

INTERIM INFORMATION

for the six months period ended 30 June 2022

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Independent Auditors' Report on Review of Condensed Separate and Consolidated Interim Financial Information

To the Shareholders of Šiaulių Bankas AB

■ Introduction

We have reviewed the accompanying 30 June 2022 condensed separate interim financial information of Šiaulių Bankas AB ("the Bank") and accompanying condensed consolidated interim financial information of the Bank and its subsidiaries ("the Group") on pages 5–35, which comprises:

- the condensed separate and consolidated statement of financial position as at 30 June 2022;
- the condensed separate and consolidated income statements for the three-month and six-month periods ended 30 June 2022;
- the condensed separate and consolidated statements of comprehensive income for the three-month and six-month periods ended 30 June 2022;
- the condensed separate and consolidated statements of changes in equity for the six-month period ended 30 June 2022;
- the condensed separate and consolidated statements of cash flows for the six-month period ended 30 June 2022; and
- notes to the interim financial information.

Management is responsible for the preparation and presentation of this condensed separate and consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed separate and consolidated interim financial information based on our review.

■ Scope of Review


We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed separate and consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



■ Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2022 condensed separate and consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

On behalf of KPMG Baltics, UAB



Domantas Dabulis
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
26 August 2022

CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months period ended 30 June 2022

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

	Notes	30 June 2022		31 December 2021	
		Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents		466,168	465,150	965,723	964,849
Securities in the trading book	2	61,798	31,673	48,181	15,099
Due from other banks		312	312	1,196	1,196
Derivative financial instruments		2,299	2,299	2,121	2,121
Loans to customers	1	2,135,662	2,118,684	1,908,681	1,889,629
Finance lease receivables	1	217,260	217,033	195,174	194,909
Investment securities at fair value	2	88,439	88,439	82,988	82,951
Investment securities at amortized cost	2	929,200	916,486	705,398	692,226
Investments in subsidiaries and associates	2	100	28,584	-	31,668
Intangible assets		5,715	3,969	4,834	3,114
Property, plant and equipment		14,939	14,170	14,760	14,118
Investment property		1,856	-	2,229	344
Current income tax prepayment		4,698	4,671	847	820
Deferred income tax asset		3,228	2,870	1,593	1,250
Other assets	3	20,741	17,451	28,137	24,560
Assets held for sale	3	170	170	620	620
Total assets		3,952,585	3,911,961	3,962,482	3,919,474
LIABILITIES					
Due to other banks and financial institutions	5	713,193	715,817	697,738	703,271
Derivative financial instruments		346	346	96	96
Due to customers	4	2,645,390	2,649,564	2,679,183	2,681,586
Special and lending funds	5	7,327	7,327	6,667	6,667
Debt securities in issue		96,211	96,211	95,212	95,212
Current income tax liabilities		6,019	5,942	1,084	962
Deferred income tax liabilities		1,482	-	1,452	-
Liabilities related to insurance activities	17	38,346	-	41,409	-
Other liabilities		34,537	25,964	33,214	24,099
Total liabilities		3,542,851	3,501,171	3,556,055	3,511,893
EQUITY					
Share capital	6	174,211	174,211	174,211	174,211
Share premium		3,428	3,428	3,428	3,428
Treasury shares (-)	6	-	-	(516)	(516)
Reserve capital		756	756	756	756
Statutory reserve	6	37,113	36,922	21,893	21,770
Reserve for acquisition of own shares	6	20,000	20,000	10,000	10,000
Financial instruments revaluation reserve		(5,920)	(5,933)	(583)	(597)
Other equity	6	2,311	1,917	3,288	2,870
Retained earnings		177,835	179,489	193,950	195,659
Non-controlling interest		-	-	-	-
Total equity		409,734	410,790	406,427	407,581
Total liabilities and equity		3,952,585	3,911,961	3,962,482	3,919,474

The notes on pages 12 - 35 constitute an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

26 August 2022



Vytautas Sinius



Donatas Savickas

THE GROUP'S AND THE BANK'S CONDENSED INCOME STATEMENTS

	Notes	30 June 2022		30 June 2021	
		Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>	7	47,426	40,480	39,341	32,964
<i>Other similar income</i>	7	5,481	5,369	4,024	3,954
<i>Interest expense and similar charges</i>	7	(5,726)	(5,731)	(5,372)	(5,376)
Net interest income		47,181	40,118	37,993	31,542
<i>Fee and commission income</i>	8	12,769	13,208	11,799	12,060
<i>Fee and commission expense</i>	8	(3,671)	(3,577)	(3,370)	(3,258)
Net fee and commission income		9,098	9,631	8,429	8,802
<i>Net gain from trading activities</i>	11	78	4,013	6,177	4,423
<i>Net gain (loss) from derecognition of financial assets</i>		477	202	316	182
<i>Net gain (loss) from disposal of tangible assets</i>		254	93	3,546	60
<i>Revenue related to insurance activities</i>		4,487	-	3,861	-
<i>Other operating income</i>		1,332	1,196	385	288
<i>Salaries and related expenses</i>		(14,449)	(12,768)	(12,843)	(11,183)
<i>Depreciation and amortization expenses</i>		(2,300)	(2,087)	(2,234)	(1,989)
<i>Expenses related to insurance activities</i>	11	366	-	(3,630)	-
<i>Other operating expenses</i>	9	(8,740)	(6,583)	(6,950)	(5,206)
Operating profit before impairment losses		37,784	33,815	35,050	26,919
<i>Allowance for impairment losses on loans and other assets</i>	10	(1,897)	(1,132)	(941)	462
<i>Allowance for impairment losses on investments in subsidiaries</i>		-	-	-	-
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	12	-	2,516	-	5,940
Profit before income tax		35,887	35,199	34,109	33,321
<i>Income tax expense</i>		(6,378)	(5,792)	(5,858)	(5,092)
Net profit for the period		29,509	29,407	28,251	28,229
<i>Profit (loss) from discontinued operations, net of tax</i>		-	-	(365)	-
Net profit for the period		29,509	29,407	27,886	28,229
Net profit attributable to:					
<i>Owners of the Bank</i>		29,509	29,407	27,886	28,229
<i>From continuing operations</i>		29,509	29,407	28,251	28,229
<i>From discontinued operations</i>		-	-	(365)	-
<i>Non-controlling interest</i>		-	-	-	-
<i>Basic earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.05		0.05	
<i>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.05		0.05	

The notes on pages 12 - 35 constitute an integral part of these financial statements.

THE GROUP'S AND THE BANK'S CONDENSED INCOME STATEMENTS FOR QUARTER

	for the three months period				
	Notes	1 April - 30 June 2022		1 April - 30 June 2021	
		Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>		24,854	21,329	20,085	16,916
<i>Other similar income</i>		2,929	2,857	2,109	2,074
<i>Interest expense and similar charges</i>		(2,628)	(2,630)	(2,639)	(2,641)
Net interest income		25,155	21,556	19,555	16,349
<i>Fee and commission income</i>		6,456	6,740	6,237	6,398
<i>Fee and commission expense</i>		(1,861)	(1,805)	(1,942)	(1,887)
Net fee and commission income		4,595	4,935	4,295	4,511
<i>Net gain from trading activities</i>		180	2,221	3,005	2,242
<i>Net gain (loss) from derecognition of financial assets</i>		339	195	167	104
<i>Net gain (loss) from disposal of tangible assets</i>		49	68	3,421	(2)
<i>Revenue related to insurance activities</i>		2,292	-	1,992	-
<i>Other operating income</i>		751	627	156	140
<i>Salaries and related expenses</i>		(6,941)	(6,074)	(6,024)	(5,241)
<i>Depreciation and amortization expenses</i>		(1,191)	(1,090)	(1,111)	(996)
<i>Expenses related to insurance activities</i>		245	-	(1,887)	-
<i>Other operating expenses</i>		(4,819)	(3,594)	(4,140)	(3,176)
Operating profit before impairment losses		20,655	18,844	19,429	13,931
<i>Allowance for impairment losses on loans and other assets</i>		775	1,163	(829)	489
<i>Allowance for impairment losses on investments in subsidiaries</i>		-	-	-	-
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>		-	1,132	-	3,664
Profit before income tax		21,430	21,139	18,600	18,084
<i>Income tax expense</i>		(3,378)	(3,090)	(3,034)	(2,612)
Net profit for the period		18,052	18,049	15,566	15,472
<i>Profit (loss) from discontinued operations, net of tax</i>		-	-	(46)	-
Net profit for the year		18,052	18,049	15,520	15,472
Net profit attributable to:					
<i>Owners of the Bank</i>		18,052	18,049	15,520	15,472
<i>From continuing operations</i>		18,052	18,049	15,566	15,472
<i>From discontinued operations</i>		-	-	(46)	-
<i>Non-controlling interest</i>		-	-	-	-

The notes on pages 12 - 35 constitute an integral part of these financial statements.

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

	for the six months period ended			
	30 June 2022		30 June 2021	
	Group	Bank	Group	Bank
Net profit for the period	29,509	29,407	27,886	28,229
Other comprehensive income				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain from revaluation of financial assets	(6,671)	(6,670)	(684)	(684)
Deferred income tax on gain from revaluation of financial assets	1,334	1,334	137	137
<i>Items that may not be subsequently reclassified to profit or loss:</i>				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-
Other comprehensive income, net of deferred tax	(5,337)	(5,336)	(547)	(547)
Total comprehensive income for the period	24,172	24,071	27,339	27,682
Total comprehensive income (loss) attributable to:				
Owners of the Bank	24,172	24,071	27,339	27,682
Non-controlling interest	-	-	-	-
	24,172	24,071	27,339	27,682

THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR QUARTER

	for the three months period			
	1 April - 30 June 2022		1 April - 30 June 2021	
	Group	Bank	Group	Bank
Net profit for the period	18,052	18,049	15,520	15,472
Other comprehensive income (loss)				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain (loss) from revaluation of financial assets	(3,675)	(3,674)	(319)	(319)
Deferred income tax on gain (loss) from revaluation of financial assets	735	735	64	64
<i>Items that may not be subsequently reclassified to profit or loss:</i>				
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	(2,940)	(2,939)	(255)	(255)
Total comprehensive income for the period	15,112	15,110	15,265	15,217
Total comprehensive income (loss) attributable to:				
Owners of the Bank	15,112	15,110	15,265	15,217
Non-controlling interest	-	-	-	-
	15,112	15,110	15,265	15,217

The notes on pages 12 - 35 constitute an integral part of these financial statements.

THE GROUP'S CONDENSED 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 Bank shareholders											
1 January 2021		174,211	3,428	-	756	388	14,427	10,000	2,359	149,497	355,066	-	355,066
Transfer to/from statutory reserve		-	-	-	-	-	7,466	-	-	(7,466)	-	-	-
Share-based payment	6	-	-	-	-	-	-	-	1,175	-	1,175	-	1,175
Payment of dividends	6	-	-	-	-	-	-	-	-	(3,304)	(3,304)	-	(3,304)
Total comprehensive income		-	-	-	-	(547)	-	-	-	27,886	27,339	-	27,339
30 June 2021		174,211	3,428	-	756	(159)	21,893	10,000	3,534	166,613	380,276	-	380,276
Acquisition of own shares	6	-	-	(516)	-	-	-	(234)	-	-	(750)	-	(750)
Share-based payment	6	-	-	-	-	-	-	234	(246)	-	(12)	-	(12)
Total comprehensive income		-	-	-	-	(424)	-	-	-	27,337	26,913	-	26,913
31 December 2021		174,211	3,428	(516)	756	(583)	21,893	10,000	3,288	193,950	406,427	-	406,427
Transfer to statutory reserve		-	-	-	-	-	15,220	-	-	(15,220)	-	-	-
Transfer to reserve for acquisition of own shares	6	-	-	-	-	-	-	10,000	-	(10,000)	-	-	-
Acquisition of own shares	6	-	-	(1,557)	-	-	-	(234)	-	-	(1,791)	-	(1,791)
Share-based payment	6	-	-	2,073	-	-	-	234	(977)	21	1,351	-	1,351
Payment of dividends	6	-	-	-	-	-	-	-	-	(20,425)	(20,425)	-	(20,425)
Total comprehensive income		-	-	-	-	(5,337)	-	-	-	29,509	24,172	-	24,172
30 June 2022		174,211	3,428	-	756	(5,920)	37,113	20,000	2,311	177,835	409,734	-	409,734

THE BANK'S CONDENSED 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 2021		174,211	3,428	-	756	375	14,246	10,000	2,066	150,482	355,564
Transfer to statutory reserve		-	-	-	-	-	7,524	-	-	(7,524)	-
Share-based payment	6	-	-	-	-	-	-	-	1,008	-	1,008
Payment of dividends	6	-	-	-	-	-	-	-	-	(3,304)	(3,304)
Total comprehensive income		-	-	-	-	(547)	-	-	-	28,229	27,682
30 June 2021		174,211	3,428	-	756	(172)	21,770	10,000	3,074	167,883	380,950
Acquisition of own shares	6	-	-	(516)	-	-	-	(234)	-	-	(750)
Share-based payment	6	-	-	-	-	-	-	234	(204)	-	30
Total comprehensive income		-	-	-	-	(425)	-	-	-	27,776	27,351
31 December 2021		174,211	3,428	(516)	756	(597)	21,770	10,000	2,870	195,659	407,581
Transfer to statutory reserve		-	-	-	-	-	15,152	-	-	(15,152)	-
Transfer to reserve for acquisition of own shares	6	-	-	-	-	-	-	10,000	-	(10,000)	-
Acquisition of own shares	6	-	-	(1,557)	-	-	-	(234)	-	-	(1,791)
Share-based payment	6	-	-	2,073	-	-	-	234	(953)	-	1,354
Payment of dividends	6	-	-	-	-	-	-	-	-	(20,425)	(20,425)
Total comprehensive income		-	-	-	-	(5,336)	-	-	-	29,407	24,071
30 June 2022		174,211	3,428	-	756	(5,933)	36,922	20,000	1,917	179,489	410,790

The notes on pages 12 - 35 constitute an integral part of these financial statements.

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

	Notes	for the six months period ended			
		30 June 2022		30 June 2021	
		Group	Bank	Group	Bank
Operating activities					
Interest received on loans and advances		50,311	42,935	45,021	38,574
Interest received on securities in the trading book		491	426	158	98
Interest paid		(5,268)	(5,278)	(5,266)	(5,261)
Fees and commissions received		12,769	13,208	11,764	12,060
Fees and commissions paid		(3,671)	(3,577)	(3,370)	(3,258)
Net cash inflows from trade in securities in the trading book		(21,584)	(16,532)	(7,397)	(11,001)
Net inflows from foreign exchange operations		4,141	4,038	2,738	(1,289)
Net inflows from derecognition of financial assets		477	202	316	182
Net inflows from derecognition of non-financial assets		254	93	3,546	60
Cash inflows related to other activities of Group companies		7,151	1,196	385	288
Cash outflows related to other activities of Group companies		366	-	616	-
Recoveries on loans previously written off		638	52	(494)	609
Salaries and related payments to and on behalf of employees		(15,285)	(13,604)	(14,103)	(12,443)
Payments related to operating and other expenses		(8,740)	(6,583)	(2,551)	(1,606)
Income tax paid		(5,147)	(4,531)	(6,634)	(5,985)
Net cash flow from operating activities before change in operating assets and liabilities		16,903	12,045	24,729	11,028
Change in operating assets and liabilities:					
Decrease (increase) in due from other banks		884	884	579	579
(Increase) in loans to customers and finance lease receivables		(227,089)	(228,238)	(97,795)	(106,283)
(Increase)/decrease in finance lease receivables		(21,749)	(21,787)	(38,164)	(20,440)
Decrease (increase) in other assets		8,671	10,056	3,207	(1,981)
Decrease (increase) in due to banks and financial institutions		15,449	12,540	16,227	21,470
Increase (decrease) increase in due to customers		(34,208)	(32,437)	137,328	142,891
Increase in special and lending funds		660	660	4,519	4,507
Increase (decrease) in other liabilities		(1,363)	(1,036)	3,419	1,136
Change		(258,745)	(259,358)	29,320	41,879
Net cash flow from (used in) from operating activities		(241,842)	(247,313)	54,049	52,907
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(3,031)	(2,889)	(418)	(418)
Disposal of property, plant and equipment, investment property and intangible assets		2,725	1,237	891	477
Acquisition of debt securities at amortized cost		(270,923)	(270,876)	(53,969)	(53,057)
Proceeds from redemption of debt securities at amortized cost		44,587	43,958	17,493	17,973
Interest received on debt securities at amortized cost		4,982	4,825	2,729	2,729
Dividends received		22	5,722	-	5,000
Acquisition of investment securities at fair value		(21,429)	(18,213)	(5,897)	(5,483)
Sale or redemption of investment securities at fair value		7,602	6,191	27,881	24,373
Interest received on investment securities at fair value		232	150	208	208
Disposal of subsidiaries		-	-	4,704	2,828
Acquisition of shares in subsidiaries		(100)	(100)	-	-
Net cash flow (used in) from investing activities		(235,333)	(229,995)	(6,378)	(5,370)
Financing activities					
Payment of dividends		(20,381)	(20,381)	(3,382)	(3,382)
Acquisition of own shares		(1,557)	(1,557)	-	-
Principal elements of lease payments		(442)	(453)	(309)	(318)
Net cash flow (used in) financing activities		(22,380)	(22,391)	(3,691)	(3,700)
Net increase (decrease) in cash and cash equivalents		(499,555)	(499,699)	43,980	43,837
Cash and cash equivalents at 1 January		965,723	964,849	432,584	431,649
Cash and cash equivalents at 30 June		466,168	465,150	476,564	475,486

The notes on pages 12 - 35 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 (described in more detail in Note 2) - 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 (31 December 2021: 56 outlets). As at 30 June 2022 the Bank had 810 employees (31 December 2021: 789). As at 30 June 2022 the Group had 905 employees (31 December 2021: 882 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.

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

This condensed interim financial information for the six months period ended 30 June 2022 has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by EU. Except for the points described below, all the accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements of the Bank for the year ended 31 December 2021.

Income tax

Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

New and amended standards, and interpretations

The Bank's management do not believe the newly published standards, amendments and interpretations that are mandatory for the Bank's reporting periods beginning on or after 1 January 2022 will have a material impact on the Bank's financial statements, also there are no new standards, amendments and interpretations that are mandatory for the Bank with effect from 2022, and that would have a material impact on the Bank's financial information.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires 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. In preparing these condensed interim financial statements, the significant judgements made in applying Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2021, except for judgements and estimations used for calculation of impairment, which were revised to reflect the most recent economic forecasts. These judgements and estimates are described in more detail in Notes 1 and 10. It should be noted that at the moment of producing the financial reports there was no full clarity regarding further development scenarios of Russia invasion to Ukraine as well as Covid-19 pandemic and uncertainties regarding further global, country and sector development trends existed, therefore there is a significant probability that actual results may deviate from the estimated.

These financial statements combine the consolidated financial statements for the Group and stand-alone financial statements of the Bank.

No significant amounts of the Group's and the Bank's income or expenses are of a substantial seasonal nature.

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES

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 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 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.

Maximum exposure to credit risk before collateral held or other credit enhancements:

	30 June 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Cash equivalents</i>	393,776	392,869	898,862	897,988
<i>Loans and advances to banks</i>	312	312	1,196	1,196
<i>Loans and advances to customers:</i>	2,135,662	2,118,684	1,908,681	1,889,629
<i>Loans and advances to financial institutions</i>	-	156,400	-	125,032
<i>Loans to individuals (Retail)</i>	809,605	643,314	693,985	557,086
<i>Loans to business customers</i>	1,326,057	1,318,970	1,214,696	1,207,511
<i>Finance lease receivables</i>	217,260	217,033	195,174	194,909
<i>Debt securities at fair value through profit or loss</i>	36,410	31,159	20,454	14,622
<i>Derivative financial instruments</i>	2,299	2,299	2,121	2,121
<i>Debt securities at fair value through other comprehensive income</i>	83,479	83,479	78,126	78,126
<i>Debt securities at amortized cost</i>	929,200	916,486	705,398	692,226
<i>Other assets subject to credit risk</i>	6,146	6,037	16,398	16,271
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	51,417	51,478	52,931	52,992
<i>Letters of credit</i>	1,827	1,827	1,308	1,308
<i>Loan commitments and other credit related liabilities</i>	476,571	481,145	397,225	407,440
Total	4,334,359	4,302,808	4,277,874	4,248,828

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

Loans to customers

Loans and advances are summarized as follows:

	30 June 2022		31 December 2021	
	Group	Bank	Group	Bank
Gross loans at amortized cost	2,170,934	2,145,972	1,944,377	1,917,766
<i>Less: allowance for impairment</i>	(35,960)	(27,976)	(35,696)	(28,137)
Net loans at amortized cost	2,134,974	2,117,996	1,908,681	1,889,629
<i>Amount of loans at fair value</i>	688	688	-	-
Total loans	2,135,662	2,118,684	1,908,681	1,889,629

During second quarter of 2022 the Bank has provided loans as investment to securitization vehicle through Banks's subsidiary SB Modernizavimo Fondas UAB for financing multiapartment buildings renovation projects. Bank's investments in securitization will be provided in several tranches to different investment layers bearing different risk levels. Investments made so far were made into layer bearing highest level of risk, therefore according to clauses in IFRS 9 applicable to contractually linked instruments, loans to SB Modernizavimo Fondas UAB are accounted at fair value through profit and loss and are disclosed in statement of financial position within line "Loans to customers". At initial recognition it was considered that fair value of these loans is equal to its acquisition value. Since initial recognition there were no circumstances due to which fair value of loans to SB Modernizavimo Fondas UAB would change.

The distribution of loans by stages and days past due:

	30 June 2022					31 December 2021				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:										
<i>Gross amount</i>	1,812,953	52,013	-	11	1,864,977	1,598,066	43,495	888	-	1,642,449
<i>Allowance for impairment</i>	(11,188)	(1,040)	-	-	(12,228)	(11,439)	(1,028)	(1)	-	(12,468)
Net amount	1,801,765	50,973	-	11	1,852,749	1,586,627	42,467	887	-	1,629,981
Stage 2:										
<i>Gross amount</i>	220,185	5,856	11,280	-	237,321	220,436	8,966	6,208	-	235,610
<i>Allowance for impairment</i>	(4,087)	(125)	(1,437)	-	(5,649)	(2,329)	(282)	(1,299)	-	(3,910)
Net amount	216,098	5,731	9,843	-	231,672	218,107	8,684	4,909	-	231,700
Stage 3:										
<i>Gross amount</i>	33,462	11,581	4,456	19,825	69,324	28,330	17,334	2,936	17,718	66,318
<i>Allowance for impairment</i>	(4,906)	(2,161)	(1,223)	(9,793)	(18,083)	(5,351)	(3,151)	(955)	(9,861)	(19,318)
Net amount	28,556	9,420	3,233	10,032	51,241	22,979	14,183	1,981	7,857	47,000
Total:										
<i>Gross amount</i>	2,066,600	69,450	15,736	19,836	2,171,622	1,846,832	69,795	10,032	17,718	1,944,377
<i>Allowance for impairment</i>	(20,181)	(3,326)	(2,660)	(9,793)	(35,960)	(19,119)	(4,461)	(2,255)	(9,861)	(35,696)
Net amount	2,046,419	66,124	13,076	10,043	2,135,662	1,827,713	65,334	7,777	7,857	1,908,681

	30 June 2022					31 December 2021				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:										
<i>Gross amount</i>	1,663,387	36,738	-	11	1,700,136	1,474,265	30,785	623	-	1,505,673
<i>Allowance for impairment</i>	(7,892)	(92)	-	-	(7,984)	(8,217)	(57)	(1)	-	(8,275)
Net amount	1,655,495	36,646	-	11	1,692,152	1,466,048	30,728	622	-	1,497,398
Stage 2:										
<i>Gross amount</i>	368,975	5,506	7,204	-	381,685	338,305	8,966	2,710	-	349,981
<i>Allowance for impairment</i>	(4,009)	(28)	(60)	-	(4,097)	(2,329)	(282)	(47)	-	(2,658)
Net amount	364,966	5,478	7,144	-	377,588	335,976	8,684	2,663	-	347,323
Stage 3:										
<i>Gross amount</i>	31,992	10,651	2,930	19,266	64,839	27,006	16,557	1,471	17,078	62,112
<i>Allowance for impairment</i>	(4,184)	(1,710)	(484)	(9,517)	(15,895)	(4,695)	(2,762)	(246)	(9,501)	(17,204)
Net amount	27,808	8,941	2,446	9,749	48,944	22,311	13,795	1,225	7,577	44,908
Total:										
<i>Gross amount</i>	2,064,354	52,895	10,134	19,277	2,146,660	1,839,576	56,308	4,804	17,078	1,917,766
<i>Allowance for impairment</i>	(16,085)	(1,830)	(544)	(9,517)	(27,976)	(15,241)	(3,101)	(294)	(9,501)	(28,137)
Net amount	2,048,269	51,065	9,590	9,760	2,118,684	1,824,335	53,207	4,510	7,577	1,889,629

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

Loans are assigned to stages using the following principles (a deviation from these principles is allowed in the process of individual loan assessment based on contract-specific circumstances if it would result in more precise assessment of the risk of the contract):

Stage 1 loans: loans with no increase in credit risk observed.

Stage 2 loans: loans with an increase in credit risk observed. Main reasons for determining an increase in credit risk are: deterioration of borrower's financial status from the initial (this criteria is not applicable to the low credit risk loans, i.e. loans that have internal borrower's financial status assessment grades "very good" or "good" or investment grade credit ratings by external credit rating agencies), payment delay of over 30 days, and other objective criteria showing an increase in credit risk.

Stage 3 loans: defaulted loans. Main reasons for determining a default are: payment delay of over 90 days, bankruptcy of the borrower, termination of the contract, start of the foreclosure procedures and other objective criteria.

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.

During reporting period, the Bank has not performed significant restructurings due to Covid-19 pandemic. As lending activities are oriented to Lithuanian market, the Bank and the Group held no significant direct loan positions in Russia, Belarus and Ukraine. Potential risk assessment for separate sectors has not demonstrated economic sectors for which risk would be increased. Due to potential increase in credit risk the Bank has individually assessed clients with loans and finance lease contracts which have medium or high dependency from countries mentioned above through supply or sales chains or through shareholders structure and if increase in risk was determined credit stages for certain clients were reduced.

Finance lease receivables

Information on finance lease receivables is summarized in the tables below:

	30 June 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Business customers</i>	194,196	193,215	172,214	171,202
<i>Individuals</i>	27,332	27,333	26,746	26,746
Gross	221,528	220,548	198,960	197,948
<i>Less: Allowance for impairment</i>	(4,268)	(3,515)	(3,786)	(3,039)
Net	217,260	217,033	195,174	194,909

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

The distribution of finance lease receivables by stages and days past due:

	30 June 2022					31 December 2021				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Group										
Stage 1:										
Gross amount	187,711	12,627	-	-	200,338	163,802	7,159	-	-	170,961
Allowance for impairment	(1,321)	(74)	-	-	(1,395)	(947)	(19)	-	-	(966)
Net amount	186,390	12,553	-	-	198,943	162,855	7,140	-	-	169,995
Stage 2:										
Gross amount	11,825	774	1,423	-	14,022	18,890	1,044	609	-	20,543
Allowance for impairment	(289)	(21)	(22)	-	(332)	(212)	(21)	(7)	-	(240)
Net amount	11,536	753	1,401	-	13,690	18,678	1,023	602	-	20,303
Stage 3:										
Gross amount	4,942	346	171	1,709	7,168	5,590	336	111	1,419	7,456
Allowance for impairment	(1,360)	(45)	(90)	(1,046)	(2,541)	(1,473)	(25)	(43)	(1,039)	(2,580)
Net amount	3,582	301	81	663	4,627	4,117	311	68	380	4,876
Total:										
Gross amount	204,478	13,747	1,594	1,709	221,528	188,282	8,539	720	1,419	198,960
Allowance for impairment	(2,970)	(140)	(112)	(1,046)	(4,268)	(2,632)	(65)	(50)	(1,039)	(3,786)
Net amount	201,508	13,607	1,482	663	217,260	185,650	8,474	670	380	195,174

	30 June 2022					31 December 2021				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Bank										
Stage 1:										
Gross amount	187,711	12,627	-	-	200,338	163,590	7,159	-	-	170,749
Allowance for impairment	(1,321)	(74)	-	-	(1,395)	(946)	(19)	-	-	(965)
Net amount	186,390	12,553	-	-	198,943	162,644	7,140	-	-	169,784
Stage 2:										
Gross amount	11,646	774	1,423	-	13,843	18,890	1,044	609	-	20,543
Allowance for impairment	(283)	(21)	(22)	-	(326)	(212)	(21)	(7)	-	(240)
Net amount	11,363	753	1,401	-	13,517	18,678	1,023	602	-	20,303
Stage 3:										
Gross amount	4,942	346	171	908	6,367	5,590	336	111	618	6,655
Allowance for impairment	(1,358)	(45)	(90)	(301)	(1,794)	(1,473)	(25)	(43)	(293)	(1,834)
Net amount	3,584	301	81	607	4,573	4,117	311	68	325	4,821
Total:										
Gross amount	204,299	13,747	1,594	908	220,548	188,070	8,539	720	618	197,947
Allowance for impairment	(2,962)	(140)	(112)	(301)	(3,515)	(2,631)	(65)	(50)	(292)	(3,038)
Net amount	201,337	13,607	1,482	607	217,033	185,439	8,474	670	326	194,909

**NOTE 2
SECURITIES**

Securities in the trading book

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.

	30 June 2022		31 December 2021	
	Group	Bank	Group	Bank
Debt securities:	36,410	31,159	20,454	14,622
Government bonds	5,595	3,961	2,020	4,062
Corporate bonds	30,815	27,198	18,434	10,560
Equity securities	25,388	514	27,727	477
Total	61,798	31,673	48,181	15,099

	30 June 2022		31 December 2021	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	34,196	31,159	17,721	14,622
from AA- to AAA	-	-	-	-
from A- to A+	4,143	3,961	4,235	4,046
from BBB- to BBB+	593	-	830	207
from BB- to BB+	489	-	514	-
lower than BB-	-	-	-	-
no rating	28,971	27,198	12,142	10,369
Equity securities	514	514	477	477
listed	495	495	449	449
unlisted	19	19	28	28
units of investment funds	-	-	-	-
Total trading securities	34,710	31,673	18,198	15,099
Other trading book securities:				
Debt securities	2,213	-	2,733	-
from AA- to AAA	-	-	-	-
from A- to A+	173	-	199	-
from BBB- to BBB+	1,364	-	1,726	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	676	-	808	-
Equity securities	24,875	-	27,250	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	24,875	-	27,250	-
Total other trading book securities	27,088	-	29,983	-
TOTAL	61,798	31,673	48,181	15,099

NOTE 2
SECURITIES (CONTINUED)

Investment securities

	30 June 2022		31 December 2021	
	Group	Bank	Group	Bank
Securities at fair value:				
Debt securities:	83,479	83,479	78,126	78,126
Government bonds	55,162	55,162	53,991	53,991
Corporate bonds	28,317	28,317	24,135	24,135
Equity securities	4,960	4,960	4,862	4,825
Total	88,439	88,439	82,988	82,951
Securities at amortized cost:				
Debt securities:	929,200	916,486	705,398	692,226
Government bonds	778,076	772,079	541,026	535,006
Corporate bonds	151,124	144,407	164,372	157,220
Total	929,200	916,486	705,398	692,226

	30 June 2022		31 December 2021	
	Group	Bank	Group	Bank
Securities at fair value:				
Debt securities	83,479	83,479	78,126	78,126
from AA- to AA+	-	-	-	-
from A- to A+	59,081	59,081	57,534	57,534
from BBB- to BBB+	8,940	8,940	9,696	9,696
from BB- to BB+	15,458	15,458	10,896	10,896
lower than BB-	-	-	-	-
no rating	-	-	-	-
Equities	4,960	4,960	4,862	4,825
listed	273	273	290	290
unlisted	416	416	455	455
units of investment funds	4,271	4,271	4,117	4,080
Total	88,439	88,439	82,988	82,951
Securities at amortized cost:				
Debt securities	929,200	916,486	705,398	692,226
from AA- to AA+	3,355	3,149	3,101	2,896
from A- to A+	784,883	778,891	551,810	545,789
from BBB- to BBB+	139,451	134,446	148,969	143,541
from BB- to BB+	1,511	-	1,518	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
Total	929,200	916,486	705,398	692,226

Credit stages of investment debt securities:

	30 June 2022		31 December 2021	
	Group	Bank	Group	Bank
Stage 1:				
Gross amount	1,018,471	1,005,743	783,670	770,683
Allowance for impairment	(409)	(395)	(342)	(331)
Net amount	1,018,062	1,005,348	783,328	770,352
Stage 2:				
Gross amount	-	-	199	-
Allowance for impairment	-	-	(3)	-
Net amount	-	-	196	-
Stage 3:				
Gross amount	1,020	-	1,020	-
Allowance for impairment	(1,020)	-	(1,020)	-
Net amount	-	-	-	-

During six months periods ended 30 June 2022 and 30 June 2021 no material reclassifications between portfolios of securities were performed.

NOTE 2
SECURITIES (CONTINUED)

Investments in subsidiaries

As of 30 June 2022 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 (real estate management activities),
5. SB Modernizavimo Fondas (multiapartment buildings renovation financing activities)

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

1. SB Draudimas 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 30 June 2022 the Bank owned the following indirectly controlled subsidiaries:

6. Šiaulių Banko Investicijų Valdymas UAB (investment management activities)

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

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

On April 5, 2022 the Bank established a special purpose entity - SB Modernizavimo Fondas UAB which started its activities on April 25, 2022 after respective agreements with investors were signed. Bank's investment in share capital of SB Modernizavimo Fondas UAB is EUR 100 thousand. The goal of establishment of the SB Modernizavimo Fondas is to manage fund to be set up to finance multi-apartment buildings renovation projects. The aim of the unique multi-apartment building renovation financing fund is to lend funds raised from private and institutional investors to energy efficiency projects in Lithuania. The Bank, as a leader in multi-apartment renovation financing in the country, is the founder of the Fund and the administrator of the renovation loans, while SB Modernizavimo Fondas UAB is the legal manager of loans portfolio. According to agreements with investors and provision in IFRS 10, Bank holds no control in SB Modernizavimo Fondas UAB therefore it is not consolidated in Group's consolidated financial statements. According to clauses in IFRS 9 applicable to contractually linked instruments, investment in SB Modernizavimo Fondas UAB is accounted at fair value through profit and loss and is disclosed in statement of financial position within line "Investments in subsidiaries and associates". At initial recognition it was considered that fair value of this investment is equal to its acquisition value. Since initial recognition there were no circumstances due to which fair value of investment in SB Modernizavimo Fondas UAB would change.

By implementing its strategic plan, the Bank optimizes the structure of its subsidiaries. During six months period ended 30 June 2022 Bank's indirectly controlled subsidiary Sandworks UAB was liquidated. Šiaulių Banko Investicijų Valdymas UAB indirectly controlled by the Bank is under liquidation procedure.

Bank's investments in subsidiaries consisted of:

	Share in equity	30 June 2022	31 December 2021
<i>SB draudimas GD UAB</i>	100%	11,785	11,788
<i>SB lizingas UAB</i>	100%	10,773	13,224
<i>Šiaulių Banko Lizingas UAB</i>	100%	1,074	1,074
<i>SB Turto Fondas UAB</i>	100%	4,852	5,582
Total investments in subsidiaries using equity method		28,484	31,668
<i>SB Modernizavimo Fondas UAB</i>	100%	100	-
Total investments in subsidiaries at fair value		100	-

NOTE 3
SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Other assets

	30 June 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Amounts receivable</i>	6,146	6,037	16,398	16,271
<i>Inventories</i>	183	-	538	-
<i>Deferred charges</i>	1,887	1,857	1,274	1,243
<i>Assets under reinsurance and insurance contracts</i>	2,153	-	1,773	-
<i>Prepayments</i>	3,504	2,674	3,957	2,820
<i>Foreclosed assets</i>	834	786	307	258
<i>Other</i>	6,034	6,097	3,890	3,968
Total	20,741	17,451	28,137	24,560

NOTE 3
SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS
(CONTINUED)

Assets held for sale

Assets held for sale consist of:

	30 June 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Real estate classified as held for sale</i>	170	170	620	620
Total assets classified as held for sale	170	170	620	620

NOTE 4
DUE TO CUSTOMERS

	30 June 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	46,679	46,679	53,063	53,063
<i>Local government institutions</i>	200,604	200,604	127,692	127,692
<i>Governmental and municipal companies</i>	26,417	26,417	32,046	32,046
<i>Corporate entities</i>	734,499	738,652	803,905	806,287
<i>Non-profit organizations</i>	41,527	41,527	37,567	37,567
<i>Individuals</i>	774,833	774,833	773,999	773,999
<i>Unallocated amounts due to customers</i>	61,046	61,067	24,968	24,989
Total demand deposits	1,885,605	1,889,779	1,853,240	1,855,643
<i>Term deposits:</i>				
<i>National government institutions</i>	3,016	3,016	1,015	1,015
<i>Local government institutions</i>	4,881	4,881	3,077	3,077
<i>Governmental and municipality companies</i>	5,874	5,874	3,939	3,939
<i>Corporate entities</i>	53,119	53,119	57,060	57,060
<i>Non-profit organizations</i>	3,754	3,754	2,984	2,984
<i>Individuals</i>	689,141	689,141	757,868	757,868
Total term deposits	759,785	759,785	825,943	825,943
Total	2,645,390	2,649,564	2,679,183	2,681,586

NOTE 5

SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITIES ITEMS

Due to other banks and financial institutions

As at 30 June 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 150 million. Loan maturity date is on 28 June 2023 with early repayment option starting on 29 September 2021. 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 has met the lending thresholds as of 30 June 2022 therefore has included the bonus on the special interest period in its effective interest recognition retrospectively. Based on an internal assessment, part of the inflow of economic benefits from TLTRO-III borrowing with negative effective interest rate, which may be justified as market rate, is recognized within the income statement line "Interest income". The remainder is a benefit of the below-market rate of interest and is recognized within the income statement line "Other income" as a support or compensation for the fulfilment of the required obligations. Securities with a carrying value of EUR 657,181 thousand were placed as a collateral for these borrowings.

Special and lending funds

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. The increase in special and lending funds from EUR 6,667 thousand in the beginning of the year to EUR 7,327 thousand in the end of the reporting period is attributable to routine fluctuations in these funds.

NOTE 6
CAPITAL

As of 30 June 2022 and 31 December 2021 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 30 June 2022 EBRD possessed 20.00% of the authorised capital and votes of the Bank.

As at 30 June 2022, the Bank had 17,857 shareholders (as at 31 December 2021: 16,573).

Dividends:

On 30 March 2022 ordinary general meeting of shareholders made a decision to pay EUR 0.034 (i.e. 11.7%) dividends per one ordinary registered share with EUR 0.29 nominal value each.

On 31 March 2021 ordinary general meeting of shareholders made a decision to pay EUR 0.0055 (i.e. 1.9%) dividends per one ordinary registered share with EUR 0.29 nominal value each.

Reserve for acquisition of own shares:

On 28 March 2019 ordinary general meeting of shareholders made a decision to form a reserve for acquisition of own shares from retained earnings. On 30 March 2022 ordinary general meeting of shareholders made a decision to increase reserve for acquisition of own shares by EUR 10,000 thousand. 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. As of 30 June 2022 carrying value of reserve for own shares acquisition amounts to EUR 20,000 thousand (as at 31 December 2021: EUR 10,000 thousand).

During six months period ended 30 June 2022 the Bank acquired 2,105 thousand units of own shares for EUR 1,557 thousand. The acquired shares were granted to the employees of the Bank and its subsidiaries as a deferred part of variable remuneration for 2018. As of 30 June 2022 the Bank held no own shares.

During twelve months period ended 31 December 2021 the Bank acquired 1,000 thousand units of own shares for EUR 750 thousand. Part of acquired shares were granted to the employees of the Bank and its subsidiaries as a deferred part of variable remuneration for 2017. As of 31 December 2021 the Bank held 687 thousand own shares with carrying value of EUR 516 thousand.

NOTE 6
CAPITAL (CONTINUED)

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 by 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 remuneration. Each option is convertible into one ordinary share.

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 30 March 2022: grant date (30 March 2022), expiry day (11 April 2025), share price 0.656 on grant day, exercise price 0.588, expected price volatility of the bank's shares 28%, risk free interest rate - 0.1%;
- For the option granted 31 March 2021: grant date (31 March 2021), expiry day (12 April 2024), share price 0.538 on grant day, exercise price 0.498, 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, exercise price 0.449, expected price volatility of the bank's shares 21%, risk free interest rate - 0.1%;

The value of the option is included in other equity line in the statement of financial position. Other equity consists of:

	30 June 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Options</i>	2,311	1,917	3,288	2,870
<i>Shares distributable to employees</i>	-	-	-	-
Total	2,311	1,917	3,288	2,870

No options were forfeited, exercised or expired during periods ended 30 June 2022 and 31 December 2021.

Basic 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 30 June 2022 and 30 June 2021, 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 30 June and 30 June 2021 was 600,726 thousand. Weighted average number of shares in issue for the period ended 30 June 2022 was 599,840 thousand (30 June 2021: 600,717 thousand).

Group

	30 June 2022	30 June 2021
<i>Net profit from continuing operations attributable to equity holders</i>	29,509	28,251
<i>Net profit (loss) from discontinued operations attributable to equity holders</i>	-	(365)
Net profit attributable to equity holders	29,509	27,886
<i>Weighted average number of shares in issue during the period (thousand units)</i>	599,840	600,717
Basic earnings per share (EUR)	0.05	0.05
<i>Basic earnings per share (EUR) from continuing operations</i>	0.05	0.05
<i>Basic earnings per share (EUR) from discontinued operations</i>	-	(0.00)

NOTE 7
NET INTEREST INCOME

	1 January - 30 June 2022		1 January - 30 June 2021	
	Group	Bank	Group	Bank
Interest revenue calculated using the effective interest method (on financial assets at amortized cost and fair value through other comprehensive income):	47,426	40,480	39,341	32,964
<i>on loans to other banks and financial institutions and placements with credit institutions</i>	2,453	4,150	527	1,848
<i>on loans to customers</i>	42,555	34,010	35,853	28,277
<i>on debt securities at amortized cost</i>	2,266	2,168	2,821	2,729
<i>on debt securities at fair value through other comprehensive income</i>	152	152	140	110
<i>Other similar income:</i>	5,481	5,369	4,024	3,954
<i>on debt securities at fair value through profit or loss</i>	524	426	158	98
<i>on finance leases</i>	4,228	4,214	3,537	3,527
<i>other interest income</i>	729	729	329	329
Total interest income	52,907	45,849	43,365	36,918
Interest expense:				
<i>on financial liabilities designated at fair value through profit or loss</i>	-	-	-	-
<i>on financial liabilities measured at amortized cost</i>	(3,965)	(3,972)	(4,490)	(4,498)
<i>on other liabilities</i>	(1,761)	(1,759)	(882)	(878)
Total interest expense	(5,726)	(5,731)	(5,372)	(5,376)
Net interest income	47,181	40,118	37,993	31,542

NOTE 8
NET FEE AND COMMISSION INCOME

	1 January - 30 June 2022		1 January - 30 June 2021	
	Group	Bank	Group	Bank
Fee and commission income:				
<i>for administration of loans of third parties</i>	2,045	2,045	2,275	2,275
<i>for settlement services</i>	2,719	2,727	2,610	2,613
<i>for cash operations</i>	2,648	2,648	2,243	2,243
<i>for account administration</i>	2,279	2,279	2,086	2,086
<i>for guarantees, letters of credit, documentary collection</i>	383	383	478	478
<i>for collection of utility and similar payments</i>	120	120	136	136
<i>for services related to securities</i>	2,029	2,072	1,585	1,642
<i>other fee and commission income</i>	546	934	386	587
Total fee and commission income	12,769	13,208	11,799	12,060
Fee and commission expense:				
<i>for payment cards</i>	(2,197)	(2,197)	(1,952)	(1,952)
<i>for cash operations</i>	(490)	(490)	(539)	(539)
<i>for correspondent bank and payment system fees</i>	(311)	(230)	(306)	(206)
<i>for services of financial data vendors</i>	(113)	(113)	(98)	(98)
<i>for services related to securities</i>	(359)	(359)	(300)	(300)
<i>other fee and commission expenses</i>	(201)	(188)	(175)	(163)
Total fee and commission expense	(3,671)	(3,577)	(3,370)	(3,258)
Net fee and commission income	9,098	9,631	8,429	8,802

NOTE 9
OTHER OPERATING EXPENSES

	1 January - 30 June 2022		1 January - 30 June 2021	
	Group	Bank	Group	Bank
<i>Rent of buildings and premises</i>	(131)	(134)	(138)	(138)
<i>Utility services for buildings and premises</i>	(598)	(546)	(419)	(378)
<i>Other expenses related to buildings and premises</i>	(197)	(197)	(433)	(432)
<i>Transportation expenses</i>	(198)	(151)	(143)	(110)
<i>Legal costs</i>	(189)	(189)	(152)	(152)
<i>Personnel and training expenses</i>	(210)	(195)	(123)	(103)
<i>IT and communication expenses</i>	(3,608)	(3,234)	(2,653)	(2,319)
<i>Marketing and charity expenses</i>	(1,437)	(457)	(1,137)	(464)
<i>Service organization expenses</i>	(1,237)	(1,144)	(763)	(707)
<i>Non-income taxes, fines</i>	(313)	(38)	(331)	(30)
<i>Costs incurred due to debt recovery</i>	(128)	(28)	(154)	(57)
<i>Other expenses</i>	(495)	(271)	(504)	(316)
Total	(8,740)	(6,583)	(6,950)	(5,206)

NOTE 10
IMPAIRMENT LOSSES

	1 January - 30 June 2022		1 January - 30 June 2021	
	Group	Bank	Group	Bank
<i>(Impairment losses) / reversal of impairment losses on loans</i>	(2,125)	(775)	(2,554)	(2)
<i>Recoveries of loans previously written-off</i>	217	52	447	147
<i>Reversal of impairment losses / (impairment losses) on finance lease receivables</i>	(480)	(475)	307	306
<i>Recovered previously written-off finance lease receivables</i>	-	1	-	-
<i>(Impairment losses) on debt securities</i>	(63)	(65)	26	26
<i>Reversal of impairment losses on due from banks</i>	61	61	(2)	(2)
<i>Reversal of impairment losses / (impairment losses) on other financial assets</i>	73	69	(50)	(11)
<i>(Impairment losses) on subsidiaries</i>	-	-	-	-
<i>(Impairment losses) / reversal of impairment losses on other non-financial assets</i>	-	-	820	(2)
<i>Recoveries of other non-financial assets previously written-off</i>	-	-	-	-
<i>Provisions for other liabilities</i>	420	-	65	-
Total	(1,897)	(1,132)	(941)	462

NOTE 10
IMPAIRMENT LOSSES (CONTINUED)

	1 January - 30 June 2022		1 January - 30 June 2021	
	Group	Bank	Group	Bank
Allowance for impairment of loans				
As at 1 January	35,696	28,137	42,783	37,821
Change in allowance for loan impairment	2,125	775	2,554	2
Loans written off during the period	(1,860)	(935)	(9,870)	(8,904)
Other factors (reclassification, FX rate shift, etc.)	(1)	(1)	1	1
As at 30 June	35,960	27,976	35,468	28,920
Allowance for impairment of finance lease receivables				
As at 1 January	3,787	3,039	4,585	3,842
Change in allowance for impairment of finance lease receivables	480	475	(307)	(306)
Finance lease receivables written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	1	1	(2)	(2)
As at 30 June	4,268	3,515	4,276	3,534
Allowance for impairment of debt securities				
As at 1 January	1,365	331	1,372	342
Change in allowance for impairment of debt securities	63	65	(26)	(26)
Debt securities written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	1	(1)	3	-
As at 30 June	1,429	395	1,349	316
Allowance for impairment of due from banks				
As at 1 January	106	106	42	42
Change in allowance for impairment of due from banks	(61)	(61)	2	2
Due from banks written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	-	-
As at 30 June	45	45	44	44
Allowance for impairment of other financial assets				
As at 1 January	260	228	161	153
Change in allowance for impairment of other financial assets	(73)	(69)	50	11
Other financial assets written off during the period	(2)	(2)	(12)	(12)
Other factors (reclassification, FX rate shift, etc.)	6	6	-	-
As at 30 June	191	163	199	152

As environmental factors changed, assumptions and estimates used in probability of default (PD) estimations were changed. The scenarios used to calculate PDs were based on the latest available economic change scenarios published by institutions, Group's management assigned judgement-based probabilities to these scenarios. It should be noted that economic forecasts used took into account ongoing Russia's invasion to Ukraine but without knowing result scenario of it significant uncertainties existed on how it will impact further global, country and sectors development trends. Due to such circumstances there is a significant probability that actual results may deviate from the estimated.

Scenario probabilities and weighted average GDP growth:

	2022		2023		2024		2025		2026	
	GDP	Probability	GDP	Probability	GDP	Probability	GDP	Probability	GDP	Probability
At 30 June 2022:										
Base scenario	2.10 %	50 %	3.40 %	50 %	3.50 %	50 %	2.40 %	50 %	2.40 %	50 %
Pessimistic scenario	-1.20 %	45 %	2.80 %	45 %	1.10 %	45 %	1.10 %	45 %	1.10 %	45 %
Optimistic scenario	2.70 %	5 %	2.70 %	5 %	3.80 %	5 %	3.80 %	5 %	3.80 %	5 %
Weighted average GDP growth	0.65%		3.10%		2.44%		1.89%		1.89%	
At 31 December 2021:										
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%	

Recovery rates used to derive LGD parameters were also revised to take into account latest available collateral sales data. Group's impairment expenses due to changes in accounting estimates amounted to: for the six months period ended 30 June 2022 – a reversal of impairment loss of EUR 1,042 thousand (all attributable to change in calculation parameters), for the six months period ended 30 June 2021 – an impairment loss of EUR 1,190 thousand (all attributable to change in calculation parameters).

As described in Note 1, the Bank and the Group held no significant direct loan positions in Russia, Belarus and Ukraine. However due to geopolitical factors and indirect impact of Russia/Ukraine war impairment loss of EUR 458 thousand was recognized for the six months period ended 30 June 2022. Because of these circumstances exposures with carrying value of EUR 16,391 thousand and EUR 9,629 thousand, respectively, were added to Watch List or Not Performing Exposures list.

NOTE 11

SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from trading activities

	1 January - 30 June 2022		1 January - 30 June 2021	
	Group	Bank	Group	Bank
<i>Net gain from operations with securities</i>	(4,074)	(36)	2,842	1,107
<i>Net gain from foreign exchange and related derivatives</i>	(5,176)	(5,270)	(728)	(747)
<i>Net gain (loss) from other derivatives</i>	9,328	9,319	4,063	4,063
Total	78	4,013	6,177	4,423

Net gain from trading activities includes investment result of the insurance company assets under unit-linked contracts (see below): a net loss of EUR 3,870 thousand for the six months period ended 30 June 2022; a net profit of EUR 1,888 thousand for the six months period ended 30 June 2021.

Expenses related to insurance activities

	1 January - 30 June 2022		1 January - 30 June 2021	
	Group	Bank	Group	Bank
<i>Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts*</i>	3,870	-	(1,918)	-
<i>Other changes of the technical insurance provisions and other expenses related to insurance activities</i>	(3,504)	-	(1,712)	-
Total expenses related to insurance activities	366	-	(3,630)	-

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

	1 January - 30 June 2022		1 January - 30 June 2021	
	Group	Bank	Group	Bank
<i>Interest and similar income</i>	-	-	30	-
<i>Net gain (loss) from operations with securities</i>	(3,973)	-	1,869	-
<i>Net gain (loss) from foreign exchange</i>	103	-	19	-
Total	(3,870)	-	1,918	-

NOTE 12

RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

- 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;
- subsidiaries of the Bank;
- 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 2022 and 2021, 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. According to the local legislation, the information on executed material transactions with related parties is published on Bank's website (www.sb.lt) > About bank > Information > Reports regarding the transactions with related parties).

NOTE 12
RELATED-PARTY TRANSACTIONS (CONTINUED)

The balances of loans granted to and deposits accepted from the Bank's related parties, except for subsidiaries, were as follows:

	30 June 2022		31 December 2021	
	Balances of deposits	Balances of loans (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans and debt securities (incl.off-balance sheet credit commitments)
<i>Members of the Council and the Board</i>	1,728	76	1,555	53
<i>Other related parties (excluding subsidiaries of the Bank)</i>	5,118	15,683	6,319	16,167
Total	6,846	15,759	7,874	16,220

As of 30 June 2022, the balance of individual allowance for impairment losses on loans to related parties, except subsidiaries, amounted to EUR 94 thousand (31 December 2021: EUR 44 thousand).

Remuneration of the management of the 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 6 months period ended 30 June 2022 the total amount of fixed and annual variable remuneration (total of payments in cash and in shares of the Bank) to the Bank's Board members amounted to EUR 1,973 thousand (2021: EUR 1,426 thousand).

Transactions with subsidiaries:

Balances of transactions with the subsidiaries are presented below:

	30 June 2022		31 December 2021	
	Balances of deposits	Balances of loans (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans (incl.off-balance sheet credit commitments)
<i>Non-financial institutions</i>	15,279	44,648	1,129	-
<i>Financial institutions</i>	1,133	162,234	6,806	136,230
	16,412	206,882	7,935	136,230

Bank's total balances with subsidiaries:

	30 June 2022	31 December 2021
Assets		
<i>Loans</i>	149,962	117,868
<i>Other assets</i>	-	-
<i>Bank's investment in subsidiaries</i>	28,484	31,668
Liabilities and shareholders' equity		
<i>Deposits</i>	16,412	7,935
<i>Other liabilities</i>	-	-

Income and expenses arising from transactions with subsidiaries:

	1 January – 30 June 2022	1 January – 30 June 2021
Income		
<i>Interest</i>	1,665	1,357
<i>Commission income</i>	454	37
<i>FX gain (loss)</i>	-	5
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	2,516	5,940
<i>Other income</i>	164	-
Expenses		
<i>Interest</i>	(9)	(9)
<i>Operating expenses</i>	-	-
<i>(Impairment losses)/ reversal of impairment losses on loans</i>	(106)	1,998
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	-

As of 30 June 2022, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 119 thousand (31 December 2021: EUR 13 thousand).

NOTE 13

LIQUIDITY, MARKET AND OPERATIONAL RISKS

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.

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. Liquidity risk management is regulated by the Procedures for Liquidity Risk Management approved by the Board of the Bank. The management of the current and non-current liquidity risk is distinguished in the mentioned procedures. The current liquidity is based on the control of the incoming and outgoing cash flow. The non-current liquidity is managed on the limit system basis.

No Bank's liquidity situation deterioration was observed during Covid-19 epidemic situation.

Tables below present the assets and liabilities according to their remaining maturity defined in the agreements. However, actual maturity of the particular types of assets and liabilities may be longer as, for example a portion of loans and deposits is extended and thus the real repayment terms of short-term loans and demand deposits move forward.

The structure of the Group's assets and liabilities by maturity as at 30 June 2022 was as follows:

	Less than 1 month	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
<i>Total assets</i>	470,959	55,254	117,118	147,470	505,832	1,019,941	1,560,720	75,291	3,952,585
<i>Total liabilities and shareholders' equity</i>	1,964,699	72,546	111,854	164,830	414,135	637,446	177,362	409,713	3,952,585
<i>Net liquidity gap</i>	(1,493,740)	(17,292)	5,264	(17,360)	91,697	382,495	1,383,358	(334,422)	-

The structure of the Group's assets and liabilities by maturity as at 31 December 2021 was as follows:

	Less than 1 month	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
<i>Total assets</i>	978,050	55,516	93,757	156,765	260,621	1,171,944	1,169,807	76,022	3,962,482
<i>Total liabilities and shareholders' equity</i>	1,916,532	94,132	122,922	160,676	285,064	794,014	182,715	406,427	3,962,482
<i>Net liquidity gap</i>	(938,482)	(38,616)	(29,165)	(3,911)	(24,443)	377,930	987,092	(330,405)	-

The structure of the Bank's assets and liabilities by maturity as at 30 June 2022 was as follows:

	Less than 1 month	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
<i>Total assets</i>	469,941	48,546	108,809	131,174	624,421	956,378	1,510,111	62,581	3,911,961
<i>Total liabilities and shareholders' equity</i>	1,970,273	64,786	110,856	164,317	413,517	634,589	142,833	410,790	3,911,961
<i>Net liquidity gap</i>	(1,500,332)	(16,240)	(2,047)	(33,143)	210,904	321,789	1,367,278	(348,209)	-

NOTE 13

LIQUIDITY, MARKET AND OPERATIONAL RISKS (CONTINUED)

The structure of the Bank's assets and liabilities by maturity as at 31 December 2021 was as follows:

	Less than 1 month	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
<i>Total assets</i>	977,176	49,415	196,531	141,912	240,068	1,118,847	1,130,959	64,566	3,919,474
<i>Total liabilities and shareholders' equity</i>	1,922,974	87,626	122,450	159,890	282,394	791,393	145,166	407,581	3,919,474
<i>Net liquidity gap</i>	(945,798)	(38,211)	74,081	(17,978)	(42,326)	327,454	985,793	(343,015)	-

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.

Covid-19 epidemic situation significantly impacted the organization of Bank's activities and activated certain business continuity management processes. Much attention was devoted to assurance of continuity of services, management of risk factors related to organization of activities during the quarantine. Due to quarantine restrictions servicing in physical customer service points was reorganized, customers encouraged to use electronic service channel when possible. Possibility to work from home was organized for some employees, additional security measures were organized for employees. Currently the larger part of the closed client service units have renewed their activities.

In 2021, Bank's attention will be devoted to management of Bank's reputational risk, business continuity and outsourcing services. In order to ensure effective reputational risk management, reputational risk management procedure was approved in the end of 2020. Update of Bank's business continuity documentation and preparation for testing of components of Business Continuity Plan is currently being performed. After the approval of outsourcing service procurement procedure in the management board, amendments of important outsourcing agreements with Suppliers were initiated.

To properly implement risk management measures related with climate change and environmental risks, a review of Bank's Extreme Situation Management plan and operational / reputational risk management documentation is planned.

NOTE 14

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Types of inputs used in valuation techniques determine the following fair value hierarchy:

- Level I – Quoted prices (unadjusted) or public price quotations in active markets for identical assets or liabilities;
- Level II – Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level III – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the six months period ended 30 June 2022, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2021. For the valuation of financial assets and liabilities purposes, estimates, valuation techniques and inputs used to develop those measurements have not changed significantly during the six months period ended 30 June 2022.

NOTE 14

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

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

	30 June 2022		31 December 2021	
	Group	Bank	Group	Bank
LEVEL I				
Trading book securities	41,488	11,363	41,235	8,153
Investment securities at fair value	83,753	83,753	78,415	78,415
Total Level I financial assets	125,241	95,116	119,650	86,568
LEVEL II				
Derivative financial instruments - assets	2,299	2,299	2,121	2,121
Derivative financial instruments - liabilities	(346)	(346)	(96)	(96)
LEVEL III				
Trading book securities	20,310	20,310	6,946	6,946
Investment securities at fair value	4,686	4,686	4,573	4,536
Total Level III financial assets	24,996	24,996	11,519	11,482

There were no transfers between fair value hierarchy levels during 2022 and 2021.

Changes in Level III instruments during the six months period ended 30 June:

Group	Trading book securities		Investment securities at fair value	
	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021
As at 31 December	6,946	3,609	4,573	3,454
Impact of change in accounting principles	-	-	-	-
As at 1 January	6,946	3,609	4,573	3,454
Additions	29,886	5,076	31	7,793
Disposals / redemption / derecognition	(16,739)	(2,834)	(91)	(127)
Changes due to interest accrued/paid	276	7	-	4
Changes in fair value	(59)	(138)	173	134
As at 30 June	20,310	5,720	4,686	11,258

Bank	Trading book securities		Investment securities at fair value	
	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021
As at 31 December	6,946	2,255	4,536	3,327
Impact of change in accounting principles	-	-	-	-
As at 1 January	6,946	2,255	4,536	3,327
Additions	29,886	5,076	31	7,793
Disposals / redemption / derecognition	(16,739)	(2,253)	(54)	-
Changes due to interest accrued/paid	276	7	-	4
Changes in fair value	(59)	1	173	134
As at 30 June	20,310	5,086	4,686	11,258

	1 January – 30 June 2022		1 January – 30 June 2021	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	114	114	(4)	135

Fair value of investment securities held to collect cash flows:

The fair value for investment securities at amortized cost 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.

	30 June 2022		31 December 2021	
	Carrying value	Fair value	Carrying value	Fair value
Investment securities at amortized cost	929,200	898,607	705,398	708,427

NOTE 15
SEGMENT INFORMATION

Business segments

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 June 2022 and in the Statement of comprehensive income for the six months period then ended is presented in the table below.

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
<i>Internal</i>	(383)	-	(9)	4	388	-
<i>External</i>	43,305	2,770	913	193	-	47,181
Net interest income	42,922	2,770	904	197	388	47,181
<i>Internal</i>	377	-	-	16	(393)	-
<i>External</i>	9,194	-	-	(96)	-	9,098
Net fee and commissions income	9,571	-	-	(80)	(393)	9,098
<i>Internal</i>	(6)	-	(9)	20	(5)	-
<i>External</i>	52,499	2,770	913	97	-	56,279
Net interest, fee and commissions income	52,493	2,770	904	117	(5)	56,279
<i>Internal</i>	(98)	-	-	(53)	151	-
<i>External</i>	(20,139)	(1,935)	-	(749)	-	(22,823)
Operating expenses	(20,237)	(1,935)	-	(802)	151	(22,823)
<i>Amortisation charges</i>	(606)	(67)	-	(44)	-	(717)
<i>Depreciation charges</i>	(1,336)	(141)	-	(106)	-	(1,583)
<i>Internal</i>	-	-	-	(1)	1	-
<i>External</i>	(2,389)	-	67	425	-	(1,897)
Impairment expenses	(2,389)	-	67	424	1	(1,897)
<i>Internal</i>	2,259	-	377	3	(2,639)	-
<i>External</i>	4,733	(25)	1,115	805	-	6,628
Net other income	6,992	(25)	1,492	808	(2,639)	6,628
Profit (loss) before tax from continuing operations	34,917	602	2,463	397	(2,492)	35,887
<i>Income tax</i>	(5,802)	(579)	-	3	-	(6,378)
Profit (loss) per segment after tax from continuing operations	29,115	23	2,463	400	(2,492)	29,509
<i>Profit or (loss) per segment after tax from discontinued operations</i>	-	-	-	-	-	-
Profit (loss) per segment	29,115	23	2,463	400	(2,492)	29,509
<i>Non-controlling interest</i>	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	29,115	23	2,463	400	(2,492)	29,509
<i>Total segment assets</i>	2,561,944	1,519,968	4,952	54,161	(184,134)	3,956,891
<i>Total segment liabilities</i>	2,296,508	1,358,862	4,427	39,962	(156,887)	3,542,872
Net segment assets (shareholders' equity)	265,436	161,106	525	14,199	(27,247)	414,019

NOTE 15
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 30 June 2021 and in the Statement of comprehensive income for the six months period then ended is presented in the table below.

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
<i>Internal</i>	(304)	-	27	(29)	306	-
<i>External</i>	36,273	1,366	175	179	-	37,993
Net interest income	35,969	1,366	202	150	306	37,993
<i>Internal</i>	193	-	-	12	(205)	-
<i>External</i>	8,531	-	-	(102)	-	8,429
Net fee and commissions income	8,724	-	-	(90)	(205)	8,429
<i>Internal</i>	(111)	-	27	(17)	101	-
<i>External</i>	44,804	1,366	175	77	-	46,422
Net interest, fee and commissions income	44,693	1,366	202	60	101	46,422
<i>Internal</i>	(46)	-	-	(42)	88	-
<i>External</i>	(16,957)	(1,639)	-	(4,827)	-	(23,423)
Operating expenses	(17,003)	(1,639)	-	(4,869)	88	(23,423)
<i>Amortisation charges</i>	(593)	(66)	-	(22)	-	(681)
<i>Depreciation charges</i>	(1,261)	(133)	-	(159)	-	(1,553)
<i>Internal</i>	-	-	-	(1,176)	-	(1,176)
<i>External</i>	197	-	12	26	-	235
Impairment expenses	197	-	12	(1,150)	-	(941)
<i>Internal</i>	3,142	-	2,912	(6)	(6,048)	-
<i>External</i>	6,299	1,107	(2,382)	8,085	-	13,109
Net other income	9,441	1,107	530	8,079	(6,048)	13,109
Profit (loss) before tax from continuing operations	35,474	635	744	3,115	(5,859)	34,109
<i>Income tax</i>	(5,136)	(509)	-	(213)	-	(5,858)
Profit (loss) per segment after tax from continuing operations	30,338	126	744	2,902	(5,859)	28,251
<i>Profit or (loss) per segment after tax from discontinued operations</i>	-	-	(365)	-	-	(365)
Profit (loss) per segment	30,338	126	379	2,902	(5,859)	27,886
<i>Non-controlling interest</i>	-	-	-	-	-	-
<i>Profit (loss) for the period attributable to the owners of the Bank</i>	30,338	126	379	2,902	(5,859)	27,886
<i>Total segment assets</i>	2,077,968	1,224,763	6,762	59,230	(153,336)	3,215,387
<i>Total segment liabilities</i>	1,832,022	1,078,030	5,952	42,750	(123,643)	2,835,111
<i>Net segment assets (shareholders' equity)</i>	245,946	146,733	810	16,480	(29,693)	380,276

SELECTED INFORMATION OF FINANCIAL GROUP

According to local legislation the Bank is required to disclose certain information for the Financial group. As of 30 June 2022 and 31 December 2021 the Bank owned the following 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 (finance and operating lease activities),
2. Šiaulių Banko Investicijų Valdymas UAB (investment management activities),
3. SB Turto Fondas UAB (real estate management activities, name changed from Šiaulių Banko Turto Fondas UAB),
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).

Financial Group's condensed statement of financial position

	30 June 2022	31 December 2021
ASSETS		
<i>Cash and cash equivalents</i>	465,389	965,160
<i>Securities in the trading book</i>	31,673	15,099
<i>Due from other banks</i>	312	1,196
<i>Derivative financial instruments</i>	2,299	2,121
<i>Loans to customers</i>	2,135,662	1,908,681
<i>Finance lease receivables</i>	217,260	195,174
<i>Investment securities at fair value</i>	88,439	82,988
<i>Investment securities at amortized cost</i>	916,486	692,226
<i>Investments in subsidiaries and associates</i>	11,785	11,788
<i>Intangible assets</i>	3,969	3,115
<i>Property, plant and equipment</i>	14,514	14,453
<i>Investment property</i>	1,856	2,229
<i>Current income tax prepayment</i>	4,671	820
<i>Deferred income tax asset</i>	3,226	1,591
<i>Other assets</i>	18,730	26,975
Total assets	3,916,371	3,923,616
LIABILITIES		
<i>Due to other banks and financial institutions</i>	714,725	699,560
<i>Derivative financial instruments</i>	346	96
<i>Due to customers</i>	2,645,411	2,679,204
<i>Special and lending funds</i>	7,327	6,667
<i>Debt securities in issue</i>	96,211	95,212
<i>Current income tax liabilities</i>	6,019	1,084
<i>Deferred income tax liabilities</i>	1,482	1,452
<i>Other liabilities</i>	33,739	32,540
Total liabilities	3,505,260	3,515,815
EQUITY		
<i>Share capital</i>	174,211	174,211
<i>Share premium</i>	3,428	3,428
<i>Treasury shares (-)</i>	-	(516)
<i>Reserve capital</i>	756	756
<i>Statutory reserve</i>	36,990	21,770
<i>Reserve for acquisition of own shares</i>	20,000	10,000
<i>Financial instruments revaluation reserve</i>	(5,933)	(597)
<i>Financial instruments revaluation reserve</i>	2,286	3,242
<i>Retained earnings</i>	179,373	195,507
<i>Non-controlling interest</i>	-	-
Total equity	411,111	407,801
Total liabilities and equity	3,916,371	3,923,616

SELECTED INFORMATION OF FINANCIAL GROUP (CONTINUED)

Financial Group's condensed income statement

	for the six months period ended	
	30 June 2022	30 June 2021
<i>Interest revenue calculated using the effective interest method</i>	47,365	39,278
<i>Other similar income</i>	5,383	3,964
<i>Interest expense and similar charges</i>	(5,734)	(5,377)
Net interest income	47,014	37,865
<i>Fee and commission income</i>	12,821	11,861
<i>Fee and commission expense</i>	(3,627)	(3,330)
Net fee and commission income	9,194	8,531
<i>Net gain from trading activities</i>	4,015	4,296
<i>Net gain (loss) from derecognition of financial assets</i>	477	316
<i>Net gain (loss) from disposal of tangible assets</i>	254	767
<i>Revenue related to insurance activities</i>	-	-
<i>Other operating income</i>	1,333	399
<i>Salaries and related expenses</i>	(13,894)	(12,243)
<i>Depreciation and amortization expenses</i>	(2,177)	(2,093)
<i>Expenses related to insurance activities</i>	-	-
<i>Other operating expenses</i>	(8,447)	(6,744)
Operating profit before impairment losses	37,769	31,094
<i>Allowance for impairment losses on loans and other assets</i>	(1,898)	271
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	-
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	18	1,259
Profit before income tax	35,889	32,624
<i>Income tax expense</i>	(6,378)	(5,683)
Net profit for the period	29,511	26,941
<i>Profit (loss) from discontinued operations, net of tax</i>	-	(7)
Net profit for the year	29,511	26,934
Net profit attributable to:		
<i>Owners of the Bank</i>	29,511	26,934
<i>From continuing operations</i>	29,511	26,941
<i>From discontinued operations</i>	-	(7)
<i>Non-controlling interest</i>	-	-

Financial Group's condensed statement of comprehensive income

	for the six months period ended	
	30 June 2022	30 June 2021
Net profit for the period	29,511	26,934
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
<i>Gain from revaluation of financial assets</i>	(6,670)	(684)
<i>Deferred income tax on gain from revaluation of financial assets</i>	1,334	137
Other comprehensive income, net of deferred tax	(5,336)	(547)
Total comprehensive income for the period	24,175	26,387
Total comprehensive income (loss) attributable to:		
<i>Owners of the Bank</i>	24,175	26,387
<i>Non-controlling interest</i>	-	-
	24,175	26,387

NOTE 17
LIABILITIES RELATED TO INSURANCE ACTIVITIES

Technical insurance provisions

Bank's subsidiary SB draudimas UAB is engaged in life insurance business. For the periods ended 30 June 2022 and 31 December 2021 the technical insurance provisions and their changes were as follows:

	<i>Unearned premiums</i>	<i>Claims outstanding</i>	<i>Mathematical</i>	<i>Unit-linked</i>	<i>Investment units</i>	<i>Total</i>
Gross:						
<i>At 1 January 2021</i>	14	264	10,533	23,649	1,816	36,276
<i>Change during period</i>	-	(50)	(224)	4,192	1,215	5,133
<i>At 31 December 2021</i>	14	214	10,309	27,841	3,031	41,409
<i>Change during period</i>	(1)	36	303	(3,392)	(9)	(3,063)
<i>At 30 June 2022</i>	13	250	10,612	24,449	3,022	38,346
Reinsurance share:						
<i>At 1 January 2021</i>	(28)	(16)	(5)	-	-	(49)
<i>Change during period</i>	(7)	15	-	-	-	8
<i>At 31 December 2021</i>	(35)	(1)	(5)	-	-	(41)
<i>Change during period</i>	-	(3)	-	-	-	(3)
<i>At 30 June 2022</i>	(35)	(4)	(5)	-	-	(44)
Net value						
<i>At 31 December 2021</i>	(21)	213	10,304	27,841	3,031	41,368
<i>At 30 June 2022</i>	(22)	246	10,607	24,449	3,022	38,302

Liabilities under unit-linked insurance contracts are fully covered with assets: other securities in the trading book and cash (30 June 2022: securities EUR 27,088 thousand, cash EUR 383 thousand, 31 December 2021: securities EUR 29,983 thousand, cash EUR 889 thousand).

NOTE 18
SUBSEQUENT EVENTS

During extraordinary shareholders meeting held on 28 July 2022 Mr. Mindaugas Raila and Mr. Tomas Okmanas were elected to the Bank's supervisory council.

On 4 August 2022 the Bank has received notifications of Algirdas Butkus and Ilona Baranauskienė about their resignation from the Bank's Management Board members. 18 August 2022 was the last day of Algirdas Butkus's term of office as a member of the Management Board and as a Deputy of the CEO of the Bank and 30 September is the last day of Ilona Baranauskienė's term of office as a member of the Management Board and as a Head of Legal and Administration Division of the Bank. At the Bank's Management Board meeting held on 4 August 2022, Vytautas Sinius, Chief Executive Officer of the Bank, was elected as the Chairman of the Bank's Management Board and started his duties as Chairman of the Bank's Management Board from 19 August 2022.

At the meeting of the Bank's Supervisory Council held on 4 August 2022, Valdas Vitkauskas was elected as the Chairman of the Bank's Supervisory Council, replacing Arvydas Salda, who had been a member of the Supervisory Council and Chairman of the Supervisory Council of the Bank until 4 August 2022, and who had announced about his resignation on 9 June 2022.

After end of reporting period there were no other significant events which would have impact to these financial statements.

ADDITIONAL INFORMATION

for the six month period ended 30 June 2022

The present additional information of Šiaulių Bankas AB (hereinafter — the Bank) covers the period 01 January 2022 to 30 June 2022.

The description of alternative performance indicators is available on the Bank's website at:

[Homepage](#) › [Bank Investors](#) › [Financial Information](#) › [Alternative Performance Measures](#)

ACTIVITY RESULTS

- In H1, Šiaulių Bankas Group earned EUR 29.5 million of unaudited net profit
- Financing needs of both corporate and private clients were growing – the loan portfolio has grown by 23% over the year and exceeded EUR 2.35 billion
- The quality of the loan portfolio remains stably good
- The first loan agreements for the modernisation of multi-apartment buildings have been signed by the newly established SB Modernizavimo Fondas
- The ongoing environment of very high inflation encourages clients to direct their savings to the Bank's investment products

"Not only the Bank, but also clients are getting used to the reality of the economic challenges. This is reflected in the increased financing volumes in business, consumer, and housing lending, while demand for renovation loans has remained stable. The growing demand for daily financial services underpins our promise to be closer to our clients and to provide quality services and the highest level of customer service in the most convenient way for the clients. In May, we introduced the possibility to become a client by remote means and open Šiaulių Bankas accounts independently," said Vytautas Sinius, CEO of Šiaulių Bankas.

In H1, Group earned EUR 29.5 million of unaudited net profit (6% more than a year ago, when the profit amounted to EUR 27.9 million). Net profit for Q2 was EUR 18.1 million and increased by 16% compared to the profit of EUR 15.5 million for the same period last year.

The operating revenue grew rapidly in H1 - net interest income increased by 24% and reached EUR 47.2 million, net fee and commission income increased by 8% to EUR 9.1 million, compared to the same period of 2021.

After a conservative provisioning for possible impairment losses in Q1 due to the war in Ukraine, reversals of EUR 0.8 million were made in Q2. Provisions for H1 of the year amount to EUR 1.9 million, compared to EUR 0.9 million in the corresponding period last year. At the end of the half-year, the cost of risk (CoR) of the loan portfolio is at the same level as in H1 of 2021 – 0.2%.

Business and Private Clients Financing

Despite the prevailing uncertain environment, the financing needs of both corporate and private clients grew. Over EUR 670 million worth of new credit agreements were signed in H1, almost 12% more than in the corresponding period last year. The Bank Group's total loan and leasing portfolio grew by 6% (EUR 142 million) during the quarter and by 12% (EUR 249 million) since the beginning of the year and exceeded EUR 2.35 billion.

Almost 9% more business financing loans (worth EUR 382 million) were signed compared to H1 of the previous year. The business financing portfolio grew by 5% (EUR 59 million) during the quarter and by 9% (EUR 107 million) since the beginning of the year to EUR 1.28 billion.

The half-year was a record-breaking one in terms of sales volumes in the housing loans. New credit agreements worth EUR 122 million (27% more than in H1 2021) were signed. The mortgage loan portfolio grew by 11% (EUR 55 million) in the quarter and by 21% (EUR 97 million) since the beginning of the year, reaching EUR 552 million.

Rising inflation has encouraged clients not to postpone planned purchases and take out more consumer loans than in the same period a year ago, when the impact of quarantine was still being felt. Active advertising and the availability of financing services have contributed to this as well. Almost 53% more consumer loans (worth EUR 90 million) were signed compared to H1 of the previous year. The consumer financing portfolio grew by 11% (EUR 20 million) during the quarter and by 16% (EUR 28 million) since the beginning of the year to EUR 198 million.

In Q2, the first loans for the modernisation of multi-apartment buildings were signed by the newly established SB Modernizavimo Fondas, and the total volume of financing for the quarter amounted to EUR 32.3 million, the same as a year ago. The number of enquiries from residents for financing energy efficiency projects remains high, and it is expected the demand for financing to remain high in the coming quarters.

Daily banking

Client activity remained high throughout H1 of the year, with net fee and commission income increasing by 8% to EUR 9.1 million compared to H1 of last year. During Q2, the number of clients increased by 7,000 (total number of clients - 333 thousand), of whom almost 2,000 are war refugees from Ukraine. For these clients, the Bank offers free account opening and a special daily banking package. In addition, payment transfers to Ukraine are free of charge.

With consumption remaining at a high level, demand for credit cards has been strong, with an 8% quarter-on-quarter and 25% year-on-year increase in the number of credit cards issued, and the total number of payment cards issued has risen to 178 thousand cards.

The number of clients subscribing to service plans and thus generating stable commission income has been steadily growing, reaching 179 thousand at the end of the quarter (+7% YoY).

To provide customers with greater accessibility of the Bank's services, in May, the Bank introduced the possibility to become its client remotely.

Saving and Investing

The deposit portfolio declined by 1% (- EUR 34 million) over the half-year to EUR 2.65 billion at the end of June, while all liquidity ratios remained within target ranges. Demand deposits, which make up most of the portfolio, increased by 2% or EUR 32 million, while the term deposit portfolio decreased by EUR 66 million (-8%) over the half-year. The continued high inflationary environment encourages clients to direct their savings into the Bank's investment products, with fee income from securities-related services amounting to EUR 2.0 million in H1 of the year (an increase of 28% compared to the corresponding period of 2021). The value of client securities held by the Bank, as a custodian, exceeded EUR 760 million.

REGARDING INVASION OF RUSSIA TO UKRAINE

The Bank monitors the tense geopolitical situation in order to properly and timely assess and identify the potential impact of Russia's invasion of Ukraine on the Bank's operations and the quality of its portfolio due to the risks it poses to clients. The Bank has set up a special Working Group to assess the situation. The Bank has no operations in Russia, Belarus or Ukraine and does not have significant direct exposures in these countries. The Bank considers the secondary risk of direct insolvency of clients operating in Lithuania due to the geopolitical situation to be low: the Bank's largest clients are aware of the threats, the number of clients dependent on business relations with Ukraine and Russia is low, and clients with business relations in the countries mentioned above are reducing their dependence of their income on business transactions. To identify in a timely manner a potential increase in the risk of its clients, the Bank applies the procedures set out in the Bank's internal regulations, records Early Warning Indicators (EWI) for the impact of the geopolitical situation on the clients that have a moderate or greater dependence on the aforementioned countries through their supply or sales chains, or through their shareholding structure, and, in the event of a potentially significant risk, puts the client on the Watch List and implements enhanced monitoring for these clients, and approves action plans for the mitigation of risk. The greatest uncertainties and potential negative impacts arise from tertiary effects, i.e., the impact of Russia's invasion of Ukraine on the overall state of the economy. The Bank uses scenario assessments and stress testing to assess these impacts. These assessments indicate that the Bank's capital position is strong and that the Bank would be able to withstand significant shocks related to economic downturns.

The enhanced monitoring is not limited to credit risk, but also includes enhanced monitoring of the Bank's liquidity position (with the exception of increased cash withdrawals a few days after the start of the invasion, there were no adverse trends related to the invasion), and an increased focus on business continuity and IT security (updating of the business continuity plans with a number of additional scenarios, continuous monitoring of the cyber security situation, and the strengthening of the Bank's resilience to possible attacks). Also, the rapidly evolving situation and the introduction of new sanction packages have led to a strong focus on compliance processes and procedures for clients and payments. The increased volume of checks has led to a slowdown in payments and measures have been taken to stabilise these processes.

Russia's invasion of Ukraine may further contribute to increased market volatility. In addition to increasing the likelihood of market volatility, the invasion is likely to further increase inflationary pressure. The Bank has no direct investments (securities or other financial instruments) in Russia, Belarus or Ukraine. The Bank has no or close to zero open currency exposure to these countries.

RATINGS

On 25 May 2022, the international rating agency Moody's Investor Service (Moody's) affirmed the Baa2 long-term deposit rating previously granted to the Bank as well as its positive outlook. The Bank's previous short-term deposit rating of P-2 has also been affirmed. In its statement, Moody's said that the rating affirmation reflects the Bank's strong credit fundamentals relative to the rating level, which are expected to remain resilient despite the Bank's increasingly challenging operating environment and the high level of loan growth. It also states that the Bank's outlook reflects improved risk management and overall asset risk, with a significant reduction in non-performing loans and maintaining a strong capital position.

COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

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 30 June 2022 the Bank complied with all the prudential requirements set out by the supervisory authority.

The main financial indicators of the Group:

	31/12/2018	31/12/2019	31/12/2020	30/06/2021	31/12/2021	30/06/2022
<i>ROAA, %</i>	2.4	2.1	1.5	1.8	1.6	1.5
<i>ROAE, %</i>	22.3	17.6	12.7	15.4	14.3	14.5
<i>Cost to income ratio, %</i>	37.3	42.5	42.7	42.3	44.1	39.9
<i>Loan to deposit ratio, %</i>	75.1	82.2	75.0	76.9	78.6	88.9

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](#)

In February 2022, the Bank received an updated MREL requirement, entailing the following MREL requirements that shall be met by 1 January 2024:

- The minimum requirement for own funds and eligible liabilities of the resolution entity with which the Bank shall comply is 20.24% of total risk exposure (MREL-TREA) and 7.07% of leverage ratio exposure (MREL-LRE);
- Subordinated instruments shall comprise 13.50% of total risk exposure (MREL-TREA, subordinated) and 5.89% of leverage ratio exposures (MREL-LRE, subordinated).

The Bank has received intermediate targets to ensure a linear build-up of own funds and eligible liabilities towards the requirements. For 1 January 2022, such targets comprise MREL-TREA of 15.43% and MREL-LRE of 5.89%, subordinated MREL-TREA of 13.50% and subordinated MREL-LRE of 5.89%. The Bank's MREL targets can be summarised as follows:

	01/01/2022	01/01/2024
	(intermediate target)	(requirement)
<i>MREL-TREA</i>	15.43%	20.24%
<i>MREL-LRE</i>	5.89%	7.07%
<i>MREL-TREA, subordinated</i>	13.50%	13.50%
<i>MREL-LRE, subordinated</i>	5.89%	5.89%

AUTHORIZED CAPITAL, SHAREHOLDERS

As of 30 June 2022, 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 2022.

The rights granted by the Bank's shares are specified in the Bank's Charter, which is available on the Bank's website at:

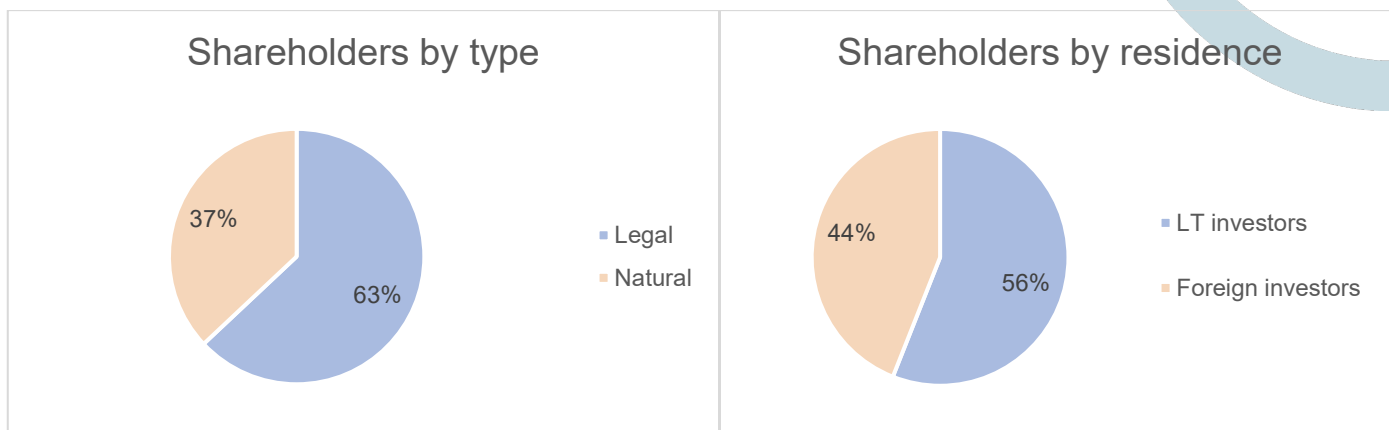
[Homepage](#) › [About Us](#) › [Important Documents](#)

Authorized capital:

	03/06/2014	26/05/2015	14/09/2015	26/05/2016	06/06/2017	01/06/2018	13/12/2018
<i>Capital, EUR</i>	78,300,000	85,033,800	91,226,381.99	109,471,658.33	131,365,989.88	157,639,187.74	174,210,616.27

As of 30 June 2022 the number of the Bank's shareholders was 17,857 (at the end of 2020 – 13,283). 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:

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Shareholders owning more than 5% of the Bank's shares and votes as of 30 June 2022:

	Share of shares and votes, %
EBRD, LEI code 549300HTGDOVDU60GK19	20.00
Invalda INVL AB, c.c. 121304349*	8.10
ME INVESTICIJA UAB, c.c. 302489393	5.71
Gintaras Kateiva**	5.29
Algirdas Butkus***	5.33

* 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

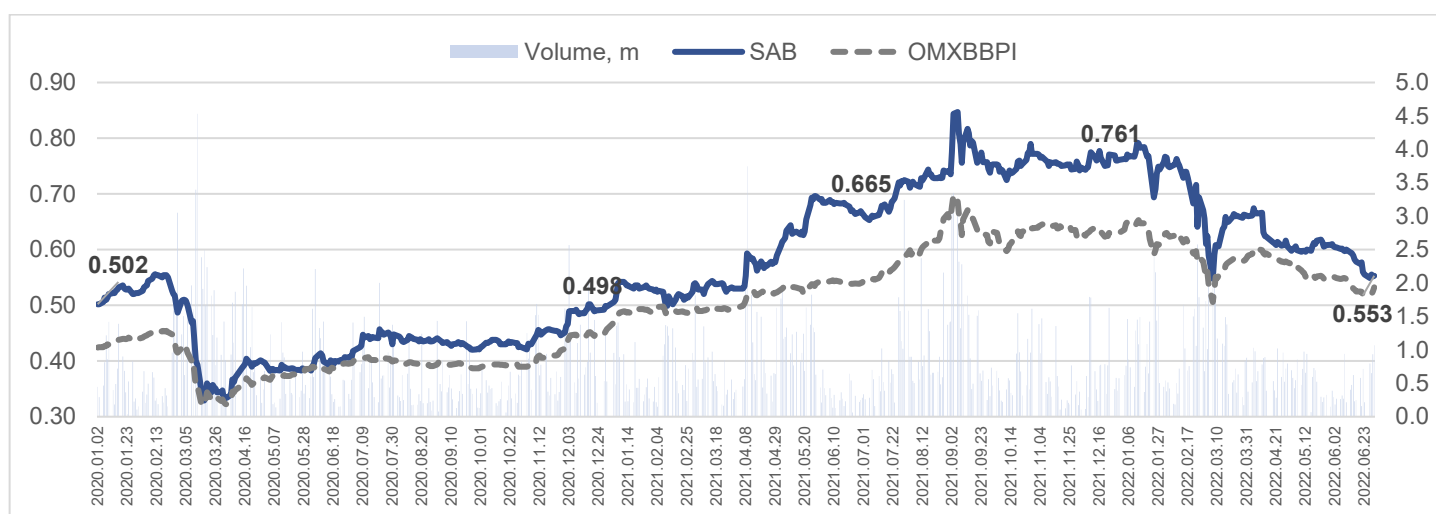
*** Votes are counted together with controlled companies: Prekybos namai AIVA UAB, c.c. 144031190 - 2%, Mintaka UAB, c.c. 144725916 - 0.88%

Information on shares

	31/12/2018	31/12/2019	31/12/2020	30/06/2021	31/12/2021	30/06/2022
Capitalization, m EUR	240.9	304.0	299.2	399.5	457.2	332.2
Turnover, mln. Eur	34.7	48.3	84.5	52.5	134.8	65.3
Share price on the last trading session day	0.401	0.506	0.498	0.665	0.761	0.553
Lowest share price during the reporting period	0.391	0.394	0.320	0.493	0.493	0.548
Highest share price during the reporting period	0.658	0.534	0.558	0.699	0.890	0.792
Average share price during the reporting period	0.521	0.473	0.442	0.590	0.663	0.657
Share book value	0.448	0.518	0.592	0.634	0.678	0.691
P/BV	0.9	1.0	0.8	1.0	1.1	0.8
P/E	4.6	5.9	7.0	7.2	8.3	5.6
Capital increase from retained earnings, %	-	-	-	-	-	-

*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 2020-2022



The shares of the Bank are traded on the regulated market. They are traded on the Nasdaq Baltic Market and admitted to official listing. All 600,726,263 registered ordinary shares of the Bank with a nominal value of EUR 0.29 per share and total nominal value of EUR 174,210,616.27 are admitted to the listing.

The shares issued by the Bank are included in the Nasdaq indexes:

- *OMX Baltic Benchmark (OMXBBI, OMXBPI, 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, OMXB10EXP)* - 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.

Gross Index (GI) tracks the gross return of the stocks it includes. It reflects not only changes in their prices, but also any dividends they pay. This is generally seen as a fuller measure of a market's performance than a price index. Price Index (PI) only reflects changes in the prices of the stocks that the index includes, not taking dividends into account. In a Capped Index (CAP), there is a limit to the weight of any single security. If a stock exceeds the upper limit, its weight in the index is reduced to that maximum limit.

Besides, the Bank's shares are included into such indices as: *STOXX All Europe Total Market, STOXX EU Enlarged TMI, STOXX Eastern Europe 300, STOXX Eastern Europe 300 Banks, STOXX Eastern Europe Mid 100, STOXX Eastern Europe TMI, STOXX Eastern Europe TMI Small, STOXX Global Total Market, STOXX Lithuania Total Market, Bloomberg ESB Data Index, S&P Frontier BMI Index*, and into several *FTSE Russell Frontier* indices.

ACQUISITION OF OWN SHARES

There were no outstanding own shares acquired by the Bank as of 30 June 2022.

AGREEMENTS WITH INTERMEDIARIES IN PUBLIC CIRCULATION

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. Moreover, the Bank has not entered into market-making agreements with respect to securities issued by the Bank.

As of 30 June 2022, the Bank itself, as an intermediary in public circulation, under agreements with more than 700 securities issuing companies managed accounting of 1000 securities issues (including shares of public and private companies, debt securities, and investment fund units). The Bank also executed market making and at the end of June 2022 was the market maker of 10 securities issues on the Nasdaq Baltic market.

INFORMATION ON DETRIMENTAL TRANSACTIONS

During the reporting period no detrimental transactions inconsistent with the Bank's objectives, normal market conditions, violating the interests of shareholders or other groups of persons and which had or could have a negative impact on the Bank's activities or performance results were concluded. Moreover, there were no transactions entered in terms of conflict of interest among the senior managers of the Bank, controlling shareholders or other related parties' positions to the Bank and their private interests and (or) positions.

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 30 March 2022 decided on the allocation of the Bank's profits. The profit allocation included EUR 20.4 million for dividends, representing 36.5% of the net profit for 2021. This size of dividends is paid to compensate for the 7.7% dividend on annual net profit not paid in 2019 and paid in 2020. Dividends of EUR 0.034 per ordinary registered share with a nominal value of EUR 0.29.

Information on the dividends paid:

<i>The year for which the dividends are allocated and paid</i>	2017	2018	2019	2020	2021
<i>Per cent from nominal value</i>	1.72	10	-	1.90	11.72
<i>Dividend amount per share, Eur</i>	0.005	0.029	-	0.0055	0.034
<i>Dividend amount, Eur</i>	2,264,938	17,421,064	-	3,303,994	20,424,693
<i>Yields from dividends, %</i>	0.8	6.2	-	1.1	4.5
<i>Dividends to Group net profit, per cent</i>	7.1	33.0	-	7.7	37.0

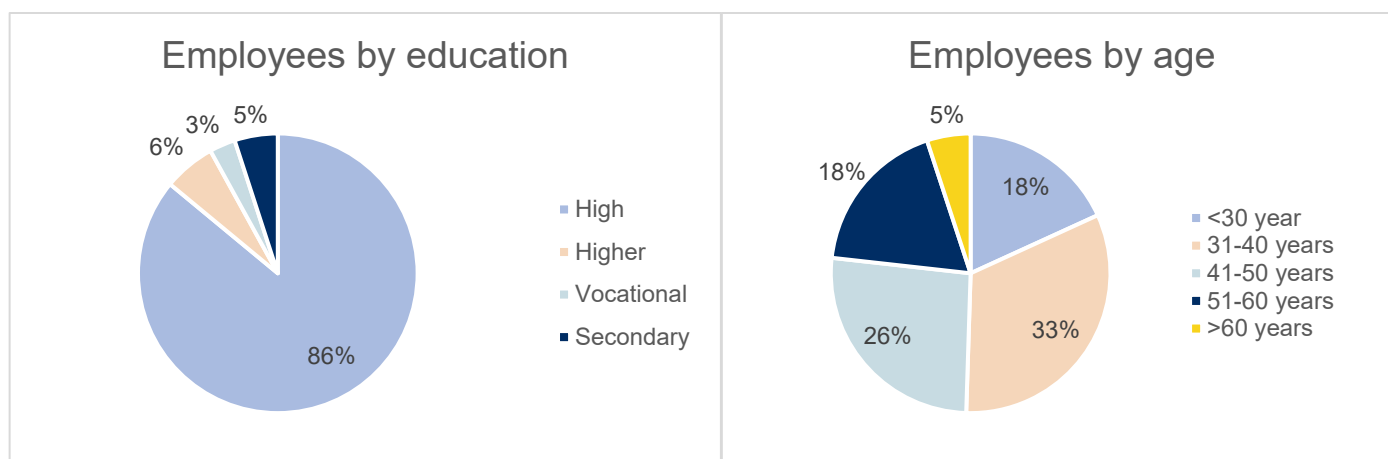
The description of alternative performance indicators is available on the Bank's website at:

[Homepage](#) > [Bank Investors](#) > [Financial Information](#) > [Alternative Performance Measures](#)

EMPLOYEES

As on 30 June 2022, the Bank had 810 employees and the Group had 905 employees (compared to 30 June 2021 the Bank had 764 employees and the Group had 861 employees).

As on 30 June 2022, the Group had 78.1 percent female and 21.9 percent male employees (compared to 30 June 2021 – 79.6 percent female and 20.4 percent male employees)



Average monthly salary of the employees, before taxes:

	Bank				Group			
	Leading Employees		Other Employees		Leading Employees		Other Employees	
	Average number of employees	Average salary per month, EUR	Average number of employees	Average salary per month, EUR	Average number of employees	Average salary per month, EUR	Average number of employees	Average salary per month, EUR
2022 H1	74	9,233	666	2,144	85	9,167	747	2,143

Information on the annual variable remuneration, before taxes, of the Bank's and some of the Group's companies' nominated employees whose professional activities have a significant impact on the Bank's and the Group's risk profile:

	Bank	Group
31/12/2021 outstanding deferred annual variable remuneration:		
- in cash, thou EUR	0.00	0.00
- in shares, thou units	4,155	5,088
Annual variable remuneration allocated in 2022 for 2021:		
- in cash, thou EUR	1,115	1,320
- in shares, thou units	1,495	1,745
Annual variable remuneration paid in the first half of 2022:		
- in cash, thou EUR	1,115	1,320
- in shares, thou units	2,385	2,710
30/06/2022 outstanding deferred annual variable remuneration:		
- in cash, thou EUR	0.00	0.00
- in shares, thou units	5,650	6,833

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 30 June 2022:

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	
<i>Chairman</i>	Miha Košak	Member of the Supervisory Council
<i>Members:</i>	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	
<i>Chairperson</i>	Ramunė Vilija Zabulienė	Member of the Supervisory Council
<i>Members:</i>	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	
<i>Chairman</i>	Martynas Česnavičius	Member of the Supervisory Council
<i>Members:</i>	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	
<i>Chairman</i>	Martynas Česnavičius	Member of the Supervisory Council
<i>Members:</i>	Gintaras Kateiva	Member of the Supervisory Council
	Ramunė Vilija Zabulienė	Member of the Supervisory Council

COMMITTEES UNDER AUTHORITY OF THE BANK'S MANAGEMENT BOARD

Information on the committee members as of 30 June 2022:

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
<i>Chairman</i>	Edas Mirijauskas	Director of Credit Department
<i>Deputy</i>	Diana Leonavičienė	Director of Regional Lending Unit
<i>Members:</i>	Vytautas Sinius	Chief Executive Officer
	Algimantas Gaulia	Head of Risk Management Division
	Daiva Šorienė	Head of Sales and Marketing Division
	Ramūnas Dešukas	Director of Special Assets Department
	Aurelija Geležiuė	Director of 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
<i>Chairman</i>	Algimantas Gaulia	Head of Risk Management Division
<i>Deputy</i>	Dalia Udrienė	Director of Risk Department
<i>Members:</i>	Tomas Dauroras	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 and Control Department

The **NPE Committee's** main purpose is to address issues related to NPE restructuring, additional funding, recovery, etc., to ensure the proper implementation of the NPE strategy, to actively reduce the Bank's NPE portfolio, and to carry out other functions set out in its regulations:

	Name, surname	Position
<i>Chairman</i>	Ramūnas Dešukas	Director of Special Assets Department
<i>Deputy</i>	Ilona Baranauskienė	Head of Legal and Administration Division
<i>Members:</i>	Daiva Šorienė	Head of Sales and Marketing Division
	Vita Klizienė	Project manager of Credit Risk Management Unit
	Edas Mirijauskas	Director of Credit Department
	Justina Stuknienė	Head of group of Special Assets Department
	Asta Rasiulienė	Deputy director of Special Assets Department

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).

On 7 March 2022, Šiaulių Bankas AB received a notice of resignation from the position of a member of the Supervisory Council from Adriano Arietti. 29 March 2022 was the last day on which Adriano Arietti served as a member of the Bank's Supervisory Council.

By the decision of the Ordinary General Meeting of Shareholders of Šiaulių Bankas AB of 30 March 2022, Valdas Vitkauskas was elected as an independent member of the Bank's Supervisory Council. He took up his duties on 1 June 2022 after obtaining the permission of the Bank's supervisory authority.

On 9 June 2022, Šiaulių Bankas AB received notices of resignation from the position of member of the Supervisory Council of the Bank from Arvydas Salda and Martynas Česnavičius. 4 August 2022 will be the last day on which Arvydas Salda and Martynas Česnavičius act as members of the Supervisory Council of the Bank.

On 29 June 2022, new candidates for the members of the Supervisory Council were announced for the Extraordinary General Meeting of Shareholders of Šiaulių Bankas to be held on 28 July 2022.

On 30/06/2022, the Supervisory Council of the Bank (elected on 31/03/2020 with new members joining on 10/06/2020, the term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024) consisted of 8 members, of whom 5 were independent members.

Supervisory Council of the Bank

Name, Surname	Duties at the Supervisory Council	Share of capital under the right of ownership, % (30/06/2022)	Share of votes together with the related persons, % (30/06/2022)
<i>Arvydas Salda</i>	Chairman since 1999	1.61	1.61
<i>Gintaras Kateiva</i>	Member since 2008	5.27	5.29*
<i>Ramunė Vilija Zabulienė</i>	Independent members since 2012	-	-
<i>Darius Šulnis</i>	Member since 2016	-	-
<i>Martynas Česnavičius</i>	Independent member since 2016	-	0.35**
<i>Miha Košak</i>	Independent member since 2017	-	-
<i>Susan Gail Buyske</i>	Independent member since 2020	-	-
<i>Valdas Vitkauskas</i>	Independent member since 06/01/2022	-	-

* 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 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.

Board of the Bank

<i>Name, Surname</i>	Duties at the Board	Other current leading positions at the Bank	Share of capital under the right of ownership, % (30/06/2022)	Share of votes together with the related persons, % (30/06/2022)
<i>Algirdas Butkus</i>	Chairman since 1999	Deputy Chief Executive Officer	2.45	5.33*
<i>Vytautas Sinius</i>	Deputy Chairman since 2014	Chief Executive Officer	0.25	0.25
<i>Donatas Savickas</i>	Deputy Chairman since 1995	Deputy Chief Executive Officer, Head of Finance Division	0.13	0.13
<i>Daiva Šorienė</i>	Member since 2005	Deputy Chief Executive Officer, Head of Sales and Marketing Division	0.03	0.03
<i>Mindaugas Rudys</i>	Member since 2020	Head of Service Development Division	0.05	0.05
<i>Ilona Baranauskienė</i>	Member since 2014	Head of Legal and Administration Division	0.03	0.03
<i>Algimantas Gaulia</i>	Member since 30/07/2021	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%.

BANK'S COMPANY GROUP

	Nature of activities	Registration date	Company code	Address	Tel.	e- mail, website
<i>Šiaulių Bankas AB</i>	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

<i>SB Lizingas UAB</i>	finance lease, consumer credits.	14/07/1997	234995490	Laisvės al. 80, LT-44249 Kaunas	+370 37 407 200	info@sbl.lt , www.sblizingas.lt
<i>Šiaulių Banko Lizingas UAB</i>	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
<i>SB Turto Fondas UAB</i>	real estate management	13/08/2002	145855439	Vilniaus str. 167, LT-76352 Šiauliai	+370 41 525 322	turtofondas@sb.lt , www.sbjp.lt
<i>Life insurance SB draudimas UAB</i>	life insurance	31/08/2000	110081788	Laisvės pr. 3, LT-04215 Vilnius	+370 5 236 2723	info@sbdraudimas.lt , www.sbdraudimas.lt
<i>SB modernizavimo fondas UAB</i>	multi-apartment renovation financing	05/04/2022	306057616	Tilžės g. 149, LT-76348 Šiauliai	+370 41 595 607	sbfondas@sb.lt

The Bank indirectly controls the following subsidiaries:

<i>Šiaulių Banko Investicijų Valdymas UAB *</i>	investment management	31/08/2000	145649065	Šeimyniškių st. 1A, LT-09312 Vilnius	+370 5 272 2477	sbiv@sb.lt , www.sbjp.lt
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*in liquidation process

OTHER INFORMATION, PUBLISHED INFORMATION AND MAJOR 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

26 August 2022



Vytautas Sinius

CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Chief Financial Officer Donatas Savickas, confirm that as far as we know, the financial statements for six months of 2022 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the total assets, liabilities, financial status, activity result and cash flow of Šiaulių bankas AB and consolidated companies.

Chief Executive Officer

Chief Financial Officer

26 August 2022



Vytautas Sinius

Donatas Savickas

