

INTERIM INFORMATION

for the nine months period ended 30 September 2022

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CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

for the nine months period ended 30 September 2022

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

	Notes	30 September 2022		31 December 2021	
		Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents		307,464	306,880	965,723	964,849
Securities in the trading book	2	61,149	31,023	48,181	15,099
Due from other banks		234	234	1,196	1,196
Derivative financial instruments		6,266	6,266	2,121	2,121
Loans to customers	1	2,281,598	2,262,665	1,908,681	1,889,629
Finance lease receivables	1	232,025	231,757	195,174	194,909
Investment securities at fair value	2	91,464	91,464	82,988	82,951
Investment securities at amortized cost	2	975,449	962,745	705,398	692,226
Investments in subsidiaries and associates	2	100	29,880	-	31,668
Intangible assets		6,100	4,337	4,834	3,114
Property, plant and equipment		14,906	14,214	14,760	14,118
Investment property		1,842	-	2,229	344
Current income tax prepayment		7,165	7,154	847	820
Deferred income tax asset		3,084	2,658	1,593	1,250
Other assets	3	14,319	10,957	28,137	24,560
Assets held for sale	3	170	170	620	620
Total assets		4,003,335	3,962,404	3,962,482	3,919,474
LIABILITIES					
Due to other banks and financial institutions	5	681,227	683,799	697,738	703,271
Derivative financial instruments		892	892	96	96
Due to customers	4	2,707,473	2,711,332	2,679,183	2,681,586
Special and lending funds	5	10,452	10,452	6,667	6,667
Debt securities in issue		96,719	96,719	95,212	95,212
Current income tax liabilities		9,054	8,889	1,084	962
Deferred income tax liabilities		1,521	-	1,452	-
Liabilities related to insurance activities	17	38,234	-	41,409	-
Other liabilities		32,169	23,701	33,214	24,099
Total liabilities		3,577,741	3,535,784	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	37,112	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		(7,726)	(7,740)	(583)	(597)
Other equity	6	2,354	1,917	3,288	2,870
Retained earnings		195,459	197,126	193,950	195,659
Non-controlling interest		-	-	-	-
Total equity		425,594	426,620	406,427	407,581
Total liabilities and equity		4,003,335	3,962,404	3,962,482	3,919,474

The notes on pages 10 - 33 constitute an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

31 October 2022



Vytautas Sinius



Donatas Savickas

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

	Notes	for the nine months period ended			
		30 September 2022		30 September 2021	
		Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>	7	74,631	63,762	60,217	50,507
<i>Other similar income</i>	7	8,463	8,344	6,314	6,211
<i>Interest expense and similar charges</i>	7	(7,988)	(7,994)	(7,796)	(7,786)
Net interest income		75,106	64,112	58,735	48,932
<i>Fee and commission income</i>	8	19,636	20,381	18,064	18,451
<i>Fee and commission expense</i>	8	(5,603)	(5,460)	(5,284)	(5,117)
Net fee and commission income		14,033	14,921	12,780	13,334
<i>Net gain from trading activities</i>	11	2,334	7,210	8,755	6,740
<i>Net gain (loss) from derecognition of financial assets</i>		747	243	4,163	2,677
<i>Net gain (loss) from disposal of tangible assets</i>		691	446	3,618	69
<i>Revenue related to insurance activities</i>		6,796	-	5,865	-
<i>Other operating income</i>		1,493	1,335	573	389
<i>Salaries and related expenses</i>		(23,215)	(20,355)	(19,565)	(17,013)
<i>Depreciation and amortization expenses</i>		(3,536)	(3,214)	(3,339)	(2,984)
<i>Expenses related to insurance activities</i>	11	(531)	-	(5,383)	-
<i>Other operating expenses</i>	9	(14,082)	(10,800)	(11,086)	(8,107)
Operating profit before impairment losses		59,836	53,898	55,116	44,037
<i>Allowance for impairment losses on loans and other assets</i>	10	(2,423)	(1,263)	(1,521)	1,103
<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	-	3,812	-	8,211
Profit before income tax		57,413	56,447	53,595	53,351
<i>Income tax expense</i>		(10,270)	(9,403)	(9,404)	(8,337)
Net profit for the period		47,143	47,044	44,191	45,014
<i>Profit (loss) from discontinued operations, net of tax</i>		-	-	-	-
Net profit for the period		47,143	47,044	44,191	45,014
Net profit attributable to:					
<i>Owners of the Bank</i>		47,143	47,044	44,191	45,014
<i>From continuing operations</i>		47,143	47,044	44,191	45,014
<i>From discontinued operations</i>		-	-	-	-
<i>Non-controlling interest</i>		-	-	-	-
<i>Basic earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.08		0.07	
<i>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.08		0.07	

The notes on pages 10 - 33 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				
	1 July - 30 September		1 July - 30 September		
	Notes	Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>		27,205	23,282	20,876	17,543
<i>Other similar income</i>		2,982	2,975	2,290	2,257
<i>Interest expense and similar charges</i>		(2,262)	(2,263)	(2,424)	(2,410)
Net interest income		27,925	23,994	20,742	17,390
<i>Fee and commission income</i>		6,867	7,173	6,265	6,391
<i>Fee and commission expense</i>		(1,932)	(1,883)	(1,914)	(1,859)
Net fee and commission income		4,935	5,290	4,351	4,532
<i>Net gain from trading activities</i>		2,256	3,197	2,578	2,317
<i>Net gain (loss) from derecognition of financial assets</i>		270	41	4,212	2,495
<i>Net gain (loss) from disposal of tangible assets</i>		437	353	72	9
<i>Revenue related to insurance activities</i>		2,309	-	2,004	-
<i>Other operating income</i>		161	139	188	101
<i>Salaries and related expenses</i>		(8,766)	(7,587)	(6,722)	(5,830)
<i>Depreciation and amortization expenses</i>		(1,236)	(1,127)	(1,105)	(995)
<i>Expenses related to insurance activities</i>		(897)	-	(1,753)	-
<i>Other operating expenses</i>		(5,342)	(4,217)	(4,136)	(2,901)
Operating profit before impairment losses		22,052	20,083	20,431	17,118
<i>Allowance for impairment losses on loans and other assets</i>		(526)	(131)	(580)	641
<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>		-	1,296	-	2,271
Profit before income tax		21,526	21,248	19,851	20,030
<i>Income tax expense</i>		(3,892)	(3,611)	(3,546)	(3,245)
Net profit for the period		17,634	17,637	16,305	16,785
<i>Profit (loss) from discontinued operations, net of tax</i>		-	-	-	-
Net profit for the year		17,634	17,637	16,305	16,785
Net profit attributable to:					
<i>Owners of the Bank</i>		17,634	17,637	16,305	16,785
<i>From continuing operations</i>		17,634	17,637	16,305	16,785
<i>From discontinued operations</i>		-	-	-	-
<i>Non-controlling interest</i>		-	-	-	-

The notes on pages 10 - 33 constitute an integral part of these financial statements.

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

	for the nine months period ended			
	30 September 2022		30 September 2021	
	Group	Bank	Group	Bank
Net profit for the period	47,143	47,044	44,191	45,014
Other comprehensive income				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain from revaluation of financial assets	(8,929)	(8,929)	(609)	(606)
Deferred income tax on gain from revaluation of financial assets	1,786	1,786	122	121
<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	(7,143)	(7,143)	(487)	(485)
Total comprehensive income for the period	40,000	39,901	43,704	44,529
Total comprehensive income (loss) attributable to:				
Owners of the Bank	40,000	39,901	43,704	44,529
Non-controlling interest	-	-	-	-
	40,000	39,901	43,704	44,529

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

	for the three months period			
	1 July - 30 September 2022		1 July - 30 September 2021	
	Group	Bank	Group	Bank
Net profit for the period	17,634	17,637	16,305	16,785
Other comprehensive income (loss)				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain (loss) from revaluation of financial assets	(2,258)	(2,259)	75	78
Deferred income tax on gain (loss) from revaluation of financial assets	452	452	(15)	(16)
<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	(1,806)	(1,807)	60	62
Total comprehensive income for the period	15,828	15,830	16,365	16,847
Total comprehensive income (loss) attributable to:				
Owners of the Bank	15,828	15,830	16,365	16,847
Non-controlling interest	-	-	-	-
	15,828	15,830	16,365	16,847

The notes on pages 10 - 33 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)	-	-	-
Acquisition of own shares	6	-	-	(516)	-	-	-	(234)	-	-	(750)	-	(750)
Share-based payment	6	-	-	-	-	-	-	234	1,026	-	1,260	-	1,260
Payment of dividends	6	-	-	-	-	-	-	-	-	(3,304)	(3,304)	-	(3,304)
Total comprehensive income		-	-	-	-	(487)	-	-	-	44,191	43,704	-	43,704
30 September 2021		174,211	3,428	(516)	756	(99)	21,893	10,000	3,385	182,918	395,976	-	395,976
Share-based payment	6	-	-	-	-	-	-	-	(97)	-	(97)	-	(97)
Total comprehensive income		-	-	-	-	(484)	-	-	-	11,032	10,548	-	10,548
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		-	-	-	-	-	15,219	-	-	(15,219)	-	-	-
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	(934)	10	1,383	-	1,383
Payment of dividends	6	-	-	-	-	-	-	-	-	(20,425)	(20,425)	-	(20,425)
Total comprehensive income		-	-	-	-	(7,143)	-	-	-	47,143	40,000	-	40,000
30 September 2022		174,211	3,428	-	756	(7,726)	37,112	20,000	2,354	195,459	425,594	-	425,594

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)	-
Acquisition of own shares	6	-	-	(516)	-	-	-	(234)	-	-	(750)
Share-based payment	6	-	-	-	-	-	-	234	901	-	1,135
Payment of dividends	6	-	-	-	-	-	-	-	-	(3,304)	(3,304)
Total comprehensive income		-	-	-	-	(485)	-	-	-	45,014	44,529
30 September 2021		174,211	3,428	(516)	756	(110)	21,770	10,000	2,967	184,668	397,174
Share-based payment	6	-	-	-	-	-	-	-	(97)	-	(97)
Total comprehensive income		-	-	-	-	(487)	-	-	-	10,991	10,504
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		-	-	-	-	(7,143)	-	-	-	47,044	39,901
30 September 2022		174,211	3,428	-	756	(7,740)	36,922	20,000	1,917	197,126	426,620

The notes on pages 10 - 33 constitute an integral part of these financial statements.

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

	for the nine months period ended				
	Notes	30 September 2022		30 September 2021	
		Group	Bank	Group	Bank
				(adjusted)	(adjusted)
Operating activities					
Interest received on loans and advances		83,618	73,102	67,311	57,498
Interest received on securities in the trading book		981	883	253	160
Interest paid		(8,118)	(8,129)	(8,790)	(8,787)
Fees and commissions received		19,636	20,381	18,029	18,451
Fees and commissions paid		(5,603)	(5,460)	(5,284)	(5,117)
Net cash inflows from trade in securities in the trading book		(25,012)	(18,049)	2,334	(1,565)
Net inflows from foreign exchange operations		6,713	6,583	4,603	4,643
Net inflows from derecognition of financial assets		747	243	4,163	2,677
Net inflows from derecognition of non-financial assets		691	446	3,618	69
Cash inflows related to other activities of Group companies		9,782	1,335	6,438	389
Cash outflows related to other activities of Group companies		(531)	-	(4,810)	-
Recoveries on loans previously written off		681	75	1,073	504
Salaries and related payments to and on behalf of employees		(23,900)	(21,040)	(20,179)	(17,627)
Payments related to operating and other expenses		(14,082)	(10,800)	(11,936)	(9,756)
Income tax paid		(8,037)	(7,272)	(6,110)	(5,960)
Net cash flow from operating activities before change in operating assets and liabilities		37,566	32,298	50,713	35,579
Change in operating assets and liabilities:					
Decrease (increase) in due from other banks		962	962	467	467
(Increase) in loans to customers and finance lease receivables		(372,197)	(370,966)	(218,823)	(205,978)
(Increase)/decrease in finance lease receivables		(36,386)	(36,383)	(62,069)	(65,486)
Decrease (increase) in other assets		15,215	11,123	2,470	510
Decrease (increase) in due to banks and financial institutions		(16,729)	(19,690)	475,940	476,715
Increase (decrease) increase in due to customers		28,696	30,152	202,901	205,037
Increase in special and lending funds		3,785	3,785	861	850
Increase (decrease) in other liabilities		(2,447)	(7,899)	(1,369)	(1,674)
Change		(379,101)	(388,916)	400,377	410,441
Net cash flow from (used in) from operating activities		(341,535)	(356,618)	451,090	446,019
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(2,481)	(2,287)	(571)	(418)
Disposal of property, plant and equipment, investment property and intangible assets		1,531	1,219	476	476
Acquisition of debt securities at amortized cost		(396,788)	(396,538)	(276,236)	(275,876)
Proceeds from redemption of debt securities at amortized cost		127,580	124,771	263,846	260,855
Interest received on debt securities at amortized cost		5,731	5,505	3,738	3,842
Dividends received		22	5,722	-	5,000
Acquisition of investment securities at fair value		(53,764)	(37,003)	(49,254)	(38,493)
Sale or redemption of investment securities at fair value		23,750	19,681	24,431	16,370
Interest received on investment securities at fair value		371	270	400	208
Disposal of subsidiaries		-	-	5,478	5,428
Acquisition of shares in subsidiaries		(100)	(100)	-	-
Net cash flow (used in) from investing activities		(294,148)	(278,760)	(27,692)	(22,608)
Financing activities					
Payment of dividends		(20,382)	(20,382)	(3,382)	(3,382)
Acquisition of own shares		(1,557)	(1,557)	(750)	(750)
Principal elements of lease payments		(637)	(652)	(897)	(890)
Net cash flow (used in) financing activities		(22,576)	(22,591)	(5,029)	(5,022)
Net increase (decrease) in cash and cash equivalents		(658,259)	(657,969)	418,369	418,389
Cash and cash equivalents at 1 January		965,723	964,849	432,584	431,649
Cash and cash equivalents at 30 September		307,464	306,880	850,953	850,038

The notes on pages 10 - 33 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 September 2022 the Bank had 819 employees (31 December 2021: 789). As at 30 September 2022 the Group had 910 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 nine months period ended 30 September 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. Such format of reporting was adopted to ensure consistency of presentation with the format prescribed by the Bank of Lithuania and applied for statutory reporting.

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 September 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Cash equivalents</i>	228,772	228,250	898,862	897,988
<i>Loans and advances to banks</i>	234	234	1,196	1,196
<i>Loans and advances to customers:</i>	2,281,598	2,262,665	1,908,681	1,889,629
<i>Loans and advances to financial institutions</i>	-	185,687	-	125,032
<i>Loans to individuals (Retail)</i>	886,811	698,359	693,985	557,086
<i>Loans to business customers</i>	1,394,787	1,378,619	1,214,696	1,207,511
<i>Finance lease receivables</i>	232,025	231,757	195,174	194,909
<i>Debt securities at fair value through profit or loss</i>	34,029	30,690	20,454	14,622
<i>Derivative financial instruments</i>	6,266	6,266	2,121	2,121
<i>Debt securities at fair value through other comprehensive income</i>	86,639	86,639	78,126	78,126
<i>Debt securities at amortized cost</i>	975,449	962,745	705,398	692,226
<i>Other assets subject to credit risk</i>	6,390	6,276	16,398	16,271
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	53,203	53,264	52,931	52,992
<i>Letters of credit</i>	998	998	1,308	1,308
<i>Loan commitments and other credit related liabilities</i>	503,481	508,002	397,225	407,440
Total	4,409,084	4,377,786	4,277,874	4,248,828

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

Loans to customers

Loans and advances are summarized as follows:

	30 September 2022		31 December 2021	
	Group	Bank	Group	Bank
Gross loans at amortized cost	2,315,156	2,288,249	1,944,377	1,917,766
<i>Less: allowance for impairment</i>	(34,941)	(26,967)	(35,696)	(28,137)
Net loans at amortized cost	2,280,215	2,261,282	1,908,681	1,889,629
<i>Amount of loans at fair value</i>	1,383	1,383	-	-
Total loans	2,281,598	2,262,665	1,908,681	1,889,629

During second and third quarters 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 September 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>	1,979,565	52,415	-	-	2,031,980	1,600,390	41,547	505	6	1,642,448
<i>Allowance for impairment</i>	(11,418)	(990)	-	-	(12,408)	(11,439)	(1,028)	(1)	-	(12,468)
Net amount	1,968,147	51,425	-	-	2,019,572	1,588,951	40,519	504	6	1,629,980
Stage 2:										
<i>Gross amount</i>	191,680	13,556	9,925	-	215,161	220,434	8,966	6,207	2	235,609
<i>Allowance for impairment</i>	(3,190)	(103)	(1,379)	-	(4,672)	(2,329)	(282)	(1,299)	-	(3,910)
Net amount	188,490	13,453	8,546	-	210,489	218,105	8,684	4,908	2	231,699
Stage 3:										
<i>Gross amount</i>	33,869	13,189	3,534	18,806	69,398	28,278	17,231	2,913	17,898	66,320
<i>Allowance for impairment</i>	(6,146)	(2,474)	(1,348)	(7,893)	(17,861)	(5,351)	(3,151)	(955)	(9,861)	(19,318)
Net amount	27,723	10,715	2,186	10,913	51,537	22,927	14,080	1,958	8,037	47,002
Total:										
<i>Gross amount</i>	2,205,114	79,160	13,459	18,806	2,316,539	1,849,102	67,744	9,625	17,906	1,944,377
<i>Allowance for impairment</i>	(20,754)	(3,567)	(2,727)	(7,893)	(34,941)	(19,119)	(4,461)	(2,255)	(9,861)	(35,696)
Net amount	2,184,360	75,593	10,732	10,913	2,281,598	1,829,983	63,283	7,370	8,045	1,908,681

	30 September 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>	1,810,324	35,787	-	-	1,846,111	1,476,592	28,571	505	6	1,505,674
<i>Allowance for impairment</i>	(8,111)	(75)	-	-	(8,186)	(8,217)	(57)	(1)	-	(8,275)
Net amount	1,802,213	35,712	-	-	1,837,925	1,468,375	28,514	504	6	1,497,399
Stage 2:										
<i>Gross amount</i>	360,547	13,156	5,158	-	378,861	338,302	8,966	2,710	2	349,980
<i>Allowance for impairment</i>	(3,122)	(35)	(37)	-	(3,194)	(2,329)	(282)	(47)	-	(2,658)
Net amount	357,425	13,121	5,121	-	375,667	335,973	8,684	2,663	2	347,322
Stage 3:										
<i>Gross amount</i>	32,430	12,165	1,919	18,146	64,660	26,965	16,442	1,472	17,233	62,112
<i>Allowance for impairment</i>	(5,449)	(1,986)	(580)	(7,572)	(15,587)	(4,695)	(2,762)	(246)	(9,501)	(17,204)
Net amount	26,981	10,179	1,339	10,574	49,073	22,270	13,680	1,226	7,732	44,908
Total:										
<i>Gross amount</i>	2,203,301	61,108	7,077	18,146	2,289,632	1,841,859	53,979	4,687	17,241	1,917,766
<i>Allowance for impairment</i>	(16,682)	(2,096)	(617)	(7,572)	(26,967)	(15,241)	(3,101)	(294)	(9,501)	(28,137)
Net amount	2,186,619	59,012	6,460	10,574	2,262,665	1,826,618	50,878	4,393	7,740	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 September 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Business customers</i>	208,358	207,336	172,214	171,202
<i>Individuals</i>	27,836	27,836	26,746	26,746
Gross	236,194	235,172	198,960	197,948
<i>Less: Allowance for impairment</i>	(4,169)	(3,415)	(3,786)	(3,039)
Net	232,025	231,757	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 September 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	202,864	12,860	-	-	215,724	165,656	5,304	-	-	170,960
Allowance for impairment	(1,256)	(85)	-	-	(1,341)	(947)	(19)	-	-	(966)
Net amount	201,608	12,775	-	-	214,383	164,709	5,285	-	-	169,994
Stage 2:										
Gross amount	11,448	623	1,625	-	13,696	19,180	822	543	-	20,545
Allowance for impairment	(277)	(16)	(12)	-	(305)	(212)	(21)	(7)	-	(240)
Net amount	11,171	607	1,613	-	13,391	18,968	801	536	-	20,305
Stage 3:										
Gross amount	4,810	406	271	1,287	6,774	5,618	275	111	1,451	7,455
Allowance for impairment	(1,272)	(64)	(87)	(1,100)	(2,523)	(1,473)	(25)	(43)	(1,039)	(2,580)
Net amount	3,538	342	184	187	4,251	4,145	250	68	412	4,875
Total:										
Gross amount	219,122	13,889	1,896	1,287	236,194	190,454	6,401	654	1,451	198,960
Allowance for impairment	(2,805)	(165)	(99)	(1,100)	(4,169)	(2,632)	(65)	(50)	(1,039)	(3,786)
Net amount	216,317	13,724	1,797	187	232,025	187,822	6,336	604	412	195,174

	30 September 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	202,864	12,860	-	-	215,724	165,446	5,304	-	-	170,750
Allowance for impairment	(1,256)	(85)	-	-	(1,341)	(946)	(19)	-	-	(965)
Net amount	201,608	12,775	-	-	214,383	164,500	5,285	-	-	169,785
Stage 2:										
Gross amount	11,227	623	1,625	-	13,475	19,180	822	543	-	20,545
Allowance for impairment	(269)	(16)	(12)	-	(297)	(212)	(21)	(7)	-	(240)
Net amount	10,958	607	1,613	-	13,178	18,968	801	536	-	20,305
Stage 3:										
Gross amount	4,810	406	271	486	5,973	5,618	275	111	649	6,653
Allowance for impairment	(1,271)	(64)	(87)	(354)	(1,776)	(1,473)	(25)	(43)	(293)	(1,834)
Net amount	3,539	342	184	132	4,197	4,145	250	68	356	4,819
Total:										
Gross amount	218,901	13,889	1,896	486	235,172	190,244	6,401	654	649	197,948
Allowance for impairment	(2,797)	(165)	(99)	(354)	(3,415)	(2,631)	(65)	(50)	(293)	(3,039)
Net amount	216,104	13,724	1,797	132	231,757	187,613	6,336	604	356	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 September 2022		31 December 2021	
	Group	Bank	Group	Bank
Debt securities:	34,029	30,690	20,454	14,622
Government bonds	3,304	3,024	2,020	4,062
Corporate bonds	30,725	27,666	18,434	10,560
Equity securities	27,120	333	27,727	477
Total	61,149	31,023	48,181	15,099
	30 September 2022		31 December 2021	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	33,956	30,690	17,721	14,622
from AA- to AAA	-	-	-	-
from A- to A+	3,202	3,024	4,235	4,046
from BBB- to BBB+	586	-	830	207
from BB- to BB+	483	-	514	-
lower than BB-	-	-	-	-
no rating	29,685	27,666	12,142	10,369
Equity securities	333	333	477	477
listed	317	317	449	449
unlisted	16	16	28	28
units of investment funds	-	-	-	-
Total trading securities	34,289	31,023	18,198	15,099
Other trading book securities:				
Debt securities	72	-	2,733	-
from AA- to AAA	-	-	-	-
from A- to A+	-	-	199	-
from BBB- to BBB+	-	-	1,726	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	72	-	808	-
Equity securities	26,788	-	27,250	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	26,788	-	27,250	-
Total other trading book securities	26,860	-	29,983	-
TOTAL	61,149	31,023	48,181	15,099

NOTE 2
SECURITIES (CONTINUED)

Investment securities

	30 September 2022		31 December 2021	
	Group	Bank	Group	Bank
<u>Securities at fair value:</u>				
Debt securities:	86,639	86,639	78,126	78,126
Government bonds	53,754	53,754	53,991	53,991
Corporate bonds	32,885	32,885	24,135	24,135
Equity securities	4,825	4,825	4,862	4,825
Total	91,464	91,464	82,988	82,951
<u>Securities at amortized cost:</u>				
Debt securities:	975,449	962,745	705,398	692,226
Government bonds	830,717	824,720	541,026	535,006
Corporate bonds	144,732	138,025	164,372	157,220
Total	975,449	962,745	705,398	692,226

	30 September 2022		31 December 2021	
	Group	Bank	Group	Bank
<u>Securities at fair value:</u>				
Debt securities	86,639	86,639	78,126	78,126
from AA- to AA+	-	-	-	-
from A- to A+	57,529	57,529	57,534	57,534
from BBB- to BBB+	10,713	10,713	9,696	9,696
from BB- to BB+	15,378	15,378	10,896	10,896
lower than BB-	-	-	-	-
no rating	3,019	3,019	-	-
Equities	4,825	4,825	4,862	4,825
listed	281	281	290	290
unlisted	294	294	455	455
units of investment funds	4,250	4,250	4,117	4,080
Total	91,464	91,464	82,988	82,951
<u>Securities at amortized cost:</u>				
Debt securities	975,449	962,745	705,398	692,226
from AA- to AA+	3,363	3,157	3,101	2,896
from A- to A+	839,390	833,399	551,810	545,789
from BBB- to BBB+	131,194	126,189	148,969	143,541
from BB- to BB+	1,502	-	1,518	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
Total	975,449	962,745	705,398	692,226

Credit stages of investment debt securities:

	30 September 2022		31 December 2021	
	Group	Bank	Group	Bank
Stage 1:				
Gross amount	1,060,452	1,047,734	783,670	770,683
Allowance for impairment	(417)	(403)	(342)	(331)
Net amount	1,060,035	1,047,331	783,328	770,352
Stage 2:				
Gross amount	-	-	199	-
Allowance for impairment	-	-	(3)	-
Net amount	-	-	196	-
Stage 3:				
Gross amount	3,076	2,056	1,020	-
Allowance for impairment	(1,023)	(3)	(1,020)	-
Net amount	2,053	2,053	-	-

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

NOTE 2
SECURITIES (CONTINUED)

Investments in subsidiaries

As of 30 September 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 September 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 nine months period ended 30 September 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 September 2022	31 December 2021
<i>SB draudimas GD UAB</i>	100%	11,759	11,788
<i>SB lizingas UAB</i>	100%	12,342	13,224
<i>Šiaulių Banko Lizingas UAB</i>	100%	1,074	1,074
<i>SB Turto Fondas UAB</i>	100%	4,605	5,582
Total investments in subsidiaries using equity method		29,780	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 September 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Amounts receivable</i>	6,390	6,276	16,398	16,271
<i>Inventories</i>	158	-	538	-
<i>Deferred charges</i>	1,397	1,383	1,274	1,243
<i>Assets under reinsurance and insurance contracts</i>	2,428	-	1,773	-
<i>Prepayments</i>	3,260	2,564	3,957	2,820
<i>Foreclosed assets</i>	311	303	307	258
<i>Other</i>	375	431	3,890	3,968
Total	14,319	10,957	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 September 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 September 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	50,601	50,601	53,063	53,063
<i>Local government institutions</i>	192,944	192,944	127,692	127,692
<i>Governmental and municipal companies</i>	28,590	28,590	32,046	32,046
<i>Corporate entities</i>	770,265	774,103	803,905	806,287
<i>Non-profit organizations</i>	45,176	45,176	37,567	37,567
<i>Individuals</i>	789,640	789,640	773,999	773,999
<i>Unallocated amounts due to customers</i>	41,899	41,920	24,968	24,989
Total demand deposits	1,919,115	1,922,974	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>	5,483	5,483	3,077	3,077
<i>Governmental and municipality companies</i>	6,875	6,875	3,939	3,939
<i>Corporate entities</i>	98,363	98,363	57,060	57,060
<i>Non-profit organizations</i>	2,943	2,943	2,984	2,984
<i>Individuals</i>	671,678	671,678	757,868	757,868
Total term deposits	788,358	788,358	825,943	825,943
Total	2,707,473	2,711,332	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 September 2022, the outstanding borrowing on the balance sheet under third series of the targeted longer-term refinancing operations (TLTRO-III) program of the European Central Bank amounted to EUR 629 million. On 29 September 2021 Bank has borrowed additional EUR 479 million via ECB's latest TLTRO III.9 operation. Loan maturity date is on 25 September 2024 with early repayment option started on 29 June 2022. The Bank has not used early repayment option. Interest rate on TLTRO III was -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 during first two quarters of 2022 therefore has included the bonus on the special interest period in its effective interest recognition. 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 recognised within the income statement line "Interest income". The remainder is a benefit of the below-market rate of interest and is recognised 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 660,649 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 10,452 thousand in the end of the reporting period is attributable to routine fluctuations in these funds.

NOTE 6
CAPITAL

As of 30 September 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 September 2022 EBRD possessed 20.00% of the authorised capital and votes of the Bank.

As at 30 September 2022, the Bank had 18,294 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 September 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 nine months period ended 30 September 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 September 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 September 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Options</i>	2,354	1,917	3,288	2,870
<i>Shares distributable to employees</i>	-	-	-	-
Total	2,354	1,917	3,288	2,870

No options were forfeited or expired during periods ended 30 September 2022 and 31 December 2021. During period ended 30 September 2022 for benefit of Group's defined employees 2,792 thousand units (for benefit of Bank's defined employees – 2,468 thousand units) of share option were exercised on exercise date at weighted average share price of 0.63 EUR. Weighted average option exercise price was 0 EUR.

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 September 2022 and 30 September 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 September and 30 September 2021 was 600,726 thousand. Weighted average number of shares in issue for the period ended 30 September 2022 was 599,840 thousand (30 September 2021: 600,636 thousand).

Group

	30 September 2022	30 September 2021
<i>Net profit from continuing operations attributable to equity holders</i>	47,143	44,191
<i>Net profit (loss) from discontinued operations attributable to equity holders</i>	-	-
Net profit attributable to equity holders	47,143	44,191
<i>Weighted average number of shares in issue during the period (thousand units)</i>	599,840	600,636
Basic earnings per share (EUR)	0.08	0.07
<i>Basic earnings per share (EUR) from continuing operations</i>	0.08	0.07
<i>Basic earnings per share (EUR) from discontinued operations</i>	-	-

NOTE 7
NET INTEREST INCOME

	1 January - 30 September 2022		1 January - 30 September 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):	74,631	63,762	60,217	50,507
on loans to other banks and financial institutions and placements with credit institutions	2,883	5,632	820	2,856
on loans to customers	66,949	53,521	55,168	43,607
on debt securities at amortized cost	4,355	4,207	3,983	3,842
on debt securities at fair value through other comprehensive income	444	402	246	202
Other similar income:	8,463	8,344	6,314	6,211
on debt securities at fair value through profit or loss	981	883	255	160
on finance leases	6,663	6,642	5,559	5,544
other interest income	819	819	500	507
Total interest income	83,094	72,106	66,531	56,718
Interest expense:				
on financial liabilities designated at fair value through profit or loss	-	-	-	-
on financial liabilities measured at amortized cost	(6,043)	(6,054)	(6,564)	(6,559)
on other liabilities	(1,945)	(1,940)	(1,232)	(1,227)
Total interest expense	(7,988)	(7,994)	(7,796)	(7,786)
Net interest income	75,106	64,112	58,735	48,932

NOTE 8
NET FEE AND COMMISSION INCOME

	1 January - 30 September 2022		1 January - 30 September 2021	
	Group	Bank	Group	Bank
Fee and commission income:				
for administration of loans of third parties	3,095	3,095	3,387	3,387
for settlement services	4,377	4,388	4,067	4,073
for cash operations	4,114	4,114	3,633	3,634
for account administration	3,499	3,499	3,176	3,176
for guarantees, letters of credit, documentary collection	577	577	707	707
for collection of utility and similar payments	178	178	203	203
for services related to securities	3,064	3,147	2,317	2,405
other fee and commission income	732	1,383	574	866
Total fee and commission income	19,636	20,381	18,064	18,451
Fee and commission expense:				
for payment cards	(3,336)	(3,336)	(3,033)	(3,033)
for cash operations	(765)	(765)	(863)	(863)
for correspondent bank and payment system fees	(487)	(365)	(462)	(320)
for services of financial data vendors	(176)	(176)	(160)	(160)
for services related to securities	(529)	(529)	(477)	(477)
other fee and commission expenses	(310)	(289)	(289)	(264)
Total fee and commission expense	(5,603)	(5,460)	(5,284)	(5,117)
Net fee and commission income	14,033	14,921	12,780	13,334

NOTE 9
OTHER OPERATING EXPENSES

	1 January - 30 September 2022		1 January - 30 September 2021	
	Group	Bank	Group	Bank
<i>Rent of buildings and premises</i>	(205)	(209)	(204)	(203)
<i>Utility services for buildings and premises</i>	(918)	(838)	(614)	(555)
<i>Other expenses related to buildings and premises</i>	(438)	(438)	(595)	(595)
<i>Transportation expenses</i>	(313)	(243)	(231)	(177)
<i>Legal costs</i>	(270)	(270)	(209)	(209)
<i>Personnel and training expenses</i>	(347)	(310)	(259)	(231)
<i>IT and communication expenses</i>	(5,983)	(5,407)	(4,392)	(3,878)
<i>Marketing and charity expenses</i>	(2,050)	(592)	(1,702)	(664)
<i>Service organization expenses</i>	(2,078)	(1,948)	(1,210)	(1,115)
<i>Non-income taxes, fines</i>	(484)	(42)	(402)	68
<i>Costs incurred due to debt recovery</i>	(188)	(42)	(210)	(71)
<i>Other expenses</i>	(808)	(461)	(1,058)	(477)
Total	(14,082)	(10,800)	(11,086)	(8,107)

NOTE 10
IMPAIRMENT LOSSES

	1 January - 30 September 2022		1 January - 30 September 2021	
	Group	Bank	Group	Bank
<i>(Impairment losses) / reversal of impairment losses on loans</i>	(2,799)	(1,034)	(2,985)	(5)
<i>Recoveries of loans previously written-off</i>	239	74	801	505
<i>Reversal of impairment losses / (impairment losses) on finance lease receivables</i>	(381)	(375)	634	639
<i>Recovered previously written-off finance lease receivables</i>	-	-	1	-
<i>(Impairment losses) on debt securities</i>	(74)	(75)	(111)	16
<i>Reversal of impairment losses on due from banks</i>	75	75	(38)	(38)
<i>Reversal of impairment losses / (impairment losses) on other financial assets</i>	76	72	(66)	(8)
<i>(Impairment losses) on subsidiaries</i>	-	-	-	-
<i>(Impairment losses) / reversal of impairment losses on other non-financial assets</i>	-	-	821	(5)
<i>Recoveries of other non-financial assets previously written-off</i>	-	-	-	-
<i>Provisions for other liabilities</i>	441	-	(577)	-
Total	(2,423)	(1,263)	(1,521)	1,103

NOTE 10
IMPAIRMENT LOSSES (CONTINUED)

	1 January - 30 September 2022		1 January - 30 September 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 impairment				
Loans written off during the period	(3,553)	(2,203)	(11,475)	(10,793)
Other factors (reclassification, FX rate shift, etc.)	(1)	(1)	5	5
As at 30 September	34,941	26,967	34,298	27,038
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	381	375	(634)	(639)
Finance lease receivables written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	1	1	-	-
As at 30 September	4,169	3,415	3,951	3,203
Allowance for impairment of debt securities				
As at 1 January	1,365	331	1,372	342
Change in allowance for impairment of debt securities	74	75	111	(16)
Debt securities written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	1	-	(10)	-
As at 30 September	1,440	406	1,473	326
Allowance for impairment of due from banks				
As at 1 January	106	106	42	42
Change in allowance for impairment of due from banks	(75)	(75)	38	38
Due from banks written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	1	1	-	-
As at 30 September	32	32	80	80
Allowance for impairment of other financial assets				
As at 1 January	260	228	161	153
Change in allowance for impairment of other financial assets	(76)	(72)	66	8
Other financial assets written off during the period	(3)	(3)	(15)	(13)
Other factors (reclassification, FX rate shift, etc.)	(1)	-	-	-
As at 30 September	180	153	212	148

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 September 2022:										
Base scenario	2.10 %	50 %	0.90 %	50 %	3.00 %	50 %	3.00 %	50 %	3.00 %	50 %
Pessimistic scenario	-1.20 %	45 %	-2.80 %	45 %	1.10 %	45 %	1.10 %	45 %	1.10 %	45 %
Optimistic scenario	2.70 %	5 %	1.40 %	5 %	3.80 %	5 %	3.80 %	5 %	3.80 %	5 %
Weighted average GDP growth	0.65%		-0.74%		2.19%		2.19%		2.19%	
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 nine months period ended 30 September 2022 – a reversal of impairment loss of EUR 2,024 thousand (all attributable to change in calculation parameters), for the nine months period ended 30 September 2021 – an impairment loss of EUR 3,042 thousand (all attributable to change in calculation parameters).

NOTE 11

SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from trading activities

	1 January - 30 September 2022		1 January - 30 September 2021	
	Group	Bank	Group	Bank
<i>Net gain from operations with securities</i>	(4,689)	317	3,422	1,447
<i>Net gain from foreign exchange and related derivatives</i>	(13,824)	(13,949)	(922)	(962)
<i>Net gain (loss) from other derivatives</i>	20,847	20,842	6,255	6,255
Total	2,334	7,210	8,755	6,740

Net gain from trading activities includes investment result of the insurance company assets under unit-linked contracts (see below): a net loss of EUR 4,743 thousand for the nine months period ended 30 September 2022; a net profit of EUR 2,064 thousand for the nine months period ended 30 September 2021.

Expenses related to insurance activities

	1 January - 30 September 2022		1 January - 30 September 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>	4,743	-	(2,064)	-
<i>Other changes of the technical insurance provisions and other expenses related to insurance activities</i>	(5,274)	-	(3,319)	-
Total expenses related to insurance activities	(531)	-	(5,383)	-

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

	1 January - 30 September 2022		1 January - 30 September 2021	
	Group	Bank	Group	Bank
<i>Interest and similar income</i>	42	-	44	-
<i>Net gain (loss) from operations with securities</i>	(4,915)	-	1,980	-
<i>Net gain (loss) from foreign exchange</i>	130	-	40	-
Total	(4,743)	-	2,064	-

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 September 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>	634	77	1,555	53
<i>Other related parties (excluding subsidiaries of the Bank)</i>	235	66	6,319	16,167
Total	869	143	7,874	16,220

As of 30 September 2022, the balance of individual allowance for impairment losses on loans to related parties, except subsidiaries, amounted to EUR 0 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 September 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 3,518 thousand (2021: EUR 1,426 thousand).

Transactions with subsidiaries:

Balances of transactions with the subsidiaries are presented below:

	30 September 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>	1,161	44,627	1,129	-
<i>Financial institutions</i>	14,291	182,298	6,806	136,230
	15,452	226,925	7,935	136,230

Bank's total balances with subsidiaries:

	30 September 2022	31 December 2021
Assets		
<i>Loans</i>	170,833	117,868
<i>Other assets</i>	-	-
<i>Bank's investment in subsidiaries</i>	29,880	31,668
Liabilities and shareholders' equity		
<i>Deposits</i>	15,452	7,935
<i>Other liabilities</i>	-	-

Income and expenses arising from transactions with subsidiaries:

	1 January – 30 September 2022	1 January – 30 September 2021
Income		
<i>Interest</i>	2,763	1,826
<i>Commission income</i>	763	395
<i>FX gain (loss)</i>	-	(2)
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	3,812	8,211
<i>Other income</i>	212	188
Expenses		
<i>Interest</i>	(13)	(11)
<i>Operating expenses</i>	11	-
<i>(Impairment losses)/ reversal of impairment losses on loans</i>	(148)	2,672
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	114

As of 30 September 2022, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 161 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 September 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>	307,782	71,929	97,065	135,738	492,892	1,226,872	1,586,306	84,751	4,003,335
<i>Total liabilities and shareholders' equity</i>	1,985,960	69,783	147,546	174,179	396,845	638,429	164,999	425,594	4,003,335
<i>Net liquidity gap</i>	(1,678,178)	2,146	(50,481)	(38,441)	96,047	588,443	1,421,307	(340,843)	-

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	55,517	93,757	156,765	260,621	1,171,944	1,169,806	76,022	3,962,482
<i>Total liabilities and shareholders' equity</i>	1,915,613	94,817	123,154	160,676	285,066	793,581	183,148	406,427	3,962,482
<i>Net liquidity gap</i>	(937,563)	(39,300)	(29,397)	(3,911)	(24,445)	378,363	986,658	(330,405)	-

The structure of the Bank's assets and liabilities by maturity as at 30 September 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>	307,198	64,715	84,103	283,589	466,966	1,156,228	1,528,389	71,216	3,962,404
<i>Total liabilities and shareholders' equity</i>	1,991,192	61,019	147,256	173,927	396,195	635,435	130,760	426,620	3,962,404
<i>Net liquidity gap</i>	(1,683,994)	3,696	(63,153)	109,662	70,771	520,793	1,397,629	(355,404)	-

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	49,416	196,531	141,912	240,068	1,118,847	1,130,958	64,566	3,919,474
<i>Total liabilities and shareholders' equity</i>	1,922,055	88,311	122,682	159,890	282,396	790,960	145,599	407,581	3,919,474
<i>Net liquidity gap</i>	(944,879)	(38,895)	73,849	(17,978)	(42,328)	327,887	985,359	(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.

This year Bank continued to improve the operational and reputational risk management and event recording systems of the Bank and the Bank's subsidiaries and reviewed the indicators and limits of these risks. The Operational Risk Event (hereinafter – ORE) Management Procedure, the Instructions for the Registration and Administration of OREs in the Bank's ERP system AIS, the Procedure for Investigation of Particularly Significant OREs have been updated, detailing the process of informing the Bank's Committees.

Significant attention was also paid this year to the review of the Bank's Business Continuity Plan documentation and to the development and testing of a comprehensive test scenario for Business Continuity Plans. Preparations for testing are currently underway in accordance with the comprehensive test scenario approved by the Bank.

In view of the current geopolitical situation, a Business Continuity Plan has been prepared to ensure the continuity of the Bank's operations in the event of a prolonged power outage, unavailability of Internet connectivity, and remote access disruption.

To ensure the proper management of outsourced activities, the Procedure for Procurement of Outsourced Services is to be updated this year.

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 nine months period ended 30 September 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 nine months period ended 30 September 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 September 2022		31 December 2021	
	Group	Bank	Group	Bank
LEVEL I				
Trading book securities	43,382	13,256	41,235	8,153
Investment securities at fair value	84,867	84,867	78,415	78,415
Total Level I financial assets	128,249	98,123	119,650	86,568
LEVEL II				
Derivative financial instruments - assets	6,266	6,266	2,121	2,121
Derivative financial instruments - liabilities	(892)	(892)	(96)	(96)
LEVEL III				
Trading book securities	17,767	17,767	6,946	6,946
Investment securities at fair value	6,597	6,597	4,573	4,536
Total Level III financial assets	24,364	24,364	11,519	11,482

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

Changes in Level III instruments during the nine months period ended 30 September:

Group	Trading book securities		Investment securities at fair value	
	1 Jan - 30 Sep 2022	1 Jan - 30 Sep 2021	1 Jan - 30 Sep 2022	1 Jan - 30 Sep 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	34,010	5,906	2,031	1,076
Disposals / redemption / derecognition	(23,648)	(6,338)	(91)	(127)
Changes due to interest accrued/paid	521	40	56	-
Changes in fair value	(62)	57	28	171
As at 30 September	17,767	3,274	6,597	4,574

Bank	Trading book securities		Investment securities at fair value	
	1 Jan - 30 Sep 2022	1 Jan - 30 Sep 2021	1 Jan - 30 Sep 2022	1 Jan - 30 Sep 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	34,010	5,906	2,031	987
Disposals / redemption / derecognition	(23,648)	(6,338)	(54)	-
Changes due to interest accrued/paid	521	40	56	-
Changes in fair value	(62)	1	28	171
As at 30 September	17,767	1,864	6,597	4,485

	1 January – 30 September 2022		1 January – 30 September 2021	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	(34)	(34)	228	172

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 September 2022		31 December 2021	
	Carrying value	Fair value	Carrying value	Fair value
Investment securities at amortized cost	975,449	933,024	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 September 2022 and in the Statement of comprehensive income for the nine 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>	(604)	-	(13)	8	609	-
<i>External</i>	68,443	5,041	1,339	283	-	75,106
Net interest income	67,839	5,041	1,326	291	609	75,106
<i>Internal</i>	635	-	-	37	(672)	-
<i>External</i>	14,197	-	-	(164)	-	14,033
Net fee and commissions income	14,832	-	-	(127)	(672)	14,033
<i>Internal</i>	31	-	(13)	45	(63)	-
<i>External</i>	82,640	5,041	1,339	119	-	89,139
Net interest, fee and commissions income	82,671	5,041	1,326	164	(63)	89,139
<i>Internal</i>	(156)	-	-	(95)	251	-
<i>External</i>	(32,164)	(3,115)	-	(2,549)	-	(37,828)
Operating expenses	(32,320)	(3,115)	-	(2,644)	251	(37,828)
<i>Amortisation charges</i>	(932)	(103)	-	(71)	-	(1,106)
<i>Depreciation charges</i>	(2,055)	(218)	-	(157)	-	(2,430)
<i>Internal</i>	-	-	-	1	(1)	-
<i>External</i>	(2,944)	-	75	446	-	(2,423)
Impairment expenses	(2,944)	-	75	447	(1)	(2,423)
<i>Internal</i>	3,900	-	119	(19)	(4,000)	-
<i>External</i>	7,492	329	1,905	2,335	-	12,061
Net other income	11,392	329	2,024	2,316	(4,000)	12,061
Profit (loss) before tax from continuing operations	55,812	1,934	3,425	55	(3,813)	57,413
<i>Income tax</i>	(9,402)	(940)	-	72	-	(10,270)
Profit (loss) per segment after tax from continuing operations	46,410	994	3,425	127	(3,813)	47,143
<i>Profit or (loss) per segment after tax from discontinued operations</i>	-	-	-	-	-	-
Profit (loss) per segment	46,410	994	3,425	127	(3,813)	47,143
<i>Non-controlling interest</i>	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	46,410	994	3,425	127	(3,813)	47,143
<i>Total segment assets</i>	2,740,900	1,409,333	4,705	53,643	(205,246)	4,003,335
<i>Total segment liabilities</i>	2,452,985	1,257,594	4,199	39,691	(176,728)	3,577,741
Net segment assets (shareholders' equity)	287,915	151,739	506	13,952	(28,518)	425,594

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 September 2021 and in the Statement of comprehensive income for the nine 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>	(423)	-	34	(37)	426	-
<i>External</i>	56,166	1,969	340	260	-	58,735
Net interest income	55,743	1,969	374	223	426	58,735
<i>Internal</i>	279	-	-	20	(299)	-
<i>External</i>	12,945	-	-	(165)	-	12,780
Net fee and commissions income	13,224	-	-	(145)	(299)	12,780
<i>Internal</i>	(144)	-	34	(17)	127	-
<i>External</i>	69,111	1,969	340	95	-	71,515
Net interest, fee and commissions income	68,967	1,969	374	78	127	71,515
<i>Internal</i>	(72)	-	-	(75)	147	-
<i>External</i>	(26,035)	(2,512)	-	(7,487)	-	(36,034)
Operating expenses	(26,107)	(2,512)	-	(7,562)	147	(36,034)
<i>Amortisation charges</i>	(878)	(98)	-	(36)	-	(1,012)
<i>Depreciation charges</i>	(1,904)	(201)	-	(222)	-	(2,327)
<i>Internal</i>	-	-	1,998	(822)	(1,176)	-
<i>External</i>	(1,575)	-	(31)	85	-	(1,521)
Impairment expenses	(1,575)	-	1,967	(737)	(1,176)	(1,521)
<i>Internal</i>	4,441	-	4,375	(815)	(8,001)	-
<i>External</i>	9,419	1,447	(1,240)	13,348	-	22,974
Net other income	13,860	1,447	3,135	12,533	(8,001)	22,974
Profit (loss) before tax from continuing operations	52,363	605	5,476	4,054	(8,903)	53,595
<i>Income tax</i>	(8,354)	(834)	-	(216)	-	(9,404)
Profit (loss) per segment after tax from continuing operations	44,009	(229)	5,476	3,838	(8,903)	44,191
<i>Profit or (loss) per segment after tax from discontinued operations</i>	-	-	-	-	-	-
Profit (loss) per segment	44,009	(229)	5,476	3,838	(8,903)	44,191
<i>Non-controlling interest</i>	-	-	-	-	-	-
<i>Profit (loss) for the period attributable to the owners of the Bank</i>	44,009	(229)	5,476	3,838	(8,903)	44,191
<i>Total segment assets</i>	2,208,297	1,630,889	5,553	59,266	(152,253)	3,751,752
<i>Total segment liabilities</i>	1,972,537	1,456,300	4,959	41,735	(119,755)	3,355,776
Net segment assets (shareholders' equity)	235,760	174,589	594	17,531	(32,498)	395,976

NOTE 16

SELECTED INFORMATION OF FINANCIAL GROUP

According to local legislation the Bank is required to disclose certain information for the Financial group. As of 30 September 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 September 2022	31 December 2021
ASSETS		
<i>Cash and cash equivalents</i>	307,053	965,160
<i>Securities in the trading book</i>	31,023	15,099
<i>Due from other banks</i>	234	1,196
<i>Derivative financial instruments</i>	6,266	2,121
<i>Loans to customers</i>	2,281,598	1,908,681
<i>Finance lease receivables</i>	232,025	195,174
<i>Investment securities at fair value</i>	91,464	82,988
<i>Investment securities at amortized cost</i>	962,745	692,226
<i>Investments in subsidiaries and associates</i>	11,859	11,788
<i>Intangible assets</i>	4,337	3,115
<i>Property, plant and equipment</i>	14,487	14,453
<i>Investment property</i>	1,842	2,229
<i>Current income tax prepayment</i>	7,157	820
<i>Deferred income tax asset</i>	3,082	1,591
<i>Other assets</i>	12,057	26,975
Total assets	3,967,229	3,923,616
LIABILITIES		
<i>Due to other banks and financial institutions</i>	682,679	699,560
<i>Derivative financial instruments</i>	892	96
<i>Due to customers</i>	2,707,494	2,679,204
<i>Special and lending funds</i>	10,452	6,667
<i>Debt securities in issue</i>	96,719	95,212
<i>Current income tax liabilities</i>	9,054	1,084
<i>Deferred income tax liabilities</i>	1,521	1,452
<i>Other liabilities</i>	31,482	32,540
Total liabilities	3,540,293	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>	(7,740)	(597)
<i>Financial instruments revaluation reserve</i>	2,286	3,242
<i>Retained earnings</i>	197,005	195,507
<i>Non-controlling interest</i>	-	-
Total equity	426,936	407,801
Total liabilities and equity	3,967,229	3,923,616

SELECTED INFORMATION OF FINANCIAL GROUP (CONTINUED)

Financial Group's condensed income statement

	for the nine months period ended	
	30 September 2022	30 September 2021
<i>Interest revenue calculated using the effective interest method</i>	74,501	60,105
<i>Other similar income</i>	8,365	6,228
<i>Interest expense and similar charges</i>	(7,998)	(7,787)
Net interest income	74,868	58,546
<i>Fee and commission income</i>	19,732	18,160
<i>Fee and commission expense</i>	(5,535)	(5,216)
Net fee and commission income	14,197	12,944
<i>Net gain from trading activities</i>	7,212	6,712
<i>Net gain (loss) from derecognition of financial assets</i>	747	4,535
<i>Net gain (loss) from disposal of tangible assets</i>	691	839
<i>Revenue related to insurance activities</i>	-	-
<i>Other operating income</i>	1,494	539
<i>Salaries and related expenses</i>	(22,351)	(18,660)
<i>Depreciation and amortization expenses</i>	(3,347)	(3,142)
<i>Expenses related to insurance activities</i>	-	-
<i>Other operating expenses</i>	(13,661)	(10,752)
Operating profit before impairment losses	59,850	51,561
<i>Allowance for impairment losses on loans and other assets</i>	(2,422)	(287)
<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>	(15)	1,235
Profit before income tax	57,413	52,509
<i>Income tax expense</i>	(10,270)	(9,229)
Net profit for the period	47,143	43,280
<i>Profit (loss) from discontinued operations, net of tax</i>	-	-
Net profit for the year	47,143	43,280
Net profit attributable to:		
<i>Owners of the Bank</i>	47,143	43,280
<i>From continuing operations</i>	47,143	43,280
<i>From discontinued operations</i>	-	-
<i>Non-controlling interest</i>	-	-

Financial Group's condensed statement of comprehensive income

	for the nine months period ended	
	30 September 2022	30 September 2021
Net profit for the period	47,143	43,280
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
<i>Gain from revaluation of financial assets</i>	(8,929)	(606)
<i>Deferred income tax on gain from revaluation of financial assets</i>	1,786	121
Other comprehensive income, net of deferred tax	(7,143)	(485)
Total comprehensive income for the period	40,000	42,795
Total comprehensive income (loss) attributable to:		
<i>Owners of the Bank</i>	40,000	42,795
<i>Non-controlling interest</i>	-	-
	40,000	42,795

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 September 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>	-	124	481	(3,947)	167	(3,175)
<i>At 30 September 2022</i>	14	338	10,790	23,894	3,198	38,234
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>	-	(63)	(2)	-	-	(65)
<i>At 30 September 2022</i>	(35)	(64)	(7)	-	-	(106)
Net value						
<i>At 31 December 2021</i>	(21)	213	10,304	27,841	3,031	41,368
<i>At 30 September 2022</i>	(21)	274	10,783	23,894	3,198	38,128

Liabilities under unit-linked insurance contracts are fully covered with assets: other securities in the trading book and cash (30 September 2022: securities EUR 26,860 thousand, cash EUR 232 thousand, 31 December 2021: securities EUR 29,983 thousand, cash EUR 889 thousand).

NOTE 18
SUBSEQUENT EVENTS

On 10th October 2022 Vilnius Regional Administrative Court in its judgement partially upheld the complaint (application) of the Bank and reduced the fine imposed on the Bank by the Resolution of the Board of the Bank of Lithuania of 20 December 2019 to EUR 440 thousand. Amount of fine imposed by Bank of Lithuania in 2019 was EUR 880 thousand. This judgement of the Vilnius Regional Administrative Court will enter into force within 30 days, unless appealed. The Bank is currently assessing the court's reasoning and will decide in the near future whether to appeal against the rejected part of the complaint (appeal). The fine imposed by the Bank of Lithuania was accounted for in operating results of the Bank for 2019, therefore, regardless of the outcome of the legal proceedings, the fine will not have a negative impact on the sustainable continuity of the Bank's operations.

On 25 October 2022 the Bank of Lithuania approved the base prospectus of EUR 250 million Euro Medium Term Note Programme of the Bank regarding introduction of Notes to trading on the regulated market AB Nasdaq Vilnius.

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

ADDITIONAL INFORMATION

for the nine month period ended 30 September 2022

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

- Šiaulių Bankas Group earned EUR 17.6 million of unaudited net profit in Q3 and EUR 47.1 million during the first three quarters of the year
- Financing of all customer segments grew - the loan portfolio increased by 7% in Q3 and by 19% YTD and exceeded EUR 2.5 billion
- Customers are increasingly using the main daily banking services of the bank

"The results of Šiaulių Bankas' priority areas again show stability and growth: the financing portfolio of both private and corporate clients is growing, interest in modernisation of multi-apartment buildings remains stable, and the bank once again reached the record in mortgage sales. Customers also appreciated the possibility to submit online applications introduced this quarter, which has resulted in around 85% of applications being received in this way. Although economic stability is not expected in the near future, we have adapted to the changing environment," said Vytautas Sinius, CEO of Šiaulių Bankas.

Šiaulių Bankas Group earned EUR 47.1 million of unaudited net profit during the first three quarters of this year (7% more than a year ago when the profit amounted to EUR 44.2 million). Profit for Q3 was EUR 17.6 million and increased by 8% compared to last year (EUR 16.3 million).

In the first nine months of this year, operating revenue increased compared to the corresponding period of 2021 - net interest income grew by 28% and reached EUR 75.1 million and net fee and commission income grew by 10% and amounted to EUR 14.0 million.

The geopolitical and economic situation remained unchanged significantly, the loan portfolio quality remained good, EUR 0.5 million of additional provisions for possible impairment losses on loans and other assets were formed during the Q3. Provisions for the first nine months of the year amount to EUR 2.4 million, compared to EUR 1.5 million for the same period last year. At the end of September, the cost of risk ratio (CoR) reached 0.2% (compared to 0.1% during Q1-3 2021).

The Group's cost to income ratio (excluding the impact of client portfolio of SB Draudimas) increased to 43.5% at the end of September (40.4% during Q1-3 2021), while the return on equity was 15.4% (15.8% during Q1-3 2021). The capital and liquidity position remains sustainable and prudential ratios are being met with a large reserve.

Business and Private Clients Financing

Financing of all customer segments grew in the first 9 months of the year. Over EUR 1.1 billion worth of new loan agreements were signed in total, i.e., 26% more than in the same period last year. The Group's total loan and leasing portfolio grew by 7% in Q3 (EUR 161 million) and 19% since the beginning of the year (EUR 410 million) and exceeded EUR 2.5 billion.

Despite the increasing economic uncertainty, the amount of new business financing loans signed remained high (27% higher than in 9 months of the previous year) and amounts to EUR 619 million. During Q3, the business financing portfolio grew by 4% (EUR 56 million) and from the beginning of the year by 14% (EUR 163 million) and reached EUR 1.34 billion. There are no signs of customers facing difficulties in meeting their financial obligations - the loan portfolio quality remains good, and the portfolio of non-performing loans has been declining both since the beginning of the year and in Q3 and amounted to EUR 63 million at the end of September (-3% from the beginning of the year).

In Q3, the Bank managed to maintain the growing results of home loan sales as during the whole year of 2022 – loan agreements worth EUR 196 million were signed (+32% compared to the same period in 2021). During the quarter, the mortgage financing portfolio grew by 11% (EUR 59 million) and from the beginning of the year by 34% (EUR 156 million) and reached EUR 611 million. In Q3, a remote mortgage application submission channel was offered to customers, which increased the number of potential customers.

Rising cost of energy resources that are influenced by the ongoing war in Ukraine and the approaching winter resulted in increase in the prices of services and goods, encouraged people to make planned purchases and to borrow more for consumption purposes than in the same period last year. The amount of consumer loan agreements signed this year is 58% higher than in the same period last year and amounts to EUR 145 million. The consumer loan portfolio grew by 11% in Q3 and by 29% since the beginning of the year and reached EUR 220 million.

The volume of applications for financing energy-efficient projects remains high, but the significant increase in construction prices has led to fewer projects being financed. During Q3, SB Modernizavimo Fondas signed multi-apartment building modernization contracts for EUR 25.7 million, and since its inception EUR 58.2 million.

Daily banking

Customers are increasingly using the main daily banking services of the bank. Net fee and commission income increased by 10% to EUR 14.0 million compared to the nine months of last year. The number of customers increased by 2 thousand during the quarter (total number of customers reaches 335 thousand).

With the constant increase in the attractiveness of stable commission income generating service plans, the steady growth of the number of users is also visible, which reached 185 thousand at the end of Q3 (+4% in a quarter and +9% in a year).

As customer consumption remained at a high level, the demand for credit cards continued to increase, and therefore the number of credit cards increased by 7% in a quarter and by 32% in a year, although the total number of issued payment cards decreased slightly to 177 thousand cards (-0.5% in a quarter).

Saving and Investing

The deposit portfolio grew by 1% (EUR 28 million) in the three quarters and exceeded EUR 2.71 billion at the end of September, while all liquidity indicators remained within target ranges. Demand deposits, which make up the majority of the portfolio, increased by 4% or EUR 66 million, while the term deposit portfolio decreased by EUR 38 million (-5%). The constantly increasing number of customers directs accumulated savings to the Bank's investment products - commission income from services related to securities reached EUR 3.1 million in three quarters (32% more compared to the corresponding period in 2021). Despite the volatile financial markets, the value of client securities held at the Bank continued to grow and exceeded EUR 815 million.

For the Bank to strengthen the structure of liabilities, given the favourable situation in the financial markets, the bank plans to issue a new bond issue as early as the fourth quarter of this year.

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 increased monitoring is not limited to credit risk, but also includes a stronger monitoring of the bank's liquidity position (except for the increased cash withdrawals a few days after the start of the invasion, there were no negative trends related to the invasion), increased focus on business continuity and IT security (business continuity plans have been updated with a number of additional scenarios, cybersecurity status is constantly being monitored, additional cyber-protection measures have been implemented, and testing of measures and plans is ongoing). Also, due to the rapidly changing situation and the introduction of new sanction packages, the processes and procedures for complying with the sanctions for clients and payments are under considerable scrutiny, which may in some cases lead to longer process time.

The Russian invasion of Ukraine may further contribute to increased market volatility. 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 in 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 September 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	30/09/2021	31/12/2021	30/09/2022
<i>ROAA, %</i>	2.4	2.1	1.5	1.8	1.6	1.6
<i>ROAE, %</i>	22.3	17.6	12.7	15.8	14.3	15.4
<i>Cost to income ratio, %</i>	37.3	42.5	42.7	41.7	44.1	40.9
<i>Loan to deposit ratio, %</i>	75.1	82.2	75.0	79.8	78.6	92.8

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 June 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 5.79%. 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>	5.79%	5.89%

AUTHORIZED CAPITAL, SHAREHOLDERS

As of 30 September 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:

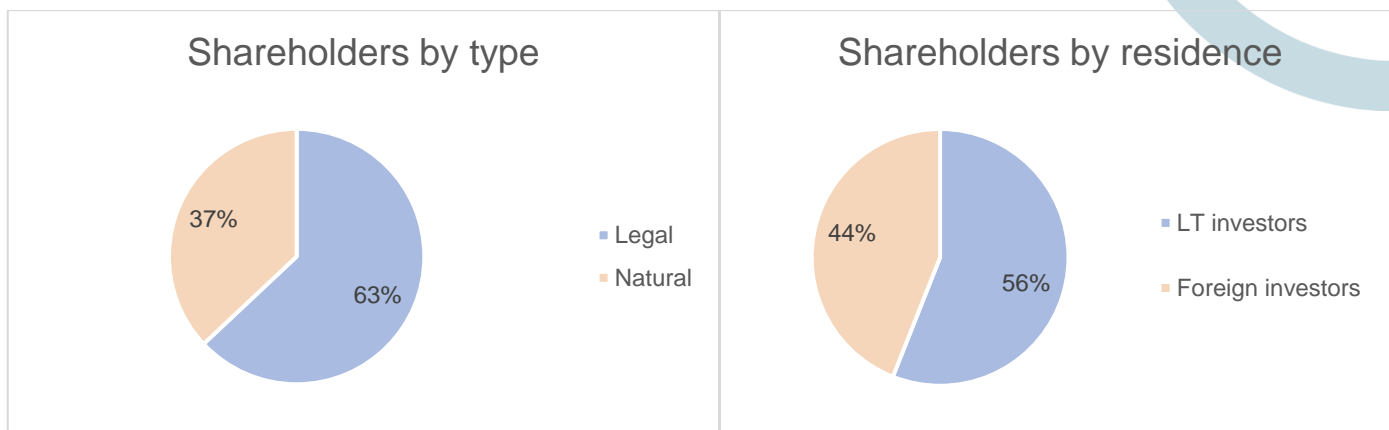
[Homepage](#) › [About Us](#) › [Important Documents](#)

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 September 2022 the number if the Bank's shareholders was 18,294 (at the end of 30 September 2021 – 15,989). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the The Republic of Lithuania of Lithuania and the Charter of the Bank:

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



Shareholders owning more than 5% of the Bank's shares and votes as of 30 September 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 companies: INVL LIFE UAB, c.c. 305859887 – 2.01%, INVL Asset Management UAB, c.c. 126263073 - 0.66% of the votes

** Votes are counted together with the votes held by the spouse

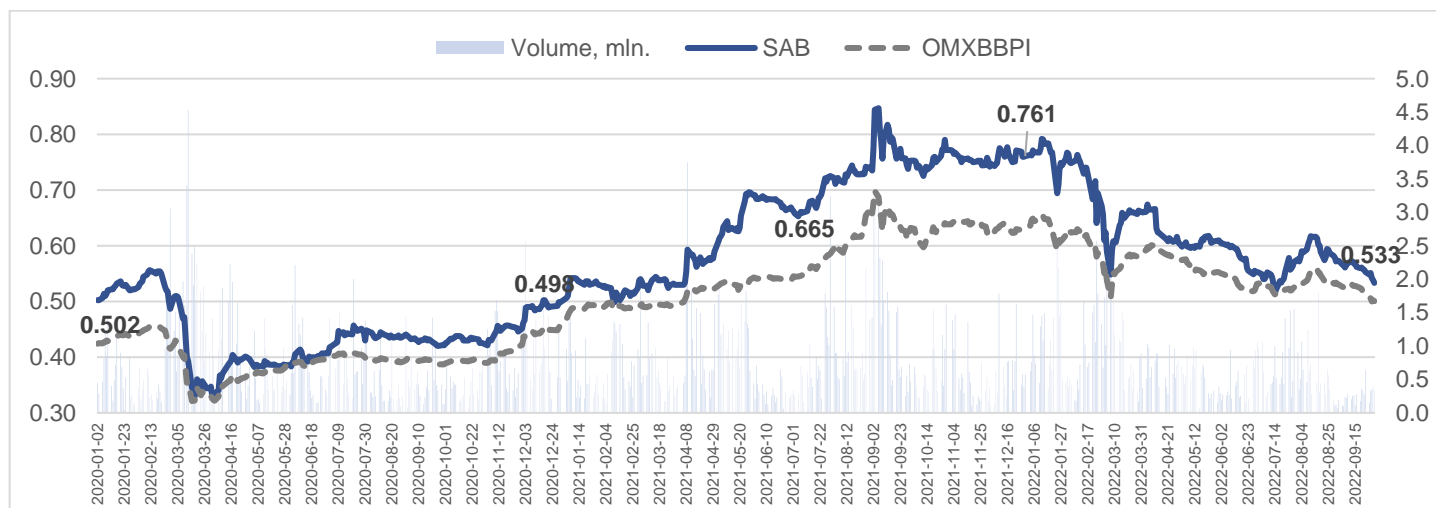
*** Votes are counted together with controlled companies: Prekybos namai AIVA UAB, c.c. 144031190 - 2%, Mintaka UAB, c.c. 144725916 - 0.88%

Information on shares

	31/12/2018	31/12/2019	31/12/2020	30/09/2021	31/12/2021	30/09/2022
Capitalization, m EUR	240.9	304.0	299.2	451.1	457.2	320.2
Turnover, mln. Eur	34.7	48.3	84.5	104.9	134.8	83.9
Share price on the last trading session day	0.401	0.506	0.498	0.751	0.761	0.533
Lowest share price during the reporting period	0.391	0.394	0.320	0.493	0.493	0.511
Highest share price during the reporting period	0.658	0.534	0.558	0.890	0.890	0.794
Average share price during the reporting period	0.521	0.473	0.442	0.632	0.663	0.626
Share book value	0.448	0.518	0.592	0.661	0.678	0.710
P/BV	0.9	1.0	0.8	1.1	1.1	0.8
P/E	4.6	5.9	7.0	7.7	8.3	5.1
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 (OMXBBGI, OMXBBPI, OMXBBCAPGI, OMXBBCAPPI)* - the Baltic benchmark index consists of the largest and most traded stocks on the Nasdaq Baltic Market representing all sectors;
- *OMX Baltic 10 (OMXB10, 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 September 2022.

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](#)

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 (the term of office 4 year), Management Board of the Bank (the term of office 4 year) 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 was the last day on which Arvydas Salda and Martynas Česnavičius act as members of the Supervisory Council of the Bank.

By the decision of the Extraordinary General Meeting of Shareholders of Šiaulių Bankas AB of 28 July 2022, Tomas Okmanas was elected to the Bank's Supervisory Council as independent member and Mindaugas Raila was elected to the Bank's Supervisory Council as member. The elected members to the Supervisory Council of the Bank will take office only after the permission of the Supervisory Authority of the Bank is received.

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.

On 30/09/2022, the Supervisory Council of the Bank (the term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024) consisted:

Supervisory Council of the Bank

<i>Name, Surname</i>	<i>Duties at the Supervisory Council</i>	<i>Share of capital under the right of ownership, % (30/09/2022)</i>	<i>Share of votes together with the related persons, % (30/09/2022)</i>
<i>Valdas Vitkauskas</i>	Chairman, independent member since 05/08/2022	-	-
<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>Miha Košak</i>	Independent member since 2017	-	-
<i>Susan Gail Buyske</i>	Independent member since 2020	-	-

* Pursuant to the Law on Securities of the Republic of Lithuania, votes are counted together with the votes held by the spouse.

On 4 August 2022 Šiaulių Bankas AB has received notifications of Algirdas Butkus and Ilona Baranauskienė about their resignation from the Bank's Management Board members. 18 August 2022 is 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 will take up his duties as Chairman of the Bank's Management Board from 19 August 2022.

The Board of the Bank (the term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024) consisted:

Board of the Bank

<i>Name, Surname</i>	<i>Duties at the Board</i>	<i>Other current leading positions at the Bank</i>	<i>Share of capital under the right of ownership, % (30/09/2022)</i>	<i>Share of votes together with the related persons, % (30/09/2022)</i>
<i>Vytautas Sinius</i>	Chairman since 19/08/2022	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 2021	Head of Risk Management Division	<0.01	<0.01

BANK'S COMPANY GROUP

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

31 October 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 nine 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



Vytautas Sinius

Chief Financial Officer



Donatas Savickas

31 October 2022