procedures approved by the Supervisory Council, which the Supervisory Council is required to adopt in accordance with the laws, Articles of Association of the Bank and decisions of the General Meeting of Shareholders;
- considers and decides on other matters that must be considered or decided on by the Supervisory Council under the laws, Articles of Association of the Bank and decisions of the General Meeting of Shareholders.

Management Board of the Bank – see Clause 9.

Chief Executive Officer (CEO) is a single-person management body of the Bank who organises day-to-day activities of the Bank and performs other actions necessary to perform his/her functions, implement the decisions of the Bank's bodies and ensure the Bank's activities.

Functions of the Chief Executive Officer of the Bank:

- to organise day-to-day activities of the Bank;
- to hire and dismiss employees of the Bank, conclude and terminate employment contracts concluded with them, provide incentives to them and impose sanctions on them. The CEO is entitled to authorise another Bank employee to perform actions listed herein;
- to represent the Bank in dealings with other persons, in a court and arbitral tribunal without a separate authorisation;
- to issue and revoke authorisations to represent the Bank and powers of procurations;
- to issue orders;
- to perform other actions necessary to perform his/her functions, implement decisions of the Bank's bodies and ensure the Bank's activities.

Chief Executive Officer is responsible for:

- organising the Bank's activities and achieving its goals;
- drawing up a set of financial statements and annual report of the Bank;
- concluding an agreement with the audit firm;
- submitting information and documents to the General Meeting of Shareholders, the Supervisory Council and the Management Board in the cases provided for in the laws or at the request of the respective bodies;
- submitting documents and data of the Bank to the manager of the Register of Legal Entities;
- submitting documents to the Bank of Lithuania and Lithuanian Central Securities Depository;
- publishing information required by laws and other regulations in sources specified in the Articles of Association of the Bank;
- submitting information to the shareholders;
- fulfilling other duties provided for in laws and regulations, Articles of Association of the Bank and job description of the Chief Executive Officer of the Bank.

The Chief Executive Officer of the Bank shall act on behalf of the Bank and shall have the right to conclude transactions unilaterally, except as otherwise provided for in the Articles of Association of the Bank or decisions of the Bank’s bodies.

More information about the composition of management bodies and committees is provided in the summary to this report and the consolidated annual report for 2021, section Bank Management.

Clause 12. The selection of the chief executive officer, members of the management body and supervisory bodies shall be subject to a diversity policy covering aspects such as age, gender, education, professional experience, description, objectives, methods of implementation and results for the reporting period. If the diversity policy is not applied, the reasons for the exclusion shall be explained.

The Bank does not apply the Diversity Policy, as the Bank is guided by such internal documents as the Code of Ethics which states that no forms of inequality, violence, psychological or similar pressures or forms of discrimination are tolerated. The requirements set for the selection of candidates for the position of the CEO, members of management and supervisory bodies of the Bank do not discriminate against candidates on the basis of age, gender, race, etc. The main criteria for the election of members of the management and supervisory bodies and the CEO of the Bank are education, professional experience, knowledge, skills and reputation.

Clause 13. Information on all the agreements between the shareholders (their substance, terms).

The Bank does not have any information about any mutual agreements between the shareholders related to the Bank’s shares effective as of 31 December 2021.

It should be noted that on 22/12/2021, the major shareholder of the Bank, i.e., the European Bank for Reconstruction and Development (EBRD), announced that it has signed three agreements on the sale of the Bank’s shares: with an asset management group Invalda INVL, Nord Security (to be renamed as Tesonet Global) which is part of the Tesonet Group, and a holding company ME Investicija controlled by Girteka Logistics. The EBRD has sold its holdings of 5.87 per cent, 5.87 per cent and 6.29 per cent of shares, respectively. The transactions are executed in instalments and shall be closed in June 2024.

SOCIAL RESPONSIBILITY REPORT 2021

Prepared in accordance with the Global Reporting Initiative standard

(Annex to the Consolidated Annual Report for 2021)

Tilžės 149, LT-76348 Šiauliai
Tel. (8 41) 595 607, faks. (8 41) 430 774
El. paštas info@sb.lt
www.sb.lt

ABOUT THE REPORT

This report presents Corporate Social Responsibility Report of Šiaulių bankas for the months of January–December 2021. The report highlights the Bank's relationship with its employees, customers and the community in the areas of environment and responsibility.

Since 2010, the Bank has been submitting detailed social responsibility reports every year, which are published and made available to the public in the Social Responsibility section of the Bank's website.

Šiaulių bankas has been a member of the Global Compact initiated by the United Nations since 2008. The Bank follows the principles of the Global Compact in its social reporting and this year for the fifth time is submitting a report based on the recommendations of the Global Reporting Initiative (GRI).

For questions and comments on the Social Responsibility Report, please contact komunikacija@sb.lt

CEO'S ADDRESS

GRI 102-14

The year 2021 was a truly memorable year full of global challenges, which highlighted the importance of a clear and consistent development of social responsibility in Šiaulių bankas. By following its core principles, we were able to maintain a balance between the implementation of non-routine solutions and stability and to make appropriate business decisions in a pandemic situation.

Last year, we introduced a new three-year strategy for Šiaulių bankas Group, which defined our objectives both at the bank and at the Group level. Throughout the year, we have kept to our guiding principle and our promise to be closer to our customers, communities and Lithuania: we have actively developed our digital channels, pursued our strategy of streamlining rather than closing down our customer service network, and, in line with the new habits formed by the pandemic, we have paid a great deal of attention to remote customer service. Moreover, while increasing Šiaulių bankas' reach to our customers throughout Lithuania, we have also expanded our ATM network.

I am glad that all this has not gone unnoticed and Šiaulių bankas has been recognised for the third time as the best customer-servicing bank, with a service rating of 100% in 2021, which is the best rating received in the last four years.

In 2021, we paid special attention to the safety and health of Šiaulių bankas' employees and customers, and we also paid special attention to the care of those around us or in need of support. We constantly encourage and develop sustainable thinking in our people, so before making any decisions, we always ask ourselves how it will affect the environment, people and everyone around us.

Working together in 37 cities across Lithuania, we can not only be even closer to our local communities, but also become part of them, and socially responsible activities give meaning to our work. I invite you to find out what we have focused on in 2021 and how Šiaulių bankas approaches sustainability.

Šiaulių bankas Chief Executive Officer

Vytautas Sinius

STRATEGY AND ANALYSIS

GRI 102-14, GRI 102-15

Strategy

In 2021, the Bank presented its three-year operational strategy, which will focus on the area of sustainability (ESG). The Bank is currently in the process of developing its ESG strategy. The process of developing it is one of the key strategic challenges that will enable the Bank to transform and grow further as an organisation in the area of sustainability. The Bank plans to adopt the ESG strategy and integrate its elements into the Bank's business strategy in 2022.

Key impacts, risks and opportunities

The Bank continuously assesses potential risks and opportunities, taking into account the nature of the Group's businesses and its long-term strategy. ESG risk was identified as a strategically significant risk for the Bank's future activities.

As the organization we are accountable to supervisory authorities, investors and our customers.

Economy

The Bank contributes to the sustainable growth of the Lithuanian economy every day. By offering a wide range of financing instruments for small and medium-sized enterprises, the Bank aims to promote the activity, development and growth of these companies. In the context of the pandemic, we are actively involved in all measures to support businesses, providing risk-sharing loans, in cooperation with INVEGA and other guarantee funds, and providing loans with portfolio and individual guarantees.

Social area

Šiaulių bankas contributes to the well-being of society by supporting cultural, financial literacy, sports and social initiatives. It also promotes entrepreneurship among the population and regularly delivers presentations on business development opportunities, and increases financial education of the public by initiating media reports.

To help small businesses in Lithuania during the pandemic, Šiaulių bankas has developed the PLANAS A initiative, which has been running for the second year now and is designed to make them more visible and to take advantage of the offers and experience of large Lithuanian companies.

Environment

The Bank aims to protect the environment and consistently reduce the amount of resources consumed by digitising processes and encouraging its employees to sort waste and use reusable tools.

As the main partner in the renovation of apartment buildings in the country, the Bank contributes to energy efficiency improvement projects.

Metrics and targets

One of the most important steps in the development of the ESG strategy is the definition of objectives and metrics that adequately reflect the specificities of the Bank's activities and contribute to the global objectives. The Bank's targets and metrics are part of the ESG strategy under development, elements of which will be integrated into the Bank's business strategy in 2022.

DESCRIPTION OF THE COMPANY

GRI 102-1, GRI 102-2

Established in 1992, Šiaulių bankas is a sustainable and stable growing financial institution with a diversified shareholder base spread across Lithuanian and foreign shareholders, including the European Bank for Reconstruction and Development (EBRD), which holds 21.96% of the Bank's shares.

By providing professional financial services to private and corporate clients, the Bank aims to be a reliable, flexible and attentive financial partner that is committed to the growth of the country's potential and the prosperity of its population and businesses.

The Bank's priority areas of activity are:

- Business financing;
- Consumer financing;
- Financing of multi-apartment building modernisation projects.

Services for private and corporate customers:

- Provision of a wide range of short-term and long-term loans to private customers and businesses;
- Banking service plans for a fixed monthly fee (for private customers);
- Opening and administration of bank accounts in euro and foreign currency for Lithuanian and foreign clients;
- Transfer of funds in euro and foreign currency to accounts in banks operating in Lithuania and abroad;
- Collection of utility and other payments;
- Electronic account service, periodic and conditional payments;
- Account management in online banking;
- Mobile banking services;
- Issuance and administration of payment cards;
- Foreign exchange trading;
- Conclusion of various types of deposit agreements;

- Investment services:
    - Intermediation in transactions on stock exchanges;
    - Off-exchange securities transactions;
    - Advising on the issue, acquisition and transfer of securities;
    - Keeping records of shares issued by companies;
    - Issuance of debt securities;
    - Drafting prospectuses for securities issues;
    - Other investment services.

GRI 102-7, GRI 102-8, GRI 102-11

Information on employees and other workers

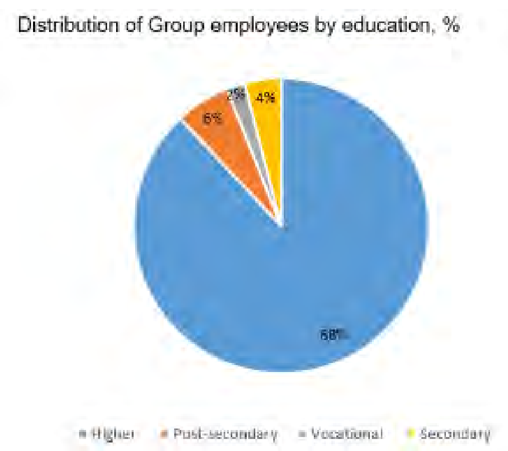
On 31 December 2021, the Bank had 789 employees and the Group had 882 employees. Compared to 31 December 2020, the number of employees in the Bank increased by 4.4% and in the Group by 3.9%.

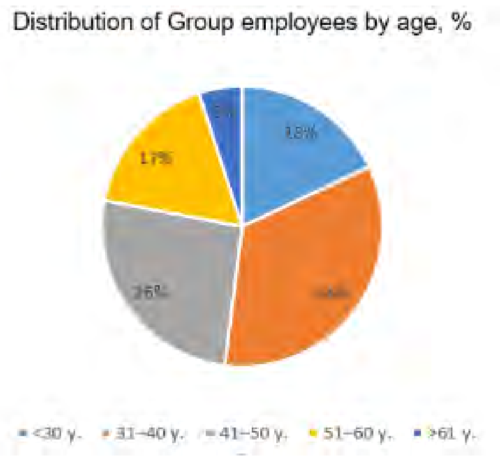
On 31 December 2021, the Bank's workforce was 80% female and 20% male.

Precautionary principle or approach

See criterion 102-30 of the report.

More: "Financial risk management" in the notes to the 2021 financial statements.





GRI 102-12, GRI 102-13

External initiatives

Šiaulių bankas has been a participant of the United Nations Global Compact initiative since 2010. We also participate in other external activities/initiatives related to sustainability:

- We are reporting according to the international CDP standard;
- We are members of the Sustainability Committee of the Lithuanian Banks Association.

Membership in associations

Organisations, associations and associated structures in which the Bank participates:

- Lithuanian Banks Association
- Society for Worldwide Interbank Financial Telecommunications (SWIFT)
- Nasdaq Baltic Stock Exchanges (Nasdaq Vilnius, Nasdaq Riga, Nasdaq Tallinn)
- MasterCard Worldwide International Payment Card Organisation
- Lithuanian Employers' Confederation
- Šiauliai Chamber of Commerce, Industry and Crafts
- Šiauliai Association of Industrialists
- Kelmė District Entrepreneurs Association
- Klaipėda Chamber of Commerce, Industry and Crafts
- Klaipėda Association of Industrialists
- Mažeikiai Entrepreneurs Association
- Akmenė District Entrepreneurs Association
- Kaunas Chamber of Commerce, Industry and Crafts
- Panevėžys Chamber of Commerce, Industry and Crafts, Utena Branch
- Tauragė County Entrepreneurs Association
- Panevėžys Chamber of Commerce, Industry and Crafts
- Vilnius Chamber of Commerce, Industry and Crafts
- Šilalė District Entrepreneurs Association
- Lithuanian Finance Brokers Association
- Association of Personnel Management Professionals

BNI Recommendation Marketing Service (Rekomendacijos verslui UAB)

ETHICS AND INTEGRITY

GRI 102-16

The Bank's four sustainable values (Trust, Professionalism, Respect, Responsibility) were articulated by the Bank's own employees at the 2014 Global Bank Conference.

To make the Bank's values and the behaviours that define them easier to understand and accept, the Bank has been playing the values game since 2015. The aim was to identify the behaviours that most closely match the Bank's values in everyday situations. The values game encouraged employees to collaborate, exchange views and reach a common decision. The game was played at the quarterly Newcomer Days and was played by all new employees. During the pandemic, Newcomer Days are held virtually, so we talk, tell and play about values and the behaviours that go with them remotely.

The Bank follows a Code of Ethics – no inequality, violence, psychological or other forms of pressure and discrimination are tolerated at work.

The Bank has a common anonymous reporting section on the intranet for the Compliance Officer, through which any employee can report a breach of any regulatory requirement enforced by the Bank. When such a report is received, it is investigated and, if suspicions are confirmed, the necessary action is taken swiftly to remedy the breach.

The Customer Service Standard defines the conduct of employees in serving customers.

The Bank's employees are guided in their daily activities by three sets of fundamental principles:

- Bank values
- Code of Ethics
- Customer Service Standard

GRI 102-17, GRI 102-18

Whistleblowing mechanisms and ethical issues

The Bank has mechanisms for anonymous reporting to the Compliance Officer and the Chair of the Bank's Nomination Committee. Anonymous reports can be made at any time of the day on the Bank's intranet. The mechanism for reporting to the Compliance Officer is designed to report any criminal offences, administrative offences or potentially illegal acts by employees of the Bank Group (including managers), such as theft of assets of the Bank, its customers, partners, employees, fraud, abuse of office, conflicts of interest, suspected breach of the provisions of the Bank's Code of Ethics or non-compliance with the requirements of the legislation governing the Bank's activities, etc. The Bank's Compliance Department is responsible for this mechanism.

The mechanism for reporting to the Chair of the Bank's Nomination Committee enables confidential (and, if desired, anonymous) reporting of any violation or suspected violation of an opinion of an individual member of the Bank's organ or of a small group of members which may be prejudicial to the interests of the Bank.

All reports are confidential and, if the whistleblower so wishes, anonymous. All new Bank employees are introduced to whistleblowing channels at their induction training.

Information on ethical and unethical behaviour is contained in the Bank's Code of Ethics.

No whistleblowing reports were received during 2021.

GOVERNANCE OF THE COMPANY

GRI 102-22, GRI 102-23, GRI 102-24, GRI 102-20, GRI 102-26

Governance structure

General Meeting of Shareholders

Supervisory Board – collegial supervisory body

Management Board – collegial management body

Chief Executive Officer – a single-person management body

Committees – the Bank has Risk, Audit, Nomination, Remuneration, Loan, Risk Management and Regional Loan Committees.

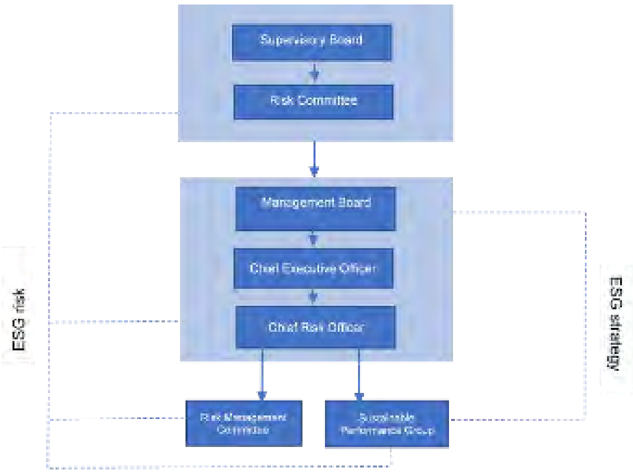
For more information, please see the sections "Governance of the Bank" and "Committees of the Bank and their activities" in the Annual Report.

Identification and management of economic, environmental and social impacts

Oversight of the management of ESG risks (including climate and environmental risks) in the Bank is carried out by several governing bodies:

- The Bank's Supervisory Board and the Risk Committee are the highest level governance bodies responsible for overseeing the management of ESG risks in the Bank.
- At the Bank's Board level, the Chief Risk Officer (CRO) is responsible for the direct oversight of ESG risk management, reporting directly to the Bank's Chief Executive Officer (CEO).
- The Chief Risk Officer (CRO) chairs the Bank's Risk Management Committee, which takes decisions related to ESG risk management.
- The Chief Risk Officer chairs the Sustainable Performance Group, which is an advisory body on ESG risk and ESG strategy.

The ESG strategy is integral to the management of ESG risk in the Bank. The following governance bodies oversee the development and implementation of the ESG strategy in the Bank:



Composition and selection of the Bank's supervisory and management bodies

The Supervisory Board is the collegial body supervising the Bank's activities. The members of the Supervisory Board are elected and dismissed by the General Meeting of Shareholders. The Supervisory Board is currently composed of 8 (eight) members, 5 (five) of whom are independent. The Supervisory Board is chaired by its Chairperson. The term of office of the Supervisory Board is four years. There is no limit to the number of terms of office. If individual members of the Supervisory Board are elected, they hold office until the end of the term of office of the current Supervisory Board.

The Management Board is the collegial management body of the Bank and ensures the proper conduct of the Bank's business. The members of the Management Board are elected, dismissed and supervised by the Supervisory Board of the Bank. The Management Board is currently composed of 7 (seven) members. The term of office of the Management Board is four years. There is no limit to the number of terms of office. If individual members of the Management Board are elected, they hold office until the end of the term of office of the current Management Board.

The Chief Executive Officer of the Bank is the Bank's single-person governing body. The Chief Executive Officer of the Bank organises the day-to-day activities of the Bank, takes decisions on the Bank's activities, acts on behalf of the Bank and ensures the proper implementation of the Bank's strategy, objectives, plans and policies. The Bank's Chief Executive Officer is appointed and dismissed from office by the Board.

- The Bank's Management Board is the highest level governance body responsible for the final approval of the ESG strategy and its integration into the Bank's strategy.
- The Bank's Supervisory Board is introduced to the ESG strategy.
- The Sustainability Group, chaired by the Head of Risk Management, is an advisory body on the development and implementation of the ESG strategy.

For more information, please see the sections "Governance of the Bank" and "Committees of the Bank and their activities" in the Annual Report.

GRI 102-25, GRI 102-26, GRI 102-27, GRI 102-28, GRI 102-29

Conflicts of interest

Members of the Bank's Supervisory Board and Management Board act in the best interests of the Bank and its shareholders by avoiding conflicts of interest. All transactions with the Bank's management are at arm's length. The Bank's Management Board's Rules of Procedure stipulate that a member of the Management Board must avoid activities that may give rise to a conflict of interest. A member of the Board must disclose to the Bank, before taking up his/her duties, any information that may give rise to a conflict of interest and keep this information up to date. A member of the Board is not entitled to vote or participate in a meeting of the Board when a matter relating to his/her activities on the Board or his/her responsibilities is being considered, or when matters in which the member may have an interest are being discussed, or when the lack of objectivity of the member of the Board may put the Bank at risk.

More: Note 30 to the 2021 financial statements.

The role of the supervisory and management bodies in determining the aim, values and strategy

The Supervisory Board approves the Bank's strategy. The Management Board analyses and evaluates the material provided by the Bank's CEO on the implementation of the Bank's strategy and the organisation of the Bank's activities.

Collective knowledge of the supervisory and management bodies

Members of the Management Board regularly participate in the most important economic conferences in the country. Once a year, a strategic session of the top management takes place, where members of the Management Board and Supervisory Board hear presentations on topics ranging from global economic trends to the social or demographic environment, innovation, strategic management, etc.

GRI 102-30, GRI 102-32

Effectiveness of risk management processes

Šiaulių bankas Group conducts an annual self-assessment. During this process, it analyses the types of risks that may arise from banking activities and have a significant impact on the Bank Group. The most important risks faced by the Group are: credit, market, liquidity, concentration, operational, IT, model, banking book interest rate, insurance and compliance risks.

More: "Financial risk management" in the notes to the 2021 financial statements.

The role of the supreme governing body in sustainability reporting

The report is reviewed by the Bank's Chief Executive Officer.

The Bank analyses, assesses, assumes and manages the risks or groups of risks it faces in its operations.

The risk management policy approved by the Bank's Supervisory Board and the procedures for managing the different types of risks based on it help to ensure the integrity of the risk management process within the Group.

The objective of the Risk Management Policy is to define the risks and the principles of their management in the Group's activities. As the various risks faced by the Group are interlinked, their management is centralised and the Bank has a Risk Management Committee for this purpose. One of the main objectives of the Bank's Risk Management Committee is to organise and coordinate the risk management system. The Group reviews its risk management procedures and systems on a regular basis, at least once a year, taking into account market developments, new products and emerging best practices.

GRI 102-15, GRI 102-29

Key impacts, risks and opportunities

In 2021, the Bank identified ESG risk as a strategically significant risk to the Bank's future operations. The current focus is on climate and environmental risks (the environmental component), of which the most important are transition and physical risks, but the Bank is not limited to this and will continue to pay appropriate attention to social and governance risks. More detailed information on ESG and climate and environmental risks is provided in the Consolidated Annual Report.

Climate and environmental risk assessment

In 2021, a project was carried out with external consultants to assess potential climate and environmental risks and their impact on the Bank's standard risks – credit, market, liquidity, strategic (business model), compliance, operational and reputational risks. It was decided to identify ESG risks (together with climate and environmental risks) as a separate category in the Bank's Risk Appetite Document and Risk Map and to manage them through the management of credit, market, liquidity, operational and reputational risks. The impact of climate and environmental risks on these risks may vary over time. The Bank's assessment of the significance of climate and environmental risks is made by focusing on these time periods:

Period	**Years**
Short	<1
Medium	1–5
Long	5–30

The following transition and physical risk factors have been identified by the project and will be the focus of the Bank's attention in the short and medium term:

Risks	**Key risk factors**	
	Transition risks	**Physical risks**
Credit	Regulatory changes related to GHG – manifested through the impact on the Bank's clients and collateral	Floods, heavy rains, droughts – manifested through the impact on the Bank's clients and collateral
Market	Regulatory changes related to GHG – manifested through interest rate risk and issuer credit risk	Floods, heavy rains, droughts – potential impact on securities issued by Lithuanian companies, securities issued by companies or governments in other EU countries (physical risk specific to that country). Risk factors manifest themselves through interest rate risk and issuer credit risk
Liquidity	Regulatory changes related to GHG – manifested through the impact on cash flows and the exhaustion of the liquidity buffer due to asset revaluation	Floods, heavy rains, droughts – manifested through the impact on the Bank's customers (loan portfolio, bank balances)
Operational and reputational	Changes in customer preferences, inappropriate Bank services/products, cooperation with suppliers with high switching risk – manifested mainly through reputational risk	Floods, heavy rainfall, heavy snow, droughts – manifested through operational risk events

The significance of transition risk factors was assessed qualitatively through an analysis of the regulatory environment, best practices and international methods in the financial sector (PACTA, the most emitting sectors according to EBA, the most energy consuming sectors and ECB's pre-defined list of industry sectors exposed to climate risks) and a quantitative assessment of loans and investment portfolios by sector.

The significance of physical risk factors was also assessed qualitatively - based on historical events and physical phenomena characteristic of the Lithuanian climate, and a quantitative assessment of the loan and investment portfolio by sectors was performed.

The most significant impacts of climate and environmental risks (transition and physical) have been identified for credit risk.

In the future, the Bank plans to assess the significance of the risks listed below and, if necessary, integrate them into the overall risk management framework:

- Transition risks arising from technological changes and other potential regulatory changes;
- Transition risks arising from changes in consumer preferences;
- Social risk elements;
- Governance risk elements.

Climate and environmental risk management

Credit risk

Since 2006, the Bank's business lending has been guided by one of the best practices in the international financial sector – the EBRD Environmental and Social Risk Management Manual (*EBRD Environmental and Social Risk Management Manual)*. The identification, assessment and management of environmental and social risks are considered as part of credit risk. According to this framework, environmental and social risk management is carried out in several key steps:

- Due to environmental and social risks, the Bank does not finance projects related to activities included in this EBRD list: *Corporate, SME and Micro Lending, Annex 1: Environmental and Social Exclusion List*.
- The Bank identifies whether the project is likely to cause significant future environmental and/or social impacts that cannot be readily identified or assessed at the time of examination. In such a case, an environmental and social impact assessment is carried out. The types of projects falling into this category are identified in accordance with this EBRD List: *Corporate, SME and Micro Lending, Annex 2: Category A Projects.*
- In order to determine the level of environmental and social risk, the Bank follows the EBRD's Environmental and Social Risk Categorisation List *(Environmental and Social Risk Categorisation List - Revised 2014)*, which includes the following types of activities that are prohibited for financing: Tobacco growing, distillation, rectification and blending of spirits, manufacture of tobacco products, manufacture of pesticides and other agrochemicals (as per *Corporate, SME and Micro Lending, Annex 1: Environmental and Social Exclusion List)*, the manufacture of arms and ammunition, the manufacture of military combat vehicles and the activities of gambling and betting.
- Aspects of these risks are included in the customer monitoring and rating system in order to assess in a timely manner possible changes in customer risk due to increased climate and environmental risks. Internal documents ensures proper risk management, internal control measures ensure the implementation of the principles.

Market risk

The Bank has identified market risk as being of low conceptual significance due to the narrow scope of the Bank's investment products, but the assessment of climate and environmental risk is included in the Bank's product governance procedures. In addition, it is planned that climate and environmental risks will be included in the decision-making process on investment solutions.

Operational risks

Climate and environmental risks are included in operational risk management. When recording operational risk events they can be classified as climate and environmental risks. Operational risk events related to climate and environmental risks are included in the reporting to the relevant governing bodies of the Bank.

The Bank's updated Emergency Management Plan identifies risk factors arising from physical climate and environmental risks.

The Bank continues its efforts to develop tools and methodologies to properly integrate climate and environmental risks with other financial risks (market, liquidity, operational and reputational risks) and the processes to manage these risks, and to improve the EBRD's current methodology used in the credit risk management component.

Other environmental risks

The Bank's business lending has been guided by the EBRD Environmental and Social Risk Management Manual. The environmental impact assessment process measures the potential direct and indirect impacts on the environment: landscape, atmosphere, soil, air, water, plants or animals, material values and cultural heritage, and the interaction of these components.

Opportunities

Bank discloses Green Asset Ratios (GAR) according to the Regulation (EU) 2020/852 of the European Parliament and of the Council with it's further amendments. Taxonomy-eligible economic activities are identified based on this regulation and information currently available in the Bank. It is planned to fully implement taxonomy during year 2022. Green Asset Ratios are calculated based on Bank's financial data.

Green Asset Ratio (GAR)	**Definition**
GAR1 = 5,4%	The proportion in Bank's total assets of exposure to Taxonomy-eligible economic activities
GAR2 = 68,2%	The proportion in Bank's total assets of exposure to Taxonomy non-eligible economic activities
GAR3 = 8,6%	The proportion in Bank's total assets of exposure to Taxonomy-eligible economic activities, excluding from the calculation of the numerator and denominator exposures to central governments (incl. municipalities), central banks and supranational issuers; and excluding derivatives from the numerator.
GAR4 = 83,6%	The proportion in Bank's total assets of exposure to Taxonomy non-eligible economic activities, excluding from the calculation of the numerator and denominator exposures to central governments (incl. municipalities), central banks and supranational issuers; and excluding derivatives from the numerator.
GAR5 = 0,1%	The proportion in Bank's total assets of exposure to Taxonomy-eligible economic activities, excluding from the numerator exposures to undertakings that are not obliged to publish non-financial information (Directive 2013/34/ES Article 19a and 29a)
GAR6 = 6,3%	The proportion in Bank's total assets of exposure to Taxonomy non-eligible economic activities, excluding from the numerator exposures to undertakings that are not obliged to publish non-financial information (Directive 2013/34/ES Article 19a and 29a)

EMPLOYEES

GRI 102-35, GRI 102-36

Remuneration policy

The Bank's remuneration is governed by the Remuneration Policy, the Annual Variable Remuneration Procedure, the Bonus Procedure, the Rules for Determining Remuneration, the Rules of Procedure and other internal regulations.

"Remuneration Policy" section of the Annual Report

The process of determining remuneration

The Bank's process of determining remuneration for employees is guided by the results of the remuneration study conducted by Hay group UAB (Korn ferry). The Hay group UAB (Korn ferry) methodology is used to determine the job levels. For each level, remuneration ranges are established, i.e. minimum and maximum remuneration values. The thresholds are set on the basis of the national market as a whole, taking into account regional differences. For certain levels, the benchmarks are based on banking sector data. The application of the methodology used by the Hay group UAB (Korn ferry) allows for internal and external fairness of remuneration and competitive remuneration in the market.

STAKEHOLDER INVOLVEMENT

GRI 102-40

List of stakeholder groups

Stakeholders	**Methods of involvement**
Employees	Social initiatives; Opportunities for suggestions and their implementation; Possibility of reporting to the Compliance Officer; Annual performance review interview; Bank's internal website (intranet); Events.
Shareholders	Regular reports; Presentation of performance results to investors; Shareholder meetings.
Clients	Customer service quality surveys; Communication on social networks; Bank's website; Customer events.
Suppliers and partners	Participation in meetings.
Regulatory authorities	Regular reports; Participation in meetings.
Communities, public	Sponsorship and support projects; Educational activities.
Associated structures	Social responsibility report.
Media	Press releases; Comments; Events; Meetings.

GRI 102-42, GRI 102-43

Identification and selection of stakeholders

Stakeholders were selected by assessing the nature of the organisation's activities and who the organisation can directly or indirectly affect and who has an impact on the organisation.

Approach to stakeholder engagement

Customer feedback is sought through surveys such as mystery shopper, the customer referral index (CRI) and the customer service quality and sales skills of employees in the Lithuanian commercial banking sector.

The mystery shopper survey assesses the quality of customer service in the Bank's branches. The survey assesses where employees need to improve their customer service and where they are performing excellently. The survey is used as a basis for the annual training of customer service managers.

CRI is the Customer Recommendation Index - an indicator by which we aim to find out the satisfaction and loyalty of private and business customers, i.e. how many customers would be inclined to recommend Šiaulių bankas, the services or products offered. During the 2021 NPS survey, various channels and individual products of the Bank were evaluated. Research is conducted with the help of external companies and using the Bank's internal resources.

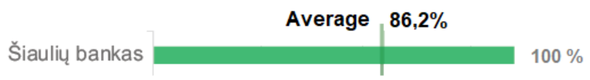
The aim of the customer service quality and sales skills of employees in the Lithuanian commercial banking sector survey was to measure and compare the fulfilment of the main customer service quality criteria in the Lithuanian commercial banking sector, to identify the strongest and weakest areas of service and to assess the trends in customer service quality. The mystery shopper survey was carried out once in 2021 by an external company.

Other methods of stakeholder engagement are indicated under indicator 102-40.

GRI 102-44

Main themes and issues raised

Šiaulių bankas was voted the best customer-serving bank in 2018 and 2019 in an independent mystery shopper survey commissioned by Dive Lietuva. In 2021, Šiaulių bankas again became the best customer service bank in Lithuania. It should be noted that in 2021, the methodology of the survey was adjusted due to the pandemic and the survey was conducted remotely (in previous years, a physical visit to a customer service branch was conducted). The overall fulfilment of the customer service quality criteria in the Lithuanian commercial banking sector is 86.2%, and Šiaulių bankas' overall rating this year was 100%, i.e. 13.8% higher than the overall market average in 2021.



The mystery shopper survey assessed 6 main criteria: start of contact, clarification of needs, solution, additional sale, end of contact and communication skills. In our Bank, all of them met the highest standards and were given the maximum score. Compared to last year's assessment, the biggest rise was in additional sales, where we improved by 25%.

REPORTING PARAMETERS

GRI 102-45, GRI 102-46

Definition of the content of the report and the boundaries of the topics

The topics and criteria selected for the report are those for which the Bank has data and can be accurately assessed. New, additional criteria are measured each year.

Entities included in the consolidated financial statements

Subsidiaries of the Bank

Directly controlled subsidiaries:

- SB Lizingas UAB (finance leases, consumer loans)
- Šiaulių banko lizingas UAB (finance leases and operating leases)
- SB turto fondas UAB (real estate management)
- SB draudimas UAB (life insurance)

Indirectly controlled subsidiaries:

- Sandworks UAB (real estate management)
- Šiaulių banko investicijų valdymas UAB (investment management activities)

For more details, see the section "Bank's Group" in the Annual Report

GRI 102-47, GRI 102-50, GRI 102-5, GRI 102-52, GRI 102-53, GRI 102-54, GRI 102-56

List of important topics

The Bank's socially responsible activities intended to improve the quality of life in Lithuania, promote sustainable economic development and the environment are focused on areas where the Bank can and aims to have a positive impact, namely:

- Employees;
- Bank's customers;
- Environment;
- Communities and the general public

This report includes topics related to all of these areas.

Reporting period

The report is for the year 2021.

Date of latest report

Since 2017, the Bank has been reporting according to the Global Reporting Initiative (GRI) standard. This is the fifth report.

Reporting cycle

The Social Responsibility Report is produced annually.

Contact point for questions related to the report

For questions and comments on the Social Responsibility Report, please contact komunikacija@sb.lt.

Notices on reporting according to GRI standards

This report was prepared in accordance with the basic version of the GRI standards.

External audit

This report is not audited - the audit company only needs to confirm the fact that the report has been submitted.

ECONOMIC EFFICIENCY

GRI 201-1

Direct economic value created and distributed

Based on performance, the Annual General Meeting of Shareholders decides each year whether to pay dividends to shareholders when distributing the Bank's profits.

Data on dividends paid by the Bank:

Years for which dividends have been declared and paid	2018	2019	2020
Percentage of nominal value	10	-	1,90
Dividend amount per share, EUR	0,029	-	0,0055
Dividend amount, EUR	17 421 064	-	3 303 994
Dividend to Group net profit ratio, %	33,0	-	7,7

GRI 203-2, GRI 204-1

Significant indirect economic impact

Financing of small and medium-sized enterprises

One of the Bank's priority areas of activity is the financing of small and medium-sized enterprises (SMEs), which the Bank develops in order to promote the development of SMEs. The Bank actively uses various financial engineering instruments that enable it to finance businesses that would not be able to access conventional credit, thus contributing to their growth. During the pandemic, we actively participated in all measures aimed at supporting businesses, and we are the bank which has issued the largest number of such loans in Lithuania.

Of all the banks operating in Lithuania, Šiaulių bankas has the largest number of products with European Union instruments, which are administered by Invega UAB: a shared risk facility for SME financing, various portfolio guarantees for SME loans, factoring and leasing.

Multi-apartment building renovation and regional development

The Bank aims to promote the economic development of the country's regions and reduce disparities between them. One of its instruments is the financing of the renovation/modernization of multi-apartment buildings. A large part of the renovation projects for multi-apartment buildings are located outside the major cities. These projects involve management companies and construction contractors and create jobs in the regions.

Šiaulių bankas is a leader in the financing of multi-apartment building renovation: 2 out of 3 of all multi-apartment buildings renovated in Lithuania are financed by Šiaulių bankas. At the end of 2018, Šiaulių bankas signed a guarantee agreement with the European Investment Bank for the implementation of multi-apartment building renovation projects. Under this agreement, Šiaulių bankas has allocated an additional EUR 150 million for the renovation of multi-apartment buildings. In 2020, Šiaulių bankas was selected as the successful bidder to set up an Investment Platform in Lithuania to further finance renovation. This is an innovative and promising instrument that will attract funds from several sources to ensure sufficient financing. The new Investment Platform is expected to be operational in 2022.

Other modernisation projects

The Bank is also involved in the energy efficiency programme. In 2018, an agreement with the Public Investment Development Agency (VIPA) was signed and is still ongoing, under which the Bank finances the retrofitting of municipal buildings as a financial intermediary, contributing with its own funds. The total amount of funds earmarked for the implementation of the financial instrument is EUR 36.16 million. This financial instrument is aimed at improving the energy efficiency of municipal public buildings, reducing greenhouse gas (CO2) emissions and ensuring that the infrastructure of public buildings complies with the requirements of hygiene standards. The measure is financed by the European Regional Development Fund.

The Bank is also inviting applications for loans for the renovation of cultural heritage sites from 2019. The loans are invested in the attractiveness, commercial viability and public accessibility of the objects. The funds are allocated from the Cultural Heritage Fund established by the Public Investment Development Agency (VIPA), the Ministry of Finance and the Ministry of Culture. Šiaulių bankas has been selected as the fund manager. The Cultural Heritage Fund has been granted EUR 5 million from the European Regional Development Fund.

Local procurement

In 2021, over 90% of all purchases were made by local suppliers.

TRANSPARENCY AND PREVENTION OF CORRUPTION

GRI 205-1

Corruption risk assessment

Prevention of money laundering

The Bank is committed to the prevention of money laundering and terrorist financing by consistently and purposefully implementing existing and developing new anti-money laundering and counter-terrorist financing measures and by applying them to its operations:

- Identification of customers, customer representatives and beneficiaries
- Collecting and verifying information on the purpose and nature of the business relationship (application of the Know Your Customer rule)
- Monitoring business relationships and monetary transactions

Identification of suspicious monetary transactions and transmission of information to the Financial Crimes Investigation Service, etc.

Existing and new anti-money laundering measures are being developed taking into account: the legislation governing the prevention of money laundering and terrorist financing in the Republic of Lithuania, the requirements of the FATF (Financial Action Task Force), the EU, the UN, and the US legislation.

Prevention of corruption and conflicts of interest

Actions that can be defined as intolerable cases of corruption are defined in the Corruption Prevention and Unacceptable Conduct Policy adopted by Šiaulių bankas AB. In order to avoid potential conflicts of interest, all employees of the Bank comply with the provisions of the Code of Ethics of Šiaulių bankas AB and follow the Bank's Conflict of Interest Management Policy in their activities.

The Bank duly pays all taxes to the State of Lithuania, complies with the applicable legal acts, prepares and participates in tenders in a transparent manner.

The Bank implements the requirements of the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS).

GRI 205-2, GRI 205-3, GRI 206-1

Communication and training on anti-corruption policies and procedures

The Bank's employees are committed to the Code of Ethics of Šiaulių bankas AB, which highlights the following principles as the most important:

- Integrity,
- Responsibility and accountability,
- Respect for the law, human beings and their rights,
- Impartiality, objectivity and fairness,
- Exemplary conduct.

The Code of Ethics and the Prevention of Corruption and Unacceptable Conduct Policy regulate what acts may be considered as intolerable cases of corruption. All new employees of the Bank are made aware of these documents.

Confirmed cases of corruption and actions taken

There were no corruption-related incidents identified in 2021.

Legal actions on restrictive conduct and antitrust practices

No such actions were identified during the reporting period.

ENVIRONMENT

GRI 301-1, GRI 302-1

Energy consumption within the organisation

Greenhouse Gas Protocol The Green House Emission Protocol (GHG Protocol) is a comprehensive standardized system based on global practice for measuring and managing greenhouse gas (GHG) emissions from private and public sector operations and value chains to address climate change mitigation. GHG emissions in 2021 were also calculated by Šiaulių bankas.

GRI 203-4, GRI 305-1, GRI 305-2, GRI 307-1, GRI 304-4

Trace of CO2, trace of methane, etc. are calculated by dividing the emission GHG sources into three groups according to scope:

- direct emissions in the territory of Šiaulių bankas or in the facilities belonging to it, caused by energy production or other activities related to fuel combustion (Scope I);
- indirect emissions from the consumption of energy produced outside the bank (Scope II);
- GHG emissions occurring outside Šiaulių bankas but related to its activities have an indirect impact on the value chain (Scope III). Scope III emissions include 15 categories of emissions that were not included in Scopes 1 and 2.

Structure and dynamics of the GHG CO_2 footprint by year and assessment area

Activity (scope)	2020*	2021*	Dynamics
Scope I. Direct emissions	**30.799**	**32.156**	**4,41% ↑**
Natural gas (stationary source of pollution)	6.914	8.103	17,20% ↑
Motor transport Petrol (mobile source of pollution)	12.636	13.558	12,64% ↑
Motor transport Diesel (mobile source of pollution)	11.095	10.442	5,89% ↓
For generators Diesel (mobile pollution source)	0.15	0.028	81,33% ↓
Consumption of refrigerants	0.004	0, 025	525,00% ↑
Scope I. indirect emissions	**76.332**	**52.260**	**31,54% ↓**
Green electricity consumption	3.531	5.896	66,98% ↑
Power supply consumption	66.799	38.041	43,05% ↓
Heat supply consumption	6.002	8.323	38,67% ↑
Scope III	**130.422**	**147.001**	**12,71% ↑**
Category 1 Purchased goods and services	14.049	8.693	38,12% ↓
Category 2 Purchased goods for Capital	Not rated	Not rated	-
Category 3 Fuel and energy costs associated with the activity	96.563	118.973	23,21% ↑
Category 4 Logistics and distribution from suppliers to the bank	Not rated	Not rated	-
Category 5 Waste generation in operations	7.423	9.076	22,27% ↑
Category 6 Business trips	6.741	0.009	99,87% ↓
Category 7 Mobility of officers (employees)	Not rated	Not rated	-
Category 8 Leased assets	Not rated	Not rated	-
Category 9 Transport and distribution from bank to customer	Not rated	Not rated	-
Category 10 Processing of sold products	Not applicable	Not applicable	-
Category 11 Use of the product	Not rated	Not rated	-
Category 12 After expiry of product	Not rated	Not rated	-
Category 13 Assets leased to third parties	5.646	4.314	23,59% ↓
Category 14 Franchises	Not applicable	Not applicable	-
Category 15 Investments	Niot rated	Not rated	-
Scope I	**30,779-13kat (5,646)= 25,133 t CO2**	**32.156 – 13 kat (4,314)= 27,842 t CO2**	**10,78% ↑**
Scope II	**76,332 t CO2**	**52,260 t CO2**	**31,54% ↓**
Scope III	**130,422 t CO2**	**141,065 t CO2**	**8,16% ↑**
Scopes I and II, in total t CO2	**101,465 t CO2**	**80,102 t CO2**	**21,05% ↓**
Scopes I, II, III in total t CO2	**231,887 t CO2**	**221,167 t CO2**	**4,62 % ↓**
Number of employees	**786**	**789**	**0,38% ↑**
CO2 content per employee (scopes I, II)	**0,129 t CO2**	**0,102 t CO2**	**20,93% ↓**
CO2 content per employee (scopes I, II, II)	**0,295 t CO2**	**0,280 t CO2**	**5,08% ↓**

* only accounted energy consumption is estimated

Total GHG emissions of Šiaulių Bankas in 2021: The CO2 footprint from all activities in all assessment areas was 221,167 t CO2. According to the percentage distribution, the largest part is covered by Scope III - 63.78%, Scope II - 23.63%, the smallest part is Scope I - 12.59%.

Comparing the total results of the 2021 GHG Emission Scopes with 2020, an increase of 10.78% in CO2 of Scope I can be seen in 2021 due to higher consumption of natural gas and petrol. Scope II shows a significant reduction of as much as 31.54% CO2, as in September 2021 Šiaulių bankas AB started using 100% green electricity. Scope III shows an increase of 8.16% in CO2 due to higher electricity consumption compared to 2020. Summarizing all the results (Scopes I, II, III), we conclude that Šiaulių bankas AB reduced CO2 emissions by 4.62% during 2021 or emitted 10.720 t less CO2 than in 2020.

Reducing energy consumption

In order to reduce fuel consumption and air emissions:

- The Bank uses an electronic booking system for operational cars, allowing business trips to be planned in groups and to be made in as few cars as possible;
- We have ordered the first plug-in cars and electric cars.
- The Bank's employees are encouraged to use public transport (e.g. train, bus) for business trips within Lithuania;
- The Bank encourages that meetings involving staff and partners in different cities be held in modern teleconference rooms in Vilnius, Kaunas, Klaipėda and Šiauliai or remotely using the MS Teams app as well as the use of landline telephones in workplaces and other communication tools.

In order to reduce paper consumption, the internal and external document management system continued to be actively developed in 2021, reducing the need for printed documents. The digital process of signing and registering employment contracts (and changes) has also been fully implemented, which has made it possible to refuse printing of paper documents.

The Bank has developed and uses its first robots, which allow automating the manual steps involved in payment card transactions.

The Bank provides employees with the opportunity to sort waste, with periodic communication on correct sorting.

Non-compliance with environmental laws and regulations

No non-compliance with environmental laws and/or regulations has been identified during the reporting period.

Ensuring animal welfare

Šiaulių bankas does not contribute to or support any initiatives that harm the environment or animals. The organisation's activities do not pose a threat to endangered species of plants and animals. In 2021, the Bank provided financial support to animal shelters (Šiaulių letenėlė), thus contributing to the welfare of vulnerable animals.

RELATIONS WITH EMPLOYEES

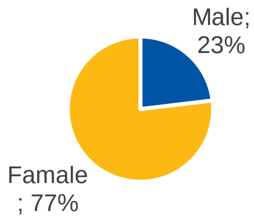
GRI 401-1, GRI 401-3

Recruitment and staff turnover

The Bank fosters long-term working relationships with its employees. At at 31 December 2021, 24% of the Bank's employees had been employed for 10 years or more. During the reporting period, the overall staff turnover rate was 11.2% (2020: 11.0%, 2019: 13.8%, 2018: 13.2%, 2017: 14.5%).

On 31 December 2021, the Bank had 789 employees and the Group had 882 employees. Compared to 31 December 2020, the number of employees in the Bank increased by 4.4% and in the Group by 3.9%.

New employees in 2021 by gender:



Number of new employees by region in 2021:

Region	Number of new employees
Kaunas region	37
Klaipėda region	5
Šiauliai region	21
Vilnius region	52
Total:	115

GRI 401-3, GRI 404-1, GRI 404-2

Parental leave

All employees are entitled to parental leave, regardless of gender.

For more details, see the “Employees” section of the Annual Report

Employees who have taken parental leave in 2021*

Gender	Number of employees
Male	0
Female	69
Total	**69**

*This figure includes both parental leave granted in 2021 and parental leave that continues.

Parental leave granted in 2021

Gender	Number of employees
Male	7

Number of employees returning to work after parental leave in 2021, by gender*

Gender	Number of employees
Male	0
Female	23
Total	**23**

* employees returning to work/dismissed after parental leave.

Average number of trainings per employee per year

The average number of hours of training per year for employees in the Bank’s network and regional offices was 17 hours. The average number of hours of external and internal training per year for the employees of the Centre’s branches was 18.

Employee professional training programmes

The employee professional training system includes an adaptation process for new recruits, professional (mandatory training regulated by Lithuanian legislation and other training required for day-to-day functions), general competency development and leadership training.

All new employees of the Bank take part in a two-day Newcomers Days event, where representatives of different areas of the Bank share their professional experience, introduce their new colleagues to the Bank's structure, functions of the departments, present the Bank's services, products, processes and ongoing projects. During the Newcomer Days, we play the Bank's values game and learn about the Bank's values in practical situations.

In 2021, we focused on the development of managers at different levels. Taking into account the data from the engagement survey and the general trends, we have targeted our management development to strengthen leadership, inter-managerial cooperation, effective communication and other competencies, and we have returned to a continuous development model. We have opted for the Executive Academy model proposed by an external partner, which is designed for managers who already have experience of managing a company or a business unit. All managers involved in the Academy are responsible for implementing the Bank's strategy through their own departments. The Academy lasts for 1.5 years and is attended by over 100 managers at different levels.

We have also strengthened the leadership and general competences of the Bank's top management accordingly. To this end, three sessions on Public Speaking and Presentation, Facilitation and Leadership were planned.

In view of the Bank's structural changes and the expressed development needs of the target group, the strengthening of the risk management competences of the members of the Bank's Management Board and Supervisory Board was planned for 2021. To this end, training sessions were planned and implemented on the following topics: Non-Financial Risk Management and Innovation and Digitisation.

As part of the continued development of process management in the Bank, a process management and improvement programme was developed in 2021. It sets out the phases for the implementation of process management and aims to bring about a cultural change through the principles of customer orientation, digital thinking and simplicity. The programme was presented to the heads of the departments, with a view to carrying out efficiency work in each department, setting objectives accordingly.

In 2021, we continued to prioritise regulatory requirements for staff qualifications and experience. We have followed the training plan aimed at strengthening knowledge in the area of AML/CFT. We also used an online learning platform to ensure maximum compliance with GDPR and IT security requirements, where we developed mandatory Personal Data Protection (2 modules) and Digital Security training for each employee. The aim is to provide a comprehensive introduction to personal data protection and digital security requirements and practices.

In order to raise the competence of compliance officers, AML/CFT, customer insight and financial settlement specialists, and to help them acquire the appropriate knowledge and global best practices on how to manage risk, combat money laundering and put financial crime prevention into practice, we have ensured that some of them have the opportunity to obtain ICA and CAMS certifications, which are considered the benchmark of excellence worldwide. Certification of staff will continue.

In 2021, the Bank's unique programme Financing Solutions Forum was continued. The spring and autumn sessions of the programme were held virtually. Because of the topics and scope, the final conference of the Forum became the Annual Conference of Šiaulių bankas, which this year (just like last year) was held virtually, the speakers and discussions were live streamed from a specially prepared studio, and the broadcast was available to all the employees of the Bank. The conference focused on the importance of sustainability in a global, business and personal context in environmental, social and governance aspects.

In 2021, we focused on the development of employees' emotional competence, giving employees the opportunity to listen to lectures on topics such as stress and its management, quality sleep, eye care, our health reserves, etc.

Employees at the Bank Centre and network units have been developing their competences by attending external conferences and seminars.

GRI 405-2

Work organisation in the context of COVID-19

In 2021, we continued our efforts to ensure the smooth running of our staff by providing them with the necessary tools and making sure they are in good physical and emotional condition. During the year, we worked in very different conditions. At the beginning of the year, during a full lockdown, the main objective was to keep the network employees healthy by regulating staff flows, providing them with all protective equipment and ensuring that customer flows were regulated. Employees worked remotely when their roles allowed. As the pandemic situation evolved during the year, the exemptions introduced at national level allowed employees to return partially, and later fully, to their workplaces by rotating teams, maintaining recommended distances, internal, stricter work organisation rules, etc.

Throughout the year, we have been concerned with the acquisition of personal protective equipment. All employees were fully equipped with face protection (medical masks, FFP2 respirators), disposable gloves, disinfectant wipes. When needed, we provided disposable medical masks at customer service points and hand disinfection in accessible areas in all units. Additional disinfection of frequently touched surfaces continued and all units were equipped with non-contact thermometers to monitor employee health.

The coronavirus situation in the Bank and all major developments were continuously communicated on the intranet.

GRI 412-2

Gender equality

The Bank, in accordance with the Code of Ethics and the Rules for the Implementation and Supervision of Equal Opportunities (Non-Discrimination) Policy, the Labour Code of the Republic of Lithuania, the Law on Equal Opportunities of the Republic of Lithuania, the Law on Equal Opportunities for Women and Men of the Republic of Lithuania, as well as other normative legal acts establishing equality of persons and the prohibition of restricting the rights of human beings on the basis of discriminatory grounds, does not tolerate inequalities, manifestations of violence, psychological or similar pressures, or any form of discrimination at work. The Bank observes the principle of equal opportunities and the prohibition to restrict or favour the rights of employees on the grounds of sex, race, nationality, citizenship, language, origin, social status, religion, beliefs or opinions, age, sexual orientation, disability, ethnic origin and other grounds, both in the recruitment process and during the term of employment and in the course of the termination of the employment relationship.

In order to actively and responsibly manage the fairness of remuneration, the Bank relies on the approved Remuneration Policy, which has been prepared in accordance with the Law on Companies of the Republic of Lithuania, the Resolution of the Board of the Bank of Lithuania On the Approval of the Description of the Minimum Requirements of the Remuneration Policy, and other legal acts. The Remuneration Policy also declares that employees shall be subject to a uniform remuneration system, without discrimination on the grounds of sex, age, nationality, race, social status, religion, social orientation, etc.

The Bank's Remuneration Policy regulates the means of ensuring fair and non-discriminatory remuneration: The Bank shall analyse and assess the average difference in the level of remuneration received by different genders, analyse which gender is the dominant gender at a given job level in terms of the higher remuneration received, and, in the event of significant differences and in the absence of objective reasons to justify the differences, take action to reduce the disparity.

The Bank shall continuously monitor and analyse the ratio of men and women in management positions in the organisation. Currently, the Bank manages to maintain a very good gender balance, with 53% women and 47% men in management positions (97 employees in total). The Bank's governing bodies, the Board of Directors and the Supervisory Board, are 27% female and 73% male.

Human rights

Šiaulių bankas is a member of the United Nations Global Compact. The Bank follows the principles of the Global Compact in its Social Responsibility Report.

The Bank complies with the laws of the Republic of Lithuania and the employment of children is prohibited.

The Bank conducts recruitment in accordance with the Recruitment and Selection Rules, and recruitment and selection of staff is carried out in accordance with the principles of the Equal Opportunities (Non-Discrimination) Rules. In 2021, an equal number of women and men were recruited to management positions, 50% each.

The average salary of the Bank's employees in 2021 was EUR 2,475.72, which is almost 58% higher than the national average salary in 2021.

The working time of the Bank's employees is regulated by the internal Working Time Accounting and Control Rules and complies with the principles of minimum and maximum working time as laid down in the laws of the Republic of Lithuania. Overtime may be used with the prior agreement of the employees and with appropriate remuneration, but only in exceptional and emergency cases.

In addition to what is regulated by the Labour Code of the Republic of Lithuania and other occupational safety and health legislation, the Bank pays great attention to health. Physical and emotional health topics are continuously developed in the Bank, and the implementation of health promotion projects (health lectures, preventive health check-ups, vaccinations) ensures the practical aspect of health care. Employees are kept informed and educated through various events, seminars, lectures, dissemination of information materials and internal training.

The Bank also has an Occupational Health and Safety Committee which regularly proposes and initiates initiatives related to occupational health and safety.

In order to create a safe working environment, we regularly revise and update our instructions and procedures, and pay attention to the proper familiarisation of our employees with them. We ensure the provision of safe and ergonomic workplaces, health checks and regular occupational risk assessments.

Additional attention is paid to civil safety, and employees are familiarised with the Emergency Plan and the steps to be taken in an emergency. Responsible staff have been trained to ensure a smooth evacuation during an emergency.

Working conditions

Šiaulių bankas adheres to the principles of the International Labour Organisation Declaration and the Labour Code of the Republic of Lithuania; discrimination during recruitment, employment and after the employment relationship is terminated is not tolerated. The Bank also has a Labour Council, which represents the interests of employees and assesses whether all employees are provided with equal working conditions.

The Bank continuously invests in improving the working conditions of its employees and extending the benefits package. Recently, the Bank has been focusing on the emotional health of its employees, with regular lectures on emotional health and mental health topics. In addition to fringe benefits, employees are also rewarded with public recognition of their contribution to creating value for the Bank. The Bank has annual employee awards and a network employee incentive programme.

In order to be a socially responsible organisation, the Bank conducts and initiates volunteering programmes to support various social groups, where employees are also involved. This enables people to come together and raise their awareness. The Bank continuously invests in team-building initiatives, allocates additional budgets for team events, initiates Bank-wide winter and summer events, and supports and financially contributes to employee hobby clubs (kart racing, volleyball, etc.).

The Bank also continuously values flexibility in work organisation, allowing employees to choose the start and end time of work in consultation with their team leader, and employees work using a hybrid working pattern (partly from home and partly from the office).

All of these and many more measures enable the Bank to maintain a very low staff turnover rate of 11.2%. Compared to the market and to the financial sector, this percentage is very good. The Bank also measures annually the level of employee engagement and the employee satisfaction with the organisation score.

The Bank carries out continuous training of managers by involving managers in a Leadership Academy where management and leadership competencies are strengthened to ensure the development of all managers, as well as the rotation of top management and the provision of equal career opportunities for all.

COMMUNITIES AND THE GENERAL PUBLIC

GRI 413-1

Cooperation with educational, cultural institutions or organisations

In 2021, the Bank supported and collaborated with:

- The Bank supported cultural centres in Rokiškis, Alytus district municipalities and Šiauliai;
- Visaginas Municipality Administration;
- The Bank's employees gave lectures to students of various schools remotely.

Reducing social exclusion

Since 2014, in cooperation with Geros valios projektai VšĮ, the Bank has been providing the following opportunities to its clients:

- Donate cash at donation boxes in the Bank's branches;
- We also provide the Bank link service to the aukok.lt project free of charge.

In 2021, EUR 1237.71, UDS 21.00, NOK 100.00 and GBP 10.00 were collected in the donation boxes. Donated funds have been transferred to Geros valios projektai VšĮ.

Strengthening communities:

As a Lithuanian-owned bank and having presented its new image strategy to the public in 2019, the Bank aims to be closer to communities and focuses on fostering the traditions of the country's towns and cities, supporting the cultural life in Lithuanian regions, as well as contributing to the promotion of sports and financial literacy.

In 2021, the Bank has allocated a total of EUR 93,579.00 to support various initiatives.

- City festivals;
- Animal shelters;
- Pažaislis Music Festival;
- Šiauliai Aušra Museum;
- Šiauliai Art Gallery;
- Lithuanian Musicians Support Foundation;
- Šiauliai Basketball Club;
- Dakar Rally (V. Žala's crew);
- Sport clubs (football, tennis, running, volleyball, handball, etc.);
- Educational and cultural institutions and organisations;
- Other projects and communities.

Assistance to victims of COVID-19:

- Successful small businesses are the backbone of the Lithuanian economy. That's why for the second year in a row we have supported the initiative PLANAS A.This is our way of helping small businesses become more visible and get support when they need it most. Find out more about the ongoing project on www.planas-a.lt.
- Christmas gifts for partners were purchased from PLANAS A participants

A pre-Christmas campaign to encourage the purchase of Christmas gifts from PLANAS A participants.

COMPLIANCE

GRI 417-2, GRI 418-1, GRI 419-1

Non-conformities related to information and labelling of products and services

No such cases were identified in the Bank during the reporting period.

The Bank's Contact Centre registers customer complaints or claims regarding the provision of information on services or products.

In 2021, there were no cases of non-compliance where the Bank or Group companies were fined or warned for inadequate information on services.

Substantiated complaints about breaches of customer privacy and loss of customer data

The Bank has not received any substantiated complaints regarding breach of customer privacy.

Non-compliance with social and economic laws and regulations:

The Bank has not identified any cases of non-compliance with social or economic laws or regulations.

REMUNERATION REPORT 2021

(Annex to Annual Consolidated Report 2021)

Tilžės 149, LT-76348 Šiauliai
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El. paštas info@sb.lt
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The Remuneration Report of the Bank has been prepared and approved following the procedure set in the Law of the Republic of Lithuania on Companies and in compliance with the requirements set forth in the Law of the Republic of Lithuania on Financial Reporting by Undertakings (Article 23^3) for the remuneration report and its content.

When the General Meeting of Shareholders of the Bank approves the set of financial statements of the Bank and the Bank group for 2021, this Remuneration Report will be publicly available for 10 years on the Bank's website at www.sb.lt as an annex to Consolidated Annual Report 2021.

This Remuneration Report 2021 of the Bank (reporting period: 01/01/2021 to 31/12/ 2021) discloses information about remuneration to each member of the Bank's management and supervisory bodies (the Chief Executive Officer, the Management Board and the Supervisory Council). Members of management and supervisory bodies were identified by their respective positions held in the Bank on 31 December 2021, also information is given about the members who started/ceased in office in the course of 2021.

On 31 March 2021, the General Meeting of Shareholders of the Bank did not express any disapproval / other observations on Remuneration Report 2020, which, as an annex to Consolidated Annual Report of the Bank, is publicly available on the Bank's website, within the document "Annual Report 2020 of AB Šiaulių bankas and bank group".

The Remuneration Report does not include personal data of members of the management and supervisory bodies or personal data that would indicate the marital status of members of the management and supervisory bodies of the Bank. The Remuneration Report includes personal data of the members of the Bank's management and supervisory bodies in accordance with the requirements of the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

Remuneration to the members of the Bank's management and supervisory bodies is regulated by the Remuneration Policy of the Bank, approved by the decision of the General Meeting of Shareholders of the Bank held on 31 March 2020 and publicly announced on the Bank's website.

The model of the Group's remuneration system is in line and is aligned with the Bank Group's business strategy, long-term continuous business objectives and interests. A system of equal payment for work is applied, not discriminating employees on the grounds of gender, age, nationality, race, social status, religion, sexual orientation, etc. Remuneration is determined based on employee's knowledge, experience, qualification, responsibilities, decisions taken, position held. Successful implementation of the Remuneration Policy makes it possible for the Bank to attract, motivate, keep the best employees, who contribute to successful implementation of the Group's long-term term objectives and business strategy.

According to the Bank's Remuneration Policy, the members of the Bank's supervisory bodies are paid a fixed remuneration, whereas the members of the management bodies are paid a fixed and variable remuneration. The annual variable remuneration fund is formed based on the Bank's performance, taking into account current and future risks, capital employed and liquidity maintenance costs. The principles for calculating variable remuneration are designed to be in line with the Bank Group's business strategy, objectives, values, long-term continuous business interests and to promote sound and effective risk management, help to avoid conflicts of interest, ensure compliance with the Code of Ethics and discourage remuneration recipients from excessive risk-taking.

The annual variable remuneration for the members of the Bank's management body is allocated only after the annual performance appraisal and review of the employee's results for the last three years. The amount of variable remuneration is based on general assessment of pre-determined objectives and results achieved by the Group, unit/employee. In assessment of individual annual objectives, achievements of an employee, not only the achieved personal financial performance is taken into account, but also one's non-financial/non-quantitative contribution (e.g. respecting values of the Bank, relationships with clients/colleagues, conformity to standards, performance of requirements set in internal documents, pro-activeness, leadership/participation in project activities, improvements of processes).

As it is provided for in the Bank's Remuneration Policy, the annual variable remuneration is given in the form of cash and the Bank's shares. Granting of a part of the remuneration to be given in the form of the Bank's shares is deferred for a period of 3 years from the date of the allocation of the annual variable remuneration, taking into account the potential risk related to the employee's annual evaluation results. The deferred part of the annual variable remuneration is allocated and granted upon the end of the deferral period, as shares of the Bank. The Bank grants shares to employees by way of exercise of options entered into with employees or in another form set by the Bank's Management Board. Also, the allocation of variable remuneration ensures that the variable remuneration allocated to an employee is not to exceed 100% of the employee's fixed remuneration during 1 calendar year.

REMUNERATION OF MEMBERS OF THE SUPERVISORY BODY

In accordance with the Bank's Remuneration Policy, the members of the Bank's Supervisory Council are granted only a fixed remuneration, which consists of (i) the official remuneration and (ii) surplus to the official remuneration for performing additional functions while holding the office of a member of the Supervisory Council. Under the Remuneration Policy, no variable remuneration is provided for or allocated to the members of the Bank's Supervisory Council.

Information on remuneration of members of the Supervisory Council (before tax):

Name, Surname	Positions at the Supervisory Council and Committees	Remuneration paid by the Bank in 2021, EUR[1]	Remuneration paid in 2021 by a company that is part of Group; company name
Arvydas Salda	Chairman of the Supervisory Council	150,000	EUR 147,700 SB turto fondas UAB
Gintaras Kateiva	Member of the Supervisory Council, member of the Remuneration Committee	57,500	-
Darius Šulnis	Member of the Supervisory Council, member of the Risk Committee, member of the Nomination Committee	65,000	-
Ramunė Vilija Zabulienė	Independent member of the Supervisory Council, Chairman of the Audit Committee, member of the Remuneration Committee, member of the Risk Committee	77,500	-
Martynas Česnavičius	Independent member of the Supervisory Council, Chairman of the Remuneration Committee, Chairman of the Nomination Committee, member of the Audit Committee	82,500	-
Miha Košak	Independent member of the Supervisory Council, Chairman of the Risk Committee, member of the Nomination committee	70,000	-
Adriano Arietti	Independent member of the Supervisory Council, member and Deputy Chairman of the Risk Committee	57,500	-
Susan Gail Buyske	Independent member of the Supervisory Council, member of the Audit Committee	57,500	-

1 - The members of the Supervisory Council were paid fixed remuneration for their service as provided for in the Remuneration Policy.

Information on the changes in the remuneration of the members of the Bank's Supervisory Council for the period 2017-2021 is provided below:

Name, Surname	Positions at the Supervisory Council and Committees	Changes in remuneration, %[1]				
		In 2017, compared to 2016	In 2018, compared to 2017	In 2019, compared to 2018	In 2020, compared to 2019	In 2021, compared to 2020
Arvydas Salda[2]	Chairman of the Supervisory Council	11%	13%	-19%	0%	-1%
Gintaras Kateiva	Member of the Supervisory Council, member of the Remuneration Committee	26%	43%	-2%	-3%	-7%
Darius Šulnis	Member of the Supervisory Council, member of the Risk Committee, member of the Nomination Committee,	26%	43%	-2%	2%	1%
Ramunė Vilija Zabulienė[3]	Independent member of the Supervisory Council, Chairman of the Audit Committee, member of the Remuneration Committee, member of the Risk Committee	29%	46%	2%	4%	-4%
Martynas Česnavičius	Independent member of the Supervisory Council, Chairman of the Remuneration Committee, Chairman of the Nomination Committee, member of the Audit Committee	26%	43%	-9%	30%	8%
Miha Košak[4]	Independent member of the Supervisory Council, Chairman of the Risk Committee, member of the Nomination committee	-	186%	-9%	14%	4%
Adriano Arietti[5]	Independent member of the Supervisory Council, member and Deputy Chairman of the Risk Committee	-	-	-	-	33%
Susan Gail Buyske[6]	Independent member of the Supervisory Council, member of the Audit Committee,	-	-	-	-	87%

1 - Share of profits was paid to the members of the Supervisory Council for their activities until 31 March 2020. After the approval of the Remuneration Policy on 31 March 2020, the fixed remuneration indicated in the Remuneration Policy is paid from 1 April 2020. Remuneration changes are calculated by adding the remuneration paid for the respective year and comparing to the relevant previous year. Remuneration information used in the calculations is before taxes.

2 - The calculations include remuneration paid for other positions in the Bank's subsidiaries during the period 2016–2021.

3 - The calculations include additional remuneration paid for participation in the meetings of the committees of AB Šiaulių bankas during the period 2016 – Q1 2020.

4 - Miha Košak was elected an independent member of the Bank's Supervisory Council in 2017, therefore no changes in remuneration for 2017, compared to 2016, are presented.

5 - Adriano Arietti was elected an independent member of the Bank's Supervisory Council in 2020, therefore no changes in remuneration for 2017–2020 are presented.

6 - Susan Gail Buyske was elected an independent member of the Bank's Supervisory Council in 2020, therefore no changes in remuneration for 2017–2020 are presented.

REMUNERATION OF MEMBERS OF THE MANAGEMENT BODY

All members of the Management Board of the Bank are also employees of the Bank acting as the Chief Executive Officer of the Bank or Deputy Chief Executive Officers and/or Heads of Divisions, respectively, and are, as employees of the Bank, entitled to fixed and variable remuneration provided for in the Bank's Remuneration Policy. According to the Bank's Remuneration Policy, the official

remuneration of the members of the Bank's Management Board holding other positions in the Bank, of the Chief Executive Officer of the Bank and his deputies, is determined by the approval of the Bank's Supervisory Council and the allocation of the annual variable remuneration to the members of the Bank's Management Board is approved by the Bank's Supervisory Council.

The annual variable remuneration of the members of the Bank's Management Board is linked to the risk assumed by a unit/employee and the business objectives set for the Bank/Group and unit/employee and success in achieving them. The position held and responsibilities, influence on business results, current and future risks have an effect on the criteria used for calculation of the annual variable remuneration, proportions of objectives.

Information on remuneration of members of the Board (before tax):

Name, Surname	Position at the Management Board and other positions in the Bank	Fixed remuneration for 2021		Annual variable remuneration allocated in 2021 for 2020		Other variable remuneration (surplus pay, one-off bonuses, severance pay) paid in 2021	Deferred annual variable remuneration paid in 2021 (for 2017)		Fixed and variable remuneration ratio for 2020 [3], %
		Fixed remuneration (excluding income in kind and fringe benefits), EUR[1]	Income in kind and other fringe benefits, EUR[2]	Paid in cash, EUR	Deferred part in the form of shares, allotment (to be granted in 2024), units	In cash, EUR	In cash, EUR	In the form of shares, units	
Algirdas Butkus	Chairman of the Management Board, Deputy Chief Executive Officer	311,463	5,027	124,280	258,051	-	18,046	36,031	81%
Vytautas Sinius[4]	Deputy Chairman of the Management Board, Chief Executive Officer	271,200	9,916	110,760	229,979	-	15,468	30,884	76%
Donatas Savickas	Deputy Chairman of the Management Board, Deputy Chief Executive Officer – Head of Division	114,054	5,516	47,320	98,254	-	6,393	12,766	76%
Daiva Šorienė	Member of the Management Board, Deputy Chief Executive Officer – Head of Division	135,355	6,161	55,120	114,449	-	7,734	15,443	76%
Ilona Baranauskienė[5]	Member of the Management Board, Head of Division	135,029	3,339	55,120	114,449	-	8,349	14,721	78%
Mindaugas Rudys[6]	Member of the Management Board, Head of Division	117,867	6,084	47,320	98,254	-	-	-	-
Algimantas Gaulia[7]	Member of the Management Board, Head of Division	89,673	3,562	-	-	-	-	-	-
Vita Urbonienė[8]	Member of the Management Board, Chief Accountant – Head of Division	169,194[9]	2,472	45,240	93,935	125,600[9]	6,187	12,353	78%

1 - Fixed remuneration (excluding income in kind and fringe benefits) includes the base salary, vacation pay and payments for sick leave paid in 2021.
2 - Income in kind and fringe benefits mean pension insurance, health insurance contributions, presents in cash, funeral allowances and other benefits payable under the Bank's internal legal acts.
3 - Information on the ratio of fixed to variable remuneration is provided only for 2020, as the annual variable remuneration for the results of 2021 has not yet been allocated.
4 - Vytautas Sinius also holds the position of the Chief Executive Officer of the Bank (sole-person management body).
5 - Ilona Baranauskienė's deferred annual variable remuneration paid in 2021 for 2017 was calculated by including the deferred parts paid for work in the Bank's subsidiaries.
6 - Mindaugas Rudys took the office of a member of the Bank's Management Board on 31 March 2020. Annual variable remuneration allocated in 2021 for activities in 2020 is presented. Deferred annual variable remuneration paid in 2021 for 2017 is not provided.
7 - Algimantas Gaulia took the office of a member of the Bank's Management Board on 30 July 2021. The fixed remuneration for 2021 was calculated by including the fixed remuneration paid during the entire 2021. Annual variable remuneration allocated in 2021 for activities in 2020 and deferred annual variable remuneration paid in 2021 for activities in 2017 are not provided.
8 - Vita Urbonienė held the office of a member of the Bank's Management Board until 6 May 2021.
9 - Vita Urbonienė, in termination of employment on 31 May 2021, was paid severance pay of EUR 230,000, a part of which, corresponding to the severance pay of 12 base salaries provided for in the employment contract, is attributed to fixed remuneration, whereas the remaining part – to other variable remuneration (surplus pay, one-off bonuses, severance pay).

Members of the Bank's Management Board were not paid remuneration for 2021 from the Bank's subsidiaries.

According to the Bank's Remuneration Policy, no possibilities to recover paid variable remuneration exist and no recoveries were applied in respect of members of the Bank's management body.

Below is information on the shares granted to members of the Management Board of the Bank in 2021, the rights granted by share options, prices and dates of those options:

Name, Surname	Position at the Management Board and other positions in the Bank	Shares granted as Shares granted as 1/3 of the deferred part of the annual variable remuneration for 2017, units[1]	Share options[2]		
			Option rights granted to shares for 2020 (exercise of the option in 2024), units	1/3 of options rights to shares granted in 2020 for 2019 were approved (exercise of the option in 2023), units	1/3 of options rights to shares granted in 2019 for 2018 were approved (exercise of the option in 2022), units
Algirdas Butkus	Chairman of the Board, Deputy Chief Executive Officer	36,031	258,051	92,980	110,273
Vytautas Sinius[3]	Deputy Chairman of the Board, Chief Executive Officer	30,884	229,979	82,865	98,352
Donatas Savickas	Deputy Chairman of the Board, Deputy Chief Executive Officer-Head of Division	12,766	98,254	35,403	41,725
Daiva Šorienė	Member of the Board, Deputy Chief Executive Officer-Head of Division	15,443	114,449	41,238	48,878
Ilona Baranauskienė[4]	Member of the Board, Head of Division	14,721	114,449	41,238	48,878
Mindaugas Rudys[5]	Member of the Board, Head of Division	-	98,254	-	-
Algimantas Gaulia[6]	Member of the Board, Head of Division	-	-	-	-
Vita Urbonienė[7]	Member of the Board, Chief Accountant-Head of Division	12,353	93,935	33,846	39,937

1 - Date of transfer of shares: 13/08/2021, price per share: EUR 0.729 per unit.
2 - Date of granting and approval of options: 09/04/2021. Options entitle to receive the Bank shares free of charge during the exercise of the option (the beneficiary paying applicable fees according to the share price on the option exercise date), subject to taxation in accordance with the provisions of the laws in force at the time of granting.
3 - Vytautas Sinius also holds the position of the Chief Executive Officer of the Bank (sole-person management body).
4 - Information on shares is provided, including shares for work in the Bank's subsidiaries.
5 - Mindaugas Rudys took the office of a member of the Bank's Management Board on 31 March 2020, therefore, information is provided on the granted share options only for 2020.
6 - Algimantas Gaulia took the office of a member of the Bank's Management Board on 30 July 2021, therefore, information is not provided.
7 - Vita Urbonienė held the office of a member of the Bank's Management Board until 6 May 2021.

No changes were made to options granted to members of the Bank's management body.

Below is information on changes in remuneration of members of the Management Board of the Bank during the period 2016–2021:

Name, Surname	Position at the Management Board and other positions in the Bank	Changes in remuneration, %[1]				
		In 2016, compared to 2015	In 2017, compared to 2016	In 2018, compared to 2017	In 2019, compared to 2018	In 2020, compared to 2019
Algirdas Butkus	Chairman of the Board, Deputy Chief Executive Officer	22.1%	5.1%	13.4%	-2.0%	-10.0%
Vytautas Sinius[2]	Deputy Chairman of the Board, Chief Executive Officer	42.7%	5.7%	10.9%	2.7%	-7.8%
Donatas Savickas	Deputy Chairman of the Board, Deputy Chief Executive Officer-Head of Division	29.2%	5.0%	9.9%	4.4%	-6.7%
Daiva Šorienė	Member of the Board, Deputy Chief Executive Officer-Head of Division	23.5%	4.9%	11.2%	1.8%	-8.8%
Ilona Baranauskienė[3]	Member of the Board, Head of Division	31.4%	-1.2%	13.3%	-0.3%	-6.5%
Mindaugas Rudys[4]	Member of the Board, Head of Division	-	-	-	-	-
Algimantas Gaulia[5]	Member of the Board, Head of Division	-	-	-	-	-
Vita Urbonienė[6]	Member of the Board, Chief Accountant-Head of Division	27.3%	6.6%	9.7%	2.3%	-8.4%

1 - Remuneration changes are calculated by adding the fixed remuneration (salary, vacation pay, payments for sick leave, income in kind, fringe benefits) paid in the respective year and the variable remuneration (bonuses and annual variable remuneration in the form of cash and shares allocated for a given year, excluding paid deferred parts of annual variable remuneration (in the form of cash and shares) for the previous years) and comparing to the corresponding previous years. Remuneration information used in the calculations is before taxes. No changes in remuneration are provided for 2021, as the annual variable remuneration for 2021 has not yet been allocated.
2 - Vytautas Sinius also holds the position of the Chief Executive Officer of the Bank (sole-person management body).
3 - The calculations include remuneration paid for other positions in the Bank's subsidiaries during the period 2015–2020.
4 - Mindaugas Rudys took the office of a member of the Bank's Management Board on 31 March 2020, therefore, no changes in remuneration before 2020 are provided.
5 - Algimantas Gaulia took the office of a member of the Bank's Management on 30 July 2021, therefore, no changes in remuneration are provided.
6 - Vita Urbonienė held the office of a member of the Bank's Management Board until 6 May 2021.

CHANGES IN BANK'S PERFORMANCE RESULTS AND AVERAGE REMUNERATION

Below is information about the Bank's results and the average monthly remuneration of the Bank's employees, who are not members of the Bank's management and supervisory bodies, for 2017–2021:

	Net profit, in thousands EUR	Average monthly remuneration, EUR (before taxes)
2021	56,005	2,251
2020	43,095	2,080
2019	53,103	2,028
2018	53,065	1,860
2017	30,890	1,651

CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Chief Financial Officer Donatas Savickas, confirm hereby that the provided consolidated financial statements of Šiaulių bankas AB for 2021 are compiled in compliance with applicable accounting standards, correspond to the reality and correctly reveal the assets, liabilities, financial status, activity result and cash flows of Šiaulių bankas AB and its Group of Companies, moreover, we confirm that the review of the business development and activities, the status of the Bank and the Group, alongside with the description of the key risks and indeterminacies incurred, are correctly revealed in the consolidated annual report.

Chief Executive Officer	Vytautas Sinius
Chief Financial Officer	Donatas Savickas

7 March 2022