

INTERIM INFORMATION

for the twelve months period ended 31 December 2022

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)	3
THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF FINANCIAL POSITION	4
THE GROUP'S AND THE BANK'S CONDENSED INCOME STATEMENTS.....	5
THE GROUP'S AND THE BANK'S CONDENSED INCOME STATEMENTS FOR QUARTER.....	6
THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF COMPREHENSIVE INCOME	7
THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR QUARTER	7
THE GROUP'S CONDENSED STATEMENT OF CHANGES IN EQUITY	8
THE BANK'S CONDENSED STATEMENT OF CHANGES IN EQUITY	8
THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF CASH FLOWS.....	9
GENERAL INFORMATION.....	10
NOTE 1 LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES.....	11
NOTE 2 SECURITIES.....	15
NOTE 3 SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS.....	17
NOTE 4 DUE TO CUSTOMERS.....	18
NOTE 5 SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITIES ITEMS.....	18
NOTE 6 CAPITAL.....	19
NOTE 7 NET INTEREST INCOME.....	21
NOTE 8 NET FEE AND COMMISSION INCOME	21
NOTE 9 OTHER OPERATING EXPENSES	22
NOTE 10 IMPAIRMENT LOSSES	22
NOTE 11 SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS.....	24
NOTE 12 RELATED-PARTY TRANSACTIONS	24
NOTE 13 LIQUIDITY, MARKET AND OPERATIONAL RISKS	26
NOTE 14 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE	27
NOTE 15 SEGMENT INFORMATION	29
NOTE 16 SELECTED INFORMATION OF FINANCIAL GROUP.....	31
NOTE 17 LIABILITIES RELATED TO INSURANCE ACTIVITIES.....	33
NOTE 18 SUBSEQUENT EVENTS	33
ADDITIONAL INFORMATION	34
ACTIVITY RESULTS	35
REGARDING INVASION OF RUSSIA TO UKRAINE	37
RATINGS.....	37
COMPLIANCE WITH PRUDENTIAL REQUIREMENTS	37
AUTHORIZED CAPITAL, SHAREHOLDERS.....	38
ACQUISITION OF OWN SHARES	40
DIVIDENDS	40
MANAGEMENT OF THE BANK	40
BANK'S COMPANY GROUP.....	42
OTHER INFORMATION, PUBLISHED INFORMATION AND MAJOR EVENTS	42
CONFIRMATION FROM THE RESPONSIBLE PERSONS	43

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

for the twelve months period ended 31 December 2022

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

	Notes	31 December 2022		31 December 2021	
		Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents		384,758	383,518	965,723	964,849
Securities in the trading book	2	58,301	27,287	48,181	15,099
Due from other banks		2,733	2,733	1,196	1,196
Derivative financial instruments		897	897	2,121	2,121
Loans to customers	1	2,391,629	2,370,762	1,908,681	1,889,629
Finance lease receivables	1	242,448	242,192	195,174	194,909
Investment securities at fair value	2	90,225	90,225	82,988	82,951
Investment securities at amortized cost	2	969,033	956,332	705,398	692,226
Investments in subsidiaries and associates	2	100	31,441	-	31,668
Intangible assets		8,283	6,450	4,834	3,114
Property, plant and equipment		16,151	15,525	14,760	14,118
Investment property		1,827	-	2,229	344
Current income tax prepayment		6	-	847	820
Deferred income tax asset		5,659	5,234	1,593	1,250
Other assets	3	12,331	8,724	28,137	24,560
Assets held for sale	3	150	150	620	620
Total assets		4,184,531	4,141,470	3,962,482	3,919,474
LIABILITIES					
Due to other banks and financial institutions	5	685,075	686,559	697,738	703,271
Derivative financial instruments		7,152	7,152	96	96
Due to customers	4	2,784,968	2,789,348	2,679,183	2,681,586
Special and lending funds	5	14,184	14,184	6,667	6,667
Debt securities in issue		171,231	171,231	95,212	95,212
Current income tax liabilities		4,374	4,036	1,084	962
Deferred income tax liabilities		1,463	-	1,452	-
Liabilities related to insurance activities	17	39,313	-	41,409	-
Other liabilities		35,075	26,176	33,214	24,099
Total liabilities		3,742,835	3,698,686	3,556,055	3,511,893
EQUITY					
Share capital	6	174,211	174,211	174,211	174,211
Share premium		3,428	3,428	3,428	3,428
Treasury shares (-)	6	-	-	(516)	(516)
Reserve capital		756	756	756	756
Statutory reserve	6	37,113	36,922	21,893	21,770
Reserve for acquisition of own shares	6	20,000	20,000	10,000	10,000
Financial instruments revaluation reserve		(8,097)	(8,111)	(583)	(597)
Other equity	6	2,355	1,917	3,288	2,870
Retained earnings		211,930	213,661	193,950	195,659
Non-controlling interest		-	-	-	-
Total equity		441,696	442,784	406,427	407,581
Total liabilities and equity		4,184,531	4,141,470	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

28 February 2023



Vytautas Sinius



Donatas Savickas

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

	for the twelve months period ended				
	Notes	31 December 2022		31 December 2021	
		Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>	7	107,650	92,845	83,035	69,951
<i>Other similar income</i>	7	12,041	11,878	8,861	8,719
<i>Interest expense and similar charges</i>	7	(12,910)	(12,918)	(10,979)	(10,972)
Net interest income		106,781	91,805	80,917	67,698
<i>Fee and commission income</i>	8	26,295	27,239	24,617	25,193
<i>Fee and commission expense</i>	8	(7,593)	(7,409)	(7,457)	(7,239)
Net fee and commission income		18,702	19,830	17,160	17,954
<i>Net gain from trading activities</i>	11	4,354	8,973	11,936	9,188
<i>Net gain (loss) from derecognition of financial assets</i>		1,034	254	4,363	2,729
<i>Net gain (loss) from disposal of tangible assets</i>		810	514	3,736	66
<i>Revenue related to insurance activities</i>		9,298	-	8,137	-
<i>Other operating income</i>		1,658	1,496	1,310	1,136
<i>Salaries and related expenses</i>		(31,583)	(27,773)	(27,105)	(23,640)
<i>Depreciation and amortization expenses</i>		(4,848)	(4,403)	(4,440)	(3,972)
<i>Expenses related to insurance activities</i>	11	(2,763)	-	(8,032)	-
<i>Other operating expenses</i>	9	(21,968)	(17,095)	(16,643)	(12,268)
Operating profit before impairment losses		81,475	73,601	71,339	58,891
<i>Allowance for impairment losses on loans and other assets</i>	10	(4,945)	(3,692)	(4,354)	(973)
<i>Allowance for impairment losses on investments in subsidiaries</i>	10	-	-	277	(1)
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	12	-	5,373	-	8,830
Profit before income tax		76,530	75,282	67,262	66,747
<i>Income tax expense</i>		(12,916)	(11,703)	(12,039)	(10,742)
Net profit for the period		63,614	63,579	55,223	56,005
<i>Profit (loss) from discontinued operations, net of tax</i>		-	-	-	-
Net profit for the period		63,614	63,579	55,223	56,005
Net profit attributable to:					
<i>Owners of the Bank</i>		63,614	63,579	55,223	56,005
<i>From continuing operations</i>		63,614	63,579	55,223	56,005
<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>	6	0.11		0.09	
<i>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</i>	6	0.11		0.09	

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				
	Notes	1 October - 31 December 2022		1 October - 31 December 2021	
		Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>		33,019	29,083	22,818	19,444
<i>Other similar income</i>		3,578	3,534	2,547	2,508
<i>Interest expense and similar charges</i>		(4,922)	(4,924)	(3,183)	(3,186)
Net interest income		31,675	27,693	22,182	18,766
<i>Fee and commission income</i>		6,659	6,858	6,553	6,742
<i>Fee and commission expense</i>		(1,990)	(1,949)	(2,173)	(2,122)
Net fee and commission income		4,669	4,909	4,380	4,620
<i>Net gain from trading activities</i>		2,020	1,763	3,181	2,448
<i>Net gain (loss) from derecognition of financial assets</i>		287	11	200	52
<i>Net gain (loss) from disposal of tangible assets</i>		119	68	118	(3)
<i>Revenue related to insurance activities</i>		2,502	-	2,272	-
<i>Other operating income</i>		165	161	737	747
<i>Salaries and related expenses</i>		(8,368)	(7,418)	(7,540)	(6,627)
<i>Depreciation and amortization expenses</i>		(1,312)	(1,189)	(1,101)	(988)
<i>Expenses related to insurance activities</i>		(2,232)	-	(2,649)	-
<i>Other operating expenses</i>		(7,886)	(6,295)	(5,557)	(4,161)
Operating profit before impairment losses		21,639	19,703	16,223	14,854
<i>Allowance for impairment losses on loans and other assets</i>		(2,522)	(2,429)	(2,556)	(2,077)
<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>		-	1,561	-	619
Profit before income tax		19,117	18,835	13,667	13,396
<i>Income tax expense</i>		(2,646)	(2,300)	(2,635)	(2,405)
Net profit for the period		16,471	16,535	11,032	10,991
<i>Profit (loss) from discontinued operations, net of tax</i>		-	-	-	-
Net profit for the year		16,471	16,535	11,032	10,991
Net profit attributable to:					
<i>Owners of the Bank</i>		16,471	16,535	11,032	10,991
<i>From continuing operations</i>		16,471	16,535	11,032	10,991
<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 twelve months period ended			
	31 December 2022		31 December 2021	
	Group	Bank	Group	Bank
Net profit for the period	63,614	63,579	55,223	56,005
Other comprehensive income				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain from revaluation of financial assets	(9,393)	(9,393)	(1,211)	(1,212)
Deferred income tax on gain from revaluation of financial assets	1,879	1,879	240	240
<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	(7,514)	(7,514)	(971)	(972)
Total comprehensive income for the period	56,100	56,065	54,252	55,033
Total comprehensive income (loss) attributable to:				
Owners of the Bank	56,100	56,065	54,252	55,033
Non-controlling interest	-	-	-	-
	56,100	56,065	54,252	55,033

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

	for the three months period			
	1 October - 31 December 2022		1 October - 31 December 2021	
	Group	Bank	Group	Bank
Net profit for the period	16,471	16,535	11,032	10,991
Other comprehensive income (loss)				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain (loss) from revaluation of financial assets	(2,722)	(2,723)	(602)	(606)
Deferred income tax on gain (loss) from revaluation of financial assets	545	545	118	119
<i>Items that may not be subsequently reclassified to profit or loss:</i>				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-
Other comprehensive income (loss), net of deferred tax	(2,177)	(2,178)	(484)	(487)
Total comprehensive income for the period	14,294	14,357	10,548	10,504
Total comprehensive income (loss) attributable to:				
Owners of the Bank	14,294	14,357	10,548	10,504
Non-controlling interest	-	-	-	-
	14,294	14,357	10,548	10,504

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	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total	Non-controlling interest	Total equity
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	929	-	1,163	-	1,163
Payment of dividends	6	-	-	-	-	-	-	-	(3,304)	(3,304)	-	(3,304)
Total comprehensive income	-	-	-	-	(971)	-	-	-	55,223	54,252	-	54,252
31 December 2021	174,211	3,428	(516)	756	(583)	21,893	10,000	3,288	193,950	406,427	-	406,427
Transfer to statutory reserve	-	-	-	-	-	15,220	-	-	(15,220)	-	-	-
Transfer to reserve for acquisition of own shares	6	-	-	-	-	-	10,000	-	(10,000)	-	-	-
Acquisition of own shares	6	-	(1,557)	-	-	-	(234)	-	-	(1,791)	-	(1,791)
Share-based payment	6	-	2,073	-	-	-	234	(933)	11	1,385	-	1,385
Payment of dividends	6	-	-	-	-	-	-	-	(20,425)	(20,425)	-	(20,425)
Total comprehensive income	-	-	-	-	(7,514)	-	-	-	63,614	56,100	-	56,100
31 December 2022	174,211	3,428	-	756	(8,097)	37,113	20,000	2,355	211,930	441,696	-	441,696

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	804	-	1,038
Payment of dividends	6	-	-	-	-	-	-	-	(3,304)	(3,304)
Total comprehensive income	-	-	-	-	(972)	-	-	-	56,005	55,033
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	-	-	-	-	(7,514)	-	-	-	63,579	56,065
31 December 2022	174,211	3,428	-	756	(8,111)	36,922	20,000	1,917	213,661	442,784

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 twelve months period ended				
	Notes	31 December 2022		31 December 2021	
		Group	Bank	Group	Bank
Operating activities				(restated)	(restated)
Interest received on loans and advances		115,347	100,851	90,120	76,894
Interest received on securities in the trading book		1,521	1,388	496	372
Interest paid		(10,421)	(10,434)	(11,498)	(11,498)
Fees and commissions received		26,295	27,239	24,582	25,193
Fees and commissions paid		(7,593)	(7,409)	(7,457)	(7,239)
Net cash inflows from trade in securities in the trading book		(19,196)	(11,842)	(1,527)	(7,040)
Net inflows from foreign exchange operations		9,642	9,511	4,512	4,439
Net inflows from derecognition of financial assets		1,034	254	4,363	2,729
Net inflows from derecognition of non-financial assets		810	514	3,736	66
Cash inflows related to other activities of Group companies		10,956	1,496	10,757	1,136
Cash outflows related to other activities of Group companies		(2,763)	-	(8,032)	-
Recoveries on loans previously written off		403	237	1,126	541
Salaries and related payments to and on behalf of employees		(31,289)	(27,479)	(26,396)	(22,931)
Payments related to operating and other expenses		(21,968)	(17,095)	(22,223)	(17,678)
Income tax paid		(10,870)	(9,796)	(11,914)	(10,625)
Net cash flow from operating activities before change in operating assets and liabilities		61,908	57,435	50,645	34,359
Change in operating assets and liabilities:					
Decrease (increase) in due from other banks		(1,537)	(1,537)	402	402
(Increase) in loans to customers and finance lease receivables		(477,054)	(475,433)	(314,018)	(300,088)
(Increase)/decrease in finance lease receivables		(48,600)	(48,609)	(36,149)	(39,380)
Decrease (increase) in other assets		14,484	12,740	(5,526)	(6,786)
Decrease (increase) in due to banks and financial institutions		(14,827)	(18,876)	469,915	472,001
Increase (decrease) increase in due to customers		105,753	107,730	332,301	333,110
Increase in special and lending funds		7,517	7,517	918	918
Increase (decrease) in other liabilities		(7,938)	(1,109)	(6,655)	(1,363)
Change		(422,202)	(417,577)	441,188	458,814
Net cash flow from (used in) from operating activities		(360,294)	(360,142)	491,833	493,173
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(3,424)	(3,132)	(1,014)	(866)
Disposal of property, plant and equipment, investment property and intangible assets		1,916	1,559	8,028	378
Acquisition of debt securities at amortized cost		(396,788)	(396,538)	(100,202)	(99,382)
Proceeds from redemption of debt securities at amortized cost		133,303	130,244	100,755	100,039
Interest received on debt securities at amortized cost		8,465	8,178	9,473	9,323
Dividends received		24	5,724	-	5,000
Acquisition of investment securities at fair value		(38,478)	(37,275)	(100,447)	(89,161)
Sale or redemption of investment securities at fair value		13,055	8,986	50,297	40,425
Interest received on investment securities at fair value		1,350	1,208	649	403
Disposal of subsidiaries		-	-	5,478	5,428
Acquisition of shares in subsidiaries		(100)	(100)	-	-
Net cash flow (used in) from investing activities		(280,677)	(281,146)	(26,983)	(28,413)
Financing activities					
Payment of dividends		(20,382)	(20,382)	(3,299)	(3,299)
Redemption of own shares		(1,557)	(1,557)	(750)	(750)
Interest on debt securities in issue		(2,015)	(2,015)	(1,230)	(1,230)
Issue of debt securities		85,000	85,000	75,000	75,000
Principal elements of lease payments		(1,040)	(1,089)	(1,432)	(1,281)
Net cash flow (used in) financing activities		60,006	59,957	68,289	68,440
Net increase (decrease) in cash and cash equivalents		(580,965)	(581,331)	533,139	533,200
Cash and cash equivalents at 1 January		965,723	964,849	432,584	431,649
Cash and cash equivalents at 31 December		384,758	383,518	965,723	964,849

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 31 December 2022 the Bank had 817 employees (31 December 2021: 789). As at 31 December 2022 the Group had 908 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 twelve months period ended 31 December 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:

	31 December 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Cash equivalents</i>	307,443	306,303	898,862	897,988
<i>Loans and advances to banks</i>	2,733	2,733	1,196	1,196
<i>Loans and advances to customers:</i>	2,391,629	2,370,762	1,908,681	1,889,629
<i>Loans and advances to financial institutions</i>	-	195,623	-	125,032
<i>Loans to individuals (Retail)</i>	1,114,258	916,118	693,985	557,086
<i>Loans to business customers</i>	1,277,371	1,259,021	1,214,696	1,207,511
<i>Finance lease receivables</i>	242,448	242,192	195,174	194,909
<i>Debt securities at fair value through profit or loss</i>	30,148	27,056	20,454	14,622
<i>Derivative financial instruments</i>	897	897	2,121	2,121
<i>Debt securities at fair value through other comprehensive income</i>	85,271	85,271	78,126	78,126
<i>Debt securities at amortized cost</i>	969,033	956,332	705,398	692,226
<i>Other assets subject to credit risk</i>	5,815	5,620	16,398	16,271
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	52,655	52,716	52,931	52,992
<i>Letters of credit</i>	5,756	5,756	1,308	1,308
<i>Loan commitments and other credit related liabilities</i>	490,944	492,592	397,225	407,440
Total	4,584,772	4,548,230	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:

	31 December 2022		31 December 2021	
	Group	Bank	Group	Bank
Gross loans at amortized cost	2,423,800	2,395,409	1,944,377	1,917,766
<i>Less: allowance for impairment</i>	(34,229)	(26,705)	(35,696)	(28,137)
Net loans at amortized cost	2,389,571	2,368,704	1,908,681	1,889,629
<i>Amount of loans at fair value</i>	2,058	2,058	-	-
Total loans	2,391,629	2,370,762	1,908,681	1,889,629

During second - fourth 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 granted to SB Modernizavimo Fondas UAB would change.

The distribution of loans by stages and days past due:

	31 December 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>	2,146,375	36,617	-	-	2,182,992	1,600,390	41,547	505	6	1,642,448
<i>Allowance for impairment</i>	(12,893)	(645)	-	-	(13,538)	(11,439)	(1,028)	(1)	-	(12,468)
Net amount	2,133,482	35,972	-	-	2,169,454	1,588,951	40,519	504	6	1,629,980
Stage 2:										
<i>Gross amount</i>	155,834	9,688	10,275	-	175,797	220,434	8,966	6,207	2	235,609
<i>Allowance for impairment</i>	(1,614)	(117)	(679)	-	(2,410)	(2,329)	(282)	(1,299)	-	(3,910)
Net amount	154,220	9,571	9,596	-	173,387	218,105	8,684	4,908	2	231,699
Stage 3:										
<i>Gross amount</i>	31,903	10,939	1,517	22,710	67,069	28,278	17,231	2,913	17,898	66,320
<i>Allowance for impairment</i>	(6,878)	(1,759)	(529)	(9,115)	(18,281)	(5,351)	(3,151)	(955)	(9,861)	(19,318)
Net amount	25,025	9,180	988	13,595	48,788	22,927	14,080	1,958	8,037	47,002
Total:										
<i>Gross amount</i>	2,334,112	57,244	11,792	22,710	2,425,858	1,849,102	67,744	9,625	17,906	1,944,377
<i>Allowance for impairment</i>	(21,385)	(2,521)	(1,208)	(9,115)	(34,229)	(19,119)	(4,461)	(2,255)	(9,861)	(35,696)
Net amount	2,312,727	54,723	10,584	13,595	2,391,629	1,829,983	63,283	7,370	8,045	1,908,681

	31 December 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>	1,961,097	25,618	-	-	1,986,715	1,476,592	28,571	505	6	1,505,674
<i>Allowance for impairment</i>	(9,390)	(35)	-	-	(9,425)	(8,217)	(57)	(1)	-	(8,275)
Net amount	1,951,707	25,583	-	-	1,977,290	1,468,375	28,514	504	6	1,497,399
Stage 2:										
<i>Gross amount</i>	332,429	9,340	7,615	-	349,384	338,302	8,966	2,710	2	349,980
<i>Allowance for impairment</i>	(1,560)	(64)	(50)	-	(1,674)	(2,329)	(282)	(47)	-	(2,658)
Net amount	330,869	9,276	7,565	-	347,710	335,973	8,684	2,663	2	347,322
Stage 3:										
<i>Gross amount</i>	30,029	9,992	875	20,472	61,368	26,965	16,442	1,472	17,233	62,112
<i>Allowance for impairment</i>	(5,993)	(1,318)	(229)	(8,066)	(15,606)	(4,695)	(2,762)	(246)	(9,501)	(17,204)
Net amount	24,036	8,674	646	12,406	45,762	22,270	13,680	1,226	7,732	44,908
Total:										
<i>Gross amount</i>	2,323,555	44,950	8,490	20,472	2,397,467	1,841,859	53,979	4,687	17,241	1,917,766
<i>Allowance for impairment</i>	(16,943)	(1,417)	(279)	(8,066)	(26,705)	(15,241)	(3,101)	(294)	(9,501)	(28,137)
Net amount	2,306,612	43,533	8,211	12,406	2,370,762	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:

	31 December 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Business customers</i>	220,087	219,025	172,214	171,202
<i>Individuals</i>	27,661	27,661	26,746	26,746
Gross	247,748	246,686	198,960	197,948
<i>Less: Allowance for impairment</i>	(5,300)	(4,494)	(3,786)	(3,039)
Net	242,448	242,192	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:

	31 December 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	216,512	10,934	-	-	227,446	165,656	5,304	-	-	170,960
Allowance for impairment	(1,757)	(124)	-	-	(1,881)	(947)	(19)	-	-	(966)
Net amount	214,755	10,810	-	-	225,565	164,709	5,285	-	-	169,994
Stage 2:										
Gross amount	10,866	596	1,201	-	12,663	19,180	822	543	-	20,545
Allowance for impairment	(246)	(15)	(24)	-	(285)	(212)	(21)	(7)	-	(240)
Net amount	10,620	581	1,177	-	12,378	18,968	801	536	-	20,305
Stage 3:										
Gross amount	5,053	719	323	1,544	7,639	5,618	275	111	1,451	7,455
Allowance for impairment	(1,761)	(153)	(62)	(1,158)	(3,134)	(1,473)	(25)	(43)	(1,039)	(2,580)
Net amount	3,292	566	261	386	4,505	4,145	250	68	412	4,875
Total:										
Gross amount	232,431	12,249	1,524	1,544	247,748	190,454	6,401	654	1,451	198,960
Allowance for impairment	(3,764)	(292)	(86)	(1,158)	(5,300)	(2,632)	(65)	(50)	(1,039)	(3,786)
Net amount	228,667	11,957	1,438	386	242,448	187,822	6,336	604	412	195,174

	31 December 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	216,512	10,934	-	-	227,446	165,446	5,304	-	-	170,750
Allowance for impairment	(1,757)	(124)	-	-	(1,881)	(946)	(19)	-	-	(965)
Net amount	214,755	10,810	-	-	225,565	164,500	5,285	-	-	169,785
Stage 2:										
Gross amount	10,606	596	1,201	-	12,403	19,180	822	543	-	20,545
Allowance for impairment	(241)	(15)	(24)	-	(280)	(212)	(21)	(7)	-	(240)
Net amount	10,365	581	1,177	-	12,123	18,968	801	536	-	20,305
Stage 3:										
Gross amount	5,053	719	323	742	6,837	5,618	275	111	649	6,653
Allowance for impairment	(1,762)	(153)	(62)	(356)	(2,333)	(1,473)	(25)	(43)	(293)	(1,834)
Net amount	3,291	566	261	386	4,504	4,145	250	68	356	4,819
Total:										
Gross amount	232,171	12,249	1,524	742	246,686	190,244	6,401	654	649	197,948
Allowance for impairment	(3,760)	(292)	(86)	(356)	(4,494)	(2,631)	(65)	(50)	(293)	(3,039)
Net amount	228,411	11,957	1,438	386	242,192	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.

	31 December 2022		31 December 2021	
	Group	Bank	Group	Bank
Debt securities:	30,148	27,056	20,454	14,622
Government bonds	2,880	2,602	2,020	4,062
Corporate bonds	27,268	24,454	18,434	10,560
Equity securities	28,153	231	27,727	477
Total	58,301	27,287	48,181	15,099
	31 December 2022		31 December 2021	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	30,079	27,056	17,721	14,622
from AA- to AAA	-	-	-	-
from A- to A+	2,779	2,602	4,235	4,046
from BBB- to BBB+	588	-	830	207
from BB- to BB+	492	-	514	-
lower than BB-	-	-	-	-
no rating	26,220	24,454	12,142	10,369
Equity securities	231	231	477	477
listed	213	213	449	449
unlisted	18	18	28	28
units of investment funds	-	-	-	-
Total trading securities	30,310	27,287	18,198	15,099
Other trading book securities:				
Debt securities	69	-	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	69	-	808	-
Equity securities	27,922	-	27,250	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	27,922	-	27,250	-
Total other trading book securities	27,991	-	29,983	-
TOTAL	58,301	27,287	48,181	15,099

NOTE 2
SECURITIES (CONTINUED)

Investment securities

	31 December 2022		31 December 2021	
	Group	Bank	Group	Bank
Securities at fair value:				
Debt securities:	85,271	85,271	78,126	78,126
Government bonds	52,570	52,570	53,991	53,991
Corporate bonds	32,701	32,701	24,135	24,135
Equity securities	4,954	4,954	4,862	4,825
Total	90,225	90,225	82,988	82,951
Securities at amortized cost:				
Debt securities:	969,033	956,332	705,398	692,226
Government bonds	827,765	821,781	541,026	535,006
Corporate bonds	141,268	134,551	164,372	157,220
Total	969,033	956,332	705,398	692,226

	31 December 2022		31 December 2021	
	Group	Bank	Group	Bank
Securities at fair value:				
Debt securities	85,271	85,271	78,126	78,126
from AA- to AA+	-	-	-	-
from A- to A+	56,664	56,664	57,534	57,534
from BBB- to BBB+	10,387	10,387	9,696	9,696
from BB- to BB+	15,432	15,432	10,896	10,896
lower than BB-	-	-	-	-
no rating	2,788	2,788	-	-
Equities	4,954	4,954	4,862	4,825
listed	286	286	290	290
unlisted	243	243	455	455
units of investment funds	4,425	4,425	4,117	4,080
Total	90,225	90,225	82,988	82,951
Securities at amortized cost:				
Debt securities	969,033	956,332	705,398	692,226
from AA- to AA+	3,369	3,164	3,101	2,896
from A- to A+	835,290	829,303	551,810	545,789
from BBB- to BBB+	128,864	123,865	148,969	143,541
from BB- to BB+	1,510	-	1,518	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
Total	969,033	956,332	705,398	692,226

Credit stages of investment debt securities:

	31 December 2022		31 December 2021	
	Group	Bank	Group	Bank
Stage 1:				
Gross amount	1,054,916	1,042,201	783,670	770,683
Allowance for impairment	(612)	(598)	(342)	(331)
Net amount	1,054,304	1,041,603	783,328	770,352
Stage 2:				
Gross amount	-	-	199	-
Allowance for impairment	-	-	(3)	-
Net amount	-	-	196	-
Stage 3:				
Gross amount	1,020	-	1,020	-
Allowance for impairment	(1,020)	-	(1,020)	-
Net amount	-	-	-	-

During twelve months periods ended 31 December 2022 and 31 December 2022 no material reclassifications between portfolios of securities were performed.

NOTE 2
SECURITIES (CONTINUED)

Investments in subsidiaries

As of 31 December 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 31 December 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 twelve months period ended 31 December 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	31 December 2022	31 December 2021
<i>SB draudimas GD UAB</i>	100%	11,732	11,788
<i>SB lizingas UAB</i>	100%	13,904	13,224
<i>Šiaulių Banko Lizingas UAB</i>	100%	1,074	1,074
<i>SB Turto Fondas UAB</i>	100%	4,631	5,582
Total investments in subsidiaries using equity method		31,341	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

	31 December 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Amounts receivable</i>	5,815	5,620	16,398	16,271
<i>Inventories</i>	146	-	538	-
<i>Deferred charges</i>	1,004	974	1,274	1,243
<i>Assets under reinsurance and insurance contracts</i>	2,767	-	1,773	-
<i>Prepayments</i>	928	405	3,957	2,820
<i>Foreclosed assets</i>	468	464	307	258
<i>Other</i>	1,203	1,261	3,890	3,968
Total	12,331	8,724	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:

	31 December 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Real estate classified as held for sale</i>	150	150	620	620
Total assets classified as held for sale	150	150	620	620

NOTE 4

DUE TO CUSTOMERS

	31 December 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	59,258	59,258	53,063	53,063
<i>Local government institutions</i>	139,054	139,054	127,692	127,692
<i>Governmental and municipal companies</i>	33,252	33,252	32,046	32,046
<i>Corporate entities</i>	763,766	767,625	803,905	806,287
<i>Non-profit organizations</i>	42,535	42,535	37,567	37,567
<i>Individuals</i>	811,586	811,586	773,999	773,999
<i>Unallocated amounts due to customers</i>	13,473	13,994	24,968	24,989
Total demand deposits	1,862,924	1,867,304	1,853,240	1,855,643
<i>Term deposits:</i>				
<i>National government institutions</i>	1,015	1,015	1,015	1,015
<i>Local government institutions</i>	3,803	3,803	3,077	3,077
<i>Governmental and municipality companies</i>	5,847	5,847	3,939	3,939
<i>Corporate entities</i>	187,108	187,108	57,060	57,060
<i>Non-profit organizations</i>	2,298	2,298	2,984	2,984
<i>Individuals</i>	721,973	721,973	757,868	757,868
Total term deposits	922,044	922,044	825,943	825,943
Total	2,784,968	2,789,348	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 31 December 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. Since 14th September 2022 interest rates for TLTRO-III borrowings are positive, TLTRO-III positive interest recorded in the 2022 income statement line "Interest expenses". Securities with a carrying value of EUR 664,019 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 14,184 thousand in the end of the reporting period is attributable to routine fluctuations in these funds.

**NOTE 6
CAPITAL**

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

On 22 November the Bank and Invalda INVL signed an agreement to merge segments of their retail businesses. After transaction, Invalda INVL will hold additional 62 270 383 shares of the Bank which represents 9,39% of the Bank shareholding. The Bank will issue new shares to be acquired by the Invalda INVL group at EUR 0.645 per share (5% more than the Bank's share price on 22 November 2022 on the Nasdaq Vilnius). The transaction is expected to be completed within one year, subject to the necessary approvals from the banking competition supervisory authorities, the adoption of the necessary resolutions by the extraordinary shareholders' meetings of the Bank and Invalda INVL, and the fulfilment of the other conditions set out in the agreement. Following the completion of this and other planned share acquisition transactions announced, the Invalda INVL Group will increase its shareholding in the Bank from the current 8% to approximately 20%.

As at 31 December 2022, the Bank had 18,524 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 31 December 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 twelve months period ended 31 December 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 31 December 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:

	31 December 2022		31 December 2021	
	Group	Bank	Group	Bank
Options	2,355	1,917	3,288	2,870
Shares distributable to employees	-	-	-	-
Total	2,355	1,917	3,288	2,870

No options were forfeited or expired during years ended 31 December 2022 and 31 December 2021. During 12 months period ended 31 December 2022 2,792 thousand units of share options were exercised for benefit of Group's defined employees (for benefit of Bank's defined employees – 2,468 thousand units) 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 31 December 2022 and 31 December 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 31 December 2022 and 31 December 2021 was 600,726 thousand. Weighted average number of shares in issue for the period ended 31 December 2022 was 599,840 thousand (31 December 2021: 600,462 thousand).

Group

	31 December 2022	31 December 2021
Net profit from continuing operations attributable to equity holders	63,614	55,223
Net profit (loss) from discontinued operations attributable to equity holders	-	-
Net profit attributable to equity holders	63,614	55,223
Weighted average number of shares in issue during the period (thousand units)	599,840	600,462
Basic earnings per share (EUR)	0.11	0.09
Basic earnings per share (EUR) from continuing operations	0.11	0.09
Basic earnings per share (EUR) from discontinued operations	-	-

NOTE 7
NET INTEREST INCOME

	1 January - 31 December 2022		1 January - 31 December 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):	107,650	92,845	83,035	69,951
on loans to other banks and financial institutions and placements with credit institutions	3,491	7,373	2,135	4,922
on loans to customers	97,310	78,865	75,590	59,972
on debt securities at amortized cost	6,196	5,997	5,023	4,831
on debt securities at fair value through other comprehensive income	653	610	287	226
Other similar income:	12,041	11,878	8,861	8,719
on debt securities at fair value through profit or loss	1,521	1,388	498	372
on finance leases	9,702	9,672	7,656	7,633
other interest income	818	818	707	714
Total interest income	119,691	104,723	91,896	78,670
Interest expense:				
on financial liabilities designated at fair value through profit or loss	-	-	-	-
on financial liabilities measured at amortized cost	(10,871)	(10,885)	(8,682)	(8,682)
on other liabilities	(2,039)	(2,033)	(2,297)	(2,290)
Total interest expense	(12,910)	(12,918)	(10,979)	(10,972)
Net interest income	106,781	91,805	80,917	67,698

NOTE 8
NET FEE AND COMMISSION INCOME

	1 January - 31 December 2022		1 January - 31 December 2021	
	Group	Bank	Group	Bank
Fee and commission income:				
for administration of loans of third parties	4,195	4,195	4,474	4,474
for settlement services	5,960	5,976	5,625	5,636
for cash operations	5,459	5,459	4,964	4,965
for account administration	4,794	4,794	4,276	4,276
for guarantees, letters of credit, documentary collection	808	808	909	909
for collection of utility and similar payments	256	256	290	290
for services related to securities	3,862	3,967	3,284	3,403
other fee and commission income	961	1,784	795	1,240
Total fee and commission income	26,295	27,239	24,617	25,193
Fee and commission expense:				
for payment cards	(4,528)	(4,528)	(4,229)	(4,229)
for cash operations	(975)	(975)	(1,168)	(1,168)
for correspondent bank and payment system fees	(665)	(505)	(653)	(468)
for services of financial data vendors	(231)	(231)	(226)	(226)
for services related to securities	(780)	(780)	(791)	(791)
other fee and commission expenses	(414)	(390)	(390)	(357)
Total fee and commission expense	(7,593)	(7,409)	(7,457)	(7,239)
Net fee and commission income	18,702	19,830	17,160	17,954

NOTE 9
OTHER OPERATING EXPENSES

	1 January - 31 December 2022		1 January - 31 December 2021	
	Group	Bank	Group	Bank
<i>Rent of buildings and premises</i>	(271)	(276)	(262)	(268)
<i>Utility services for buildings and premises</i>	(1,240)	(1,136)	(895)	(813)
<i>Other expenses related to buildings and premises</i>	(939)	(939)	(856)	(856)
<i>Transportation expenses</i>	(421)	(329)	(321)	(243)
<i>Legal costs</i>	(577)	(577)	(494)	(494)
<i>Personnel and training expenses</i>	(626)	(575)	(485)	(442)
<i>IT and communication expenses</i>	(8,473)	(7,701)	(6,660)	(5,976)
<i>Marketing and charity expenses</i>	(4,956)	(2,559)	(3,112)	(1,283)
<i>Service organization expenses</i>	(2,912)	(2,729)	(1,934)	(1,812)
<i>Non-income taxes, fines</i>	(188)	460	(10)	667
<i>Costs incurred due to debt recovery</i>	(261)	(68)	(275)	(89)
<i>Other expenses</i>	(1,104)	(666)	(1,338)	(658)
Total	(21,968)	(17,095)	(16,643)	(12,268)

NOTE 10
IMPAIRMENT LOSSES

	1 January - 31 December 2022		1 January - 31 December 2021	
	Group	Bank	Group	Bank
<i>(Impairment losses) / reversal of impairment losses on loans</i>	(3,839)	(2,010)	(5,832)	(2,176)
<i>Recoveries of loans previously written-off</i>	402	237	849	542
<i>Reversal of impairment losses / (impairment losses) on finance lease receivables</i>	(1,512)	(1,454)	797	802
<i>Recovered previously written-off finance lease receivables</i>	-	-	-	-
<i>(Impairment losses) on debt securities</i>	(267)	(268)	10	11
<i>Reversal of impairment losses on due from banks</i>	68	68	(64)	(64)
<i>Reversal of impairment losses / (impairment losses) on other financial assets</i>	(260)	(265)	(114)	(88)
<i>(Impairment losses) on subsidiaries</i>	-	-	-	-
<i>(Impairment losses) / reversal of impairment losses on other non-financial assets</i>	-	-	821	(1)
<i>Recoveries of other non-financial assets previously written-off</i>	-	-	-	-
<i>Provisions for other liabilities</i>	463	-	(544)	-
Total	(4,945)	(3,692)	(4,077)	(974)

NOTE 10
IMPAIRMENT LOSSES (CONTINUED)

	1 January - 31 December 2022		1 January - 31 December 2021	
	Group	Bank	Group	Bank
Allowance for impairment of loans				
As at 1 January	35,696	28,137	42,783	37,821
Change in allowance for loan impairment	3,839	2,010	5,832	2,176
Loans written off during the period	(5,306)	(3,442)	(12,931)	(11,867)
Other factors (reclassification, FX rate shift, etc.)	-	-	12	7
As at 31 December	34,229	26,705	35,696	28,137
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	1,512	1,454	(797)	(802)
Finance lease receivables written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	1	1	(2)	(1)
As at 31 December	5,300	4,494	3,786	3,039
Allowance for impairment of debt securities				
As at 1 January	1,365	331	1,372	342
Change in allowance for impairment of debt securities	267	268	(10)	(11)
Debt securities written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	(1)	3	-
As at 31 December	1,632	598	1,365	331
Allowance for impairment of due from banks				
As at 1 January	106	106	42	42
Change in allowance for impairment of due from banks	(68)	(68)	64	64
Due from banks written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	1	1	-	-
As at 31 December	39	39	106	106
Allowance for impairment of other financial assets				
As at 1 January	260	228	161	153
Change in allowance for impairment of other financial assets	260	265	114	88
Other financial assets written off during the period	(13)	(3)	(15)	(13)
Other factors (reclassification, FX rate shift, etc.)	(1)	-	-	-
As at 31 December	506	490	260	228

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:

	2023		2024		2025		2026		2027	
	GDP	Probability	GDP	Probability	GDP	Probability	GDP	Probability	GDP	Probability
At 31 December 2022:										
Base scenario	0.70%	60 %	3.00%	60 %	3.00%	60 %	2.30%	60 %	2.30%	60 %
Pessimistic scenario	1.30%	15 %	3.80%	15 %	3.80%	15 %	3.10%	15 %	3.10%	15 %
Optimistic scenario	-2.80%	25 %	1.10%	25 %	1.10%	25 %	0.10%	25 %	0.10%	25 %
Weighted average GDP growth	-0.09%		2.65%		2.65%		1.87%		1.87%	
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 twelve months period ended 31 December 2022 – a reversal of impairment loss of EUR 4,541 thousand (all attributable to change in calculation parameters), for the twelve months period ended 31 December 2021 – an impairment loss of EUR 1,353 thousand (all attributable to change in calculation parameters).

As described in Note 1, The Bank and the Group held no significant direct loan positions in Russia, Belarus and Ukraine. However due to geopolitical factors and indirect impact of Russia/Ukraine war impairment loss of EUR 458 thousand was recognized for the six months period ended 30 June 2022, part of which were reversed in second half of the year. For year ended 31 December 2022 impairment loss of EUR 390 thousand was recognized due to these reasons. Because of these circumstances exposures with carrying value of EUR 16,391 thousand and EUR 9,629 thousand, respectively, were added to Watch List or Not Performing Exposures (NPE) list as of 30 June 2022. Since then financial position of part of clients improved and risks related to geopolitical circumstances were managed therefore loans with carrying amount of EUR 10,355 thousand were removed from Watch List at 31 December 2022. No new clients were added to Watchlist during second half-year of 2022 because of geopolitical situation. Loans with carrying amount of EUR 5,840 were in NPE list due to geopolitical circumstances as at 31 December 2022 (decreased compared to carrying amount of such loans at 30 June 2022 and reasons for decrease were NPE status removal or partial repayment of loans).

NOTE 11

SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from trading activities

	1 January - 31 December 2022		1 January - 31 December 2021	
	Group	Bank	Group	Bank
<i>Net gain from operations with securities</i>	(5,288)	(538)	4,583	1,908
<i>Net gain from foreign exchange and related derivatives</i>	(577)	(702)	(2,718)	(2,791)
<i>Net gain (loss) from other derivatives</i>	10,219	10,213	10,071	10,071
Total	4,354	8,973	11,936	9,188

Net gain from trading activities includes investment result of the insurance company assets under unit-linked contracts (see below): a net loss of EUR 4,501 thousand for the twelve months period ended 31 December 2022; a net profit of EUR 2,969 thousand for the twelve months period ended 31 December 2021.

Expenses related to insurance activities

	1 January - 31 December 2022		1 January - 31 December 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>	4,501	-	(2,969)	-
<i>Other changes of the technical insurance provisions and other expenses related to insurance activities</i>	(7,264)	-	(5,063)	-
Total expenses related to insurance activities	(2,763)	-	(8,032)	-

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

	1 January - 31 December 2022		1 January - 31 December 2021	
	Group	Bank	Group	Bank
<i>Interest and similar income</i>	43	-	61	-
<i>Net gain (loss) from operations with securities</i>	(4,674)	-	2,835	-
<i>Net gain (loss) from foreign exchange</i>	130	-	73	-
Total	(4,501)	-	2,969	-

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:

	31 December 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>	508	26	1,555	53
<i>Other related parties (excluding subsidiaries of the Bank)</i>	142	61	6,319	16,167
Total	650	87	7,874	16,220

As of 31 December 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 12 months period ended 31 December 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 3,595 thousand (2021: EUR 2,121 thousand).

Transactions with subsidiaries:

Balances of transactions with the subsidiaries are presented below:

	31 December 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>	5,069	44,500	1,129	-
<i>Financial institutions</i>	1,119	187,350	6,806	136,230
	6,188	231,850	7,935	136,230

Bank's total balances with subsidiaries:

	31 December 2022	31 December 2021
Assets		
<i>Loans</i>	179,148	117,868
<i>Other assets</i>	-	-
<i>Bank's investment in subsidiaries</i>	31,441	31,668
Liabilities and shareholders' equity		
<i>Deposits</i>	6,188	7,935
<i>Other liabilities</i>	-	-

Income and expenses arising from transactions with subsidiaries:

	1 January – 31 December 2022	1 January – 31 December 2021
Income		
<i>Interest</i>	3,949	2,697
<i>Commission income</i>	1,142	586
<i>FX gain (loss)</i>	-	(13)
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	5,373	8,830
<i>Other income</i>	313	352
Expenses		
<i>Interest</i>	(16)	(17)
<i>Operating expenses</i>	25	-
<i>(Impairment losses)/ reversal of impairment losses on loans</i>	(258)	1,998
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	-

As of 31 December 2022, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 271 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 31 December 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>	384,990	66,843	125,135	339,292	328,261	1,232,281	1,628,495	79,234	4,184,531
<i>Total liabilities and shareholders' equity</i>	1,920,690	101,322	180,185	312,744	329,870	801,214	96,810	441,696	4,184,531
<i>Net liquidity gap</i>	(1,535,700)	(34,479)	(55,050)	26,548	(1,609)	431,067	1,531,685	(362,462)	-

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 31 December 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>	383,750	59,233	284,776	321,056	300,353	1,158,884	1,568,369	65,049	4,141,470
<i>Total liabilities and shareholders' equity</i>	1,925,616	93,920	179,887	312,515	327,041	798,457	61,250	442,784	4,141,470
<i>Net liquidity gap</i>	(1,541,866)	(34,687)	104,889	8,541	(26,688)	360,427	1,507,119	(377,735)	-

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 twelve months period ended 31 December 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 twelve months period ended 31 December 2022.

NOTE 14

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

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

	31 December 2022		31 December 2021	
	Group	Bank	Group	Bank
LEVEL I				
Trading book securities	40,395	9,381	41,235	8,153
Investment securities at fair value	83,623	83,623	78,415	78,415
Total Level I financial assets	124,018	93,004	119,650	86,568
LEVEL II				
Derivative financial instruments - assets	897	897	2,121	2,121
Derivative financial instruments - liabilities	(7,152)	(7,152)	(96)	(96)
LEVEL III				
Trading book securities	17,906	17,906	6,946	6,946
Investment securities at fair value	6,602	6,602	4,573	4,536
Total Level III financial assets	24,508	24,508	11,519	11,482

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

Changes in Level III instruments during the twelve months period ended 31 December:

Group	Trading book securities		Investment securities at fair value	
	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 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	45,179	20,334	2,031	1,148
Disposals / redemption / derecognition	(33,985)	(17,072)	(310)	(505)
Changes due to interest accrued/paid	550	73	23	-
Changes in fair value	(784)	2	285	476
As at 31 December	17,906	6,946	6,602	4,573

Bank	Trading book securities		Investment securities at fair value	
	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 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	45,179	20,334	2,031	1,111
Disposals / redemption / derecognition	(33,985)	(15,718)	(273)	(378)
Changes due to interest accrued/paid	550	73	23	-
Changes in fair value	(784)	2	285	476
As at 31 December	17,906	6,946	6,602	4,536

	1 January - 31 December 2022		1 January - 31 December 2021	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	(499)	(499)	478	478

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.

	31 December 2022		31 December 2021	
	Carrying value	Fair value	Carrying value	Fair value
Investment securities at amortized cost	969,033	914,070	705,398	698,867

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 31 December 2022 and in the Statement of comprehensive income for the twelve 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>	(703)	-	(16)	10	709	-
<i>External</i>	98,110	6,433	1,869	369	-	106,781
Net interest income	97,407	6,433	1,853	379	709	106,781
<i>Internal</i>	801	-	-	51	(852)	-
<i>External</i>	18,912	-	-	(210)	-	18,702
Net fee and commissions income	19,713	-	-	(159)	(852)	18,702
<i>Internal</i>	98	-	(16)	61	(143)	-
<i>External</i>	117,022	6,433	1,869	159	-	125,483
Net interest, fee and commissions income	117,120	6,433	1,853	220	(143)	125,483
<i>Internal</i>	(208)	-	-	(144)	352	-
<i>External</i>	(46,494)	(4,487)	-	(5,333)	-	(56,314)
Operating expenses	(46,702)	(4,487)	-	(5,477)	352	(56,314)
<i>Amortisation charges</i>	(1,261)	(140)	-	(98)	-	(1,499)
<i>Depreciation charges</i>	(2,830)	(300)	-	(219)	-	(3,349)
<i>Internal</i>	-	-	-	-	-	-
<i>External</i>	(4,952)	-	(462)	469	-	(4,945)
Impairment expenses	(4,952)	-	(462)	469	-	(4,945)
<i>Internal</i>	5,543	-	134	(20)	(5,657)	-
<i>External</i>	10,357	(539)	2,130	5,206	-	17,154
Net other income	15,900	(539)	2,264	5,186	(5,657)	17,154
Profit (loss) before tax from continuing operations	77,275	967	3,655	81	(5,448)	76,530
<i>Income tax</i>	(11,771)	(1,170)	-	25	-	(12,916)
Profit (loss) per segment after tax from continuing operations	65,504	(203)	3,655	106	(5,448)	63,614
<i>Profit or (loss) per segment after tax from discontinued operations</i>	-	-	-	-	-	-
Profit (loss) per segment	65,504	(203)	3,655	106	(5,448)	63,614
<i>Non-controlling interest</i>	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	65,504	(203)	3,655	106	(5,448)	63,614
<i>Total segment assets</i>	2,859,786	1,479,122	4,731	54,825	(213,933)	4,184,531
<i>Total segment liabilities</i>	2,560,536	1,320,982	4,225	40,898	(183,806)	3,742,835
Net segment assets (shareholders' equity)	299,250	158,140	506	13,927	(30,127)	441,696

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 31 December 2021 and in the Statement of comprehensive income for the twelve 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>	(529)	-	26	(33)	536	-
<i>External</i>	76,959	3,142	459	357	-	80,917
Net interest income	76,430	3,142	485	324	536	80,917
<i>Internal</i>	429	-	-	28	(457)	-
<i>External</i>	17,382	-	-	(222)	-	17,160
Net fee and commissions income	17,811	-	-	(194)	(457)	17,160
<i>Internal</i>	(100)	-	26	(5)	79	-
<i>External</i>	94,341	3,142	459	135	-	98,077
Net interest, fee and commissions income	94,241	3,142	485	130	79	98,077
<i>Internal</i>	(150)	-	-	(127)	277	-
<i>External</i>	(37,425)	(3,591)	-	(10,764)	-	(51,780)
Operating expenses	(37,575)	(3,591)	-	(10,891)	277	(51,780)
<i>Amortisation charges</i>	(1,160)	(129)	-	(57)	-	(1,346)
<i>Depreciation charges</i>	(2,544)	(268)	-	(282)	-	(3,094)
<i>Internal</i>	-	-	1,998	(821)	(1,177)	-
<i>External</i>	(4,211)	-	(140)	274	-	(4,077)
Impairment expenses	(4,211)	-	1,858	(547)	(1,177)	(4,077)
<i>Internal</i>	5,082	-	4,470	(809)	(8,743)	-
<i>External</i>	11,585	1,908	(539)	16,528	-	29,482
Net other income	16,667	1,908	3,931	15,719	(8,743)	29,482
Profit (loss) before tax from continuing operations	65,418	1,062	6,274	4,072	(9,564)	67,262
<i>Income tax</i>	(10,758)	(1,074)	-	(207)	-	(12,039)
Profit (loss) per segment after tax from continuing operations	54,660	(12)	6,274	3,865	(9,564)	55,223
<i>Profit or (loss) per segment after tax from discontinued operations</i>	-	-	-	-	-	-
Profit (loss) per segment	54,660	(12)	6,274	3,865	(9,564)	55,223
<i>Non-controlling interest</i>	-	-	-	-	-	-
<i>Profit (loss) for the period attributable to the owners of the Bank</i>	54,660	(12)	6,274	3,865	(9,564)	55,223
<i>Total segment assets</i>	2,288,855	1,766,700	5,582	61,010	(159,665)	3,962,482
<i>Total segment liabilities</i>	2,051,148	1,582,983	5,002	43,482	(126,560)	3,556,055
<i>Net segment assets (shareholders' equity)</i>	237,707	183,717	580	17,528	(33,105)	406,427

SELECTED INFORMATION OF FINANCIAL GROUP

According to local legislation the Bank is required to disclose certain information for the Financial group. As of 31 December 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

	31 December 2022	31 December 2021
ASSETS		
<i>Cash and cash equivalents</i>	383,834	965,160
<i>Securities in the trading book</i>	27,287	15,099
<i>Due from other banks</i>	2,733	1,196
<i>Derivative financial instruments</i>	897	2,121
<i>Loans to customers</i>	2,391,629	1,908,681
<i>Finance lease receivables</i>	242,448	195,174
<i>Investment securities at fair value</i>	90,225	82,988
<i>Investment securities at amortized cost</i>	956,332	692,226
<i>Investments in subsidiaries and associates</i>	11,832	11,788
<i>Intangible assets</i>	6,450	3,115
<i>Property, plant and equipment</i>	15,777	14,453
<i>Investment property</i>	1,827	2,229
<i>Current income tax prepayment</i>	6	820
<i>Deferred income tax asset</i>	5,657	1,591
<i>Other assets</i>	9,705	26,975
Total assets	4,146,639	3,923,616
LIABILITIES		
<i>Due to other banks and financial institutions</i>	685,480	699,560
<i>Derivative financial instruments</i>	7,152	96
<i>Due to customers</i>	2,785,489	2,679,204
<i>Special and lending funds</i>	14,184	6,667
<i>Debt securities in issue</i>	171,231	95,212
<i>Current income tax liabilities</i>	4,336	1,084
<i>Deferred income tax liabilities</i>	1,463	1,452
<i>Other liabilities</i>	34,266	32,540
Total liabilities	3,703,601	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>	(8,111)	(597)
<i>Financial instruments revaluation reserve</i>	2,287	3,242
<i>Retained earnings</i>	213,477	195,507
<i>Non-controlling interest</i>	-	-
Total equity	443,038	407,801
Total liabilities and equity	4,146,639	3,923,616

SELECTED INFORMATION OF FINANCIAL GROUP (CONTINUED)

Financial Group's condensed income statement

	for the twelve months period ended	
	31 December 2022	31 December 2021
<i>Interest revenue calculated using the effective interest method</i>	107,487	82,867
<i>Other similar income</i>	11,908	8,744
<i>Interest expense and similar charges</i>	(12,922)	(10,975)
Net interest income	106,473	80,636
<i>Fee and commission income</i>	26,419	24,747
<i>Fee and commission expense</i>	(7,507)	(7,366)
Net fee and commission income	18,912	17,381
<i>Net gain from trading activities</i>	8,975	10,362
<i>Net gain (loss) from derecognition of financial assets</i>	1,034	4,735
<i>Net gain (loss) from disposal of tangible assets</i>	810	987
<i>Revenue related to insurance activities</i>	-	-
<i>Other operating income</i>	1,667	1,289
<i>Salaries and related expenses</i>	(30,405)	(25,889)
<i>Depreciation and amortization expenses</i>	(4,580)	(4,179)
<i>Expenses related to insurance activities</i>	-	-
<i>Other operating expenses</i>	(21,390)	(16,179)
Operating profit before impairment losses	81,496	69,143
<i>Allowance for impairment losses on loans and other assets</i>	(4,945)	(2,900)
<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>	(66)	1,242
Profit before income tax	76,485	67,485
<i>Income tax expense</i>	(12,870)	(11,879)
Net profit for the period	63,615	55,606
<i>Profit (loss) from discontinued operations, net of tax</i>	-	-
Net profit for the year	63,615	55,606
Net profit attributable to:		
<i>Owners of the Bank</i>	63,615	55,606
<i>From continuing operations</i>	63,615	55,606
<i>From discontinued operations</i>	-	-
<i>Non-controlling interest</i>	-	-

Financial Group's condensed statement of comprehensive income

	for the twelve months period ended	
	31 December 2022	31 December 2021
Net profit for the period	63,615	55,606
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
<i>Gain from revaluation of financial assets</i>	(9,393)	(1,212)
<i>Deferred income tax on gain from revaluation of financial assets</i>	1,879	240
Other comprehensive income, net of deferred tax	(7,514)	(972)
Total comprehensive income for the period	56,101	54,634
Total comprehensive income (loss) attributable to:		
<i>Owners of the Bank</i>	56,101	54,634
<i>Non-controlling interest</i>	-	-
	56,101	54,634

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 31 December 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>	2	135	472	(3,174)	469	(2,096)
<i>At 31 December 2022</i>	16	349	10,781	24,667	3,500	39,313
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>	(11)	(118)	(2)	-	-	(131)
<i>At 31 December 2022</i>	(46)	(119)	(7)	-	-	(172)
Net value						
<i>At 31 December 2021</i>	(21)	213	10,304	27,841	3,031	41,368
<i>At 31 December 2022</i>	(30)	230	10,774	24,667	3,500	39,141

Liabilities under unit-linked insurance contracts are fully covered with assets: other securities in the trading book and cash (31 December 2022: securities EUR 27,991 thousand, cash EUR 176 thousand, 31 December 2021: securities EUR 29,983 thousand, cash EUR 889 thousand).

NOTE 18 SUBSEQUENT EVENTS

On 25 - 26 January 2023 Bank has acquired 2,491 thousand units of own shares. Amount paid for the shares is EUR 1,868 thousand. Purpose of share acquisition - granting shares to the employees of the Bank and the Bank's subsidiaries.

On 17 January 2023 and 1 February 2023 Mr. Mindaugas Raila and Mr. Tomas Okmanas, respectively, were confirmed by ECB as eligible to serve as independent members of Bank's supervisory council. On 18 January 2023 and 2 February 2023 Mr. Mindaugas Raila and Mr. Tomas Okmanas, respectively, started serve as members of Bank's supervisory council.

On 1 February 2023 the Competition Council of the Republic of Lithuania granted the authorisation to carry out the concentration by the Bank indirectly, through the newly established company, acquiring the retail investment fund management and pension fund management businesses, conducted in Lithuania by „Invalda INVL“ and indirectly, through life insurance UAB „SB draudimas“, by acquiring the life insurance business of „INVL Life“ and thus acquiring sole control over these businesses, as well as acquiring the assets managed by UAB FMĮ "INVL Financial Advisors", which are necessary for the execution and administration of the business to be acquired. As announced in the notice on 22 November 2022, the Bank and Invalda INVL signed an agreement to merge segments of their retail businesses, stating that transaction is expected to be completed within one year, subject to the necessary approvals from the supervisory authorities, the adoption of the necessary resolutions by the extraordinary shareholders' meetings of the Bank and Invalda INVL, and the fulfilment of the other conditions set out in the agreement. The clearance of the Competition Council was one of the preconditions for the completion of the transaction.

On 7 February 2023 new Šiaulių Bankas group company was established – UAB “SB Asset Management”, legal entity code: 306241274, registered office address Gynėjų str. 14, Vilnius, whose sole founder, owning 100 percent of the shares, is the Bank. UAB "SB Asset Management" was established to properly prepare for the implementation of the agreement signed on 22 November 2022 regarding the merger of AB “Invalda INVL” retail asset management and life insurance businesses with AB Šiaulių bankas, and which after the transaction closing date would take over the management business of pension funds and investment funds for its further development.

Shareholders of the Bank in extraordinary general meeting held on 22 February 2023 approved Master Agreement regarding merger of AB “Invalda INVL” retail asset management and life insurance businesses with the Bank. In the same meeting shareholders of the Bank approved decisions related to the merger of businesses mentioned above to increase authorised capital of the Bank by additional contributions, withdraw of shareholders' pre-emption right to acquire new shares, amend Articles of Association of the Bank.

On 23 February 2023 during Bank's Council meeting Mrs. Agnė Duksienė was elected as Board member of the Bank. New Board member will start her duties after permissions from regulatory authorities will be received.

ADDITIONAL INFORMATION

for the twelve month period ended 31 December 2022

The present additional information of Šiaulių Bankas AB (hereinafter — the Bank) covers the period 01 January 2022 to 31 December 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 unaudited net profit of EUR 63.6 million last year, or 15% more than in 2021
- Loan portfolio increased by 25% year-on-year to over EUR 2.6 billion
- Proactive increase in deposit rates led to strong growth in the term deposit portfolio, while the total deposit portfolio grew by 4% to EUR 2.8 billion
- Agreement was signed with Invalda INVL to merge retail businesses

Overview of Key Performance Indicators

“Just starting to recover from the pandemic, the economy has been hit again by the outbreak of the war. Despite external factors such as rising energy prices, volatility on the stock exchanges or increases in base interest rates, Šiaulių Bankas was able to sustainably adhere to its strategic goals and be closer to its clients throughout the year. The bank's strong client-oriented position was also reflected in the results of a mystery shopper survey performed by Dive Lietuva, which revealed that Šiaulių Bankas provides the best service to clients visiting the bank's branches. And this is not the only award in 2022 – The Banker magazine, published by the business daily The Financial Times, named us the best bank of the year in Lithuania,” said Vytautas Sinius, CEO of Šiaulių Bankas.

Šiaulių Bankas Group earned unaudited net profit of EUR 63.6 million in 2022 (15% more than in 2021). Net profit for Q4 was EUR 16.5 million (49% more than in Q4 2021). Operating profit before impairment losses and income tax amounted to EUR 81.5 million (+14% compared to 2021 – EUR 71.3 million).

Mainly due to strong growth in lending volumes, net interest income increased by 32% year-on-year to EUR 106.8 million. A steady increase in the number of clients and their activity increased net service and commission income by 9% to EUR 18.7 million.

The impact of the assessment of specific client exposures led to provisions of EUR 2.5 million in Q4 and EUR 5 million for the year (compared to provisions of EUR 4.1 million in 2021). The cost of risk (CoR) for the loan portfolio in 2022 was at the same level as in 2021 at 0.2%.

The Group's cost to income ratio (excluding the impact of client portfolio of SB Draudimas) increased slightly during the year and stood at 43.2% at year-end (42.8% in the previous year) and the return on equity increased to 15.2% (14.3% last year). Capital and liquidity position remains sound and prudential regulations are met with the solid buffers – the liquidity coverage ratio (LCR) is 194%*, and the capital adequacy ratio (CAR) is 16.1%*

* – forecast data

Business and Private Clients Financing

The year 2022 was characterised by a very strong growth in both corporate and private client financing, with the value of the loan portfolio increasing by 5% in Q4 and by as much as 25% over the year, to over EUR 2.6 billion. More than EUR 1.5 billion worth of new lending agreements were signed last year, i.e., one third more than in 2021.

Corporate lending volumes increased steadily during the year, with new business credit agreements worth almost EUR 0.8 billion signed during the year (21% more than in 2021). The value of the portfolio increased by 4% in Q4 and by 18% year-on-year (to EUR 1.4 billion). Credit risk indicators remained strong in Q4, and the results of the annual loan portfolio review did not have adverse effect on them. The non-performing business loan portfolio declined throughout the year and stood at EUR 58 million at the end of 2021 (-10% year-on-year).

Despite decrease in housing loan sales in Q4 (compared to the first three quarters of the year), mainly due to the general economic situation, rising energy prices, high inflation, or rising base interest rates, the housing loan portfolio grew by 9% in Q4, and by as much as 46% in 2021, and exceeded EUR 660 million. New housing loan agreements were signed for EUR 255 million (30% more than in 2021).

In Q4, people were more cautious about their ability to borrow for consumption and more restrained in planning their purchases. Universal credit, i.e., loan for a wide range of needs, is noticeably growing in popularity. In total, consumer credit agreements were signed for

almost EUR 190 million during the year, i.e., 48% more than in 2021. The consumer financing portfolio grew by 4% in Q4 and by 34% for the whole of 2022, reaching almost EUR 230 million.

As the volume of applications for financing energy-efficient projects remains high, in Q4, the Bank offered a green housing loan for those who want to live more sustainably and who are looking for a new home for the purpose of buying the most energy-efficient housing on more favourable terms.

SB Modernizavimo Fondas continues to perform well, but due to a significant increase in construction prices and fewer projects ready for financing on the market, agreements for the modernisation of multi-apartment buildings have been signed for a total amount of EUR 107 million (17% less than in 2021).

Daily banking

Last year, net service and commission income grew to EUR 18.7 million, an increase of 9% compared to 2021. Income grew in all the main fee and commission income groups – payments, cash transactions, accounts administration and investment services. More than 10 thousand new private and corporate clients started using the Bank's services in 2022, bringing the total number of clients to 340 thousand. The number of clients subscribing to service plans generating stable commission income grew by 9% to 188 thousand.

The number of payments and turnover from payment cards, as well as the number of payment cards themselves, is growing, reaching 176 thousand, i.e., 2% more than a year ago. Among them, the fastest growing demand is for credit cards, the number of which grew by 33% year-on-year.

The past year has seen a strong focus on digitisation and new, more user-friendly smart solutions. Throughout the year, the Bank developed its digital channels in line with customer needs, expanding the number of services in the internet bank and the mobile application. For example, remote client identification and remote bank account opening have been introduced. The number of clients served this way is also steadily increasing.

Over the year, the Bank has been recognised both in Lithuania and abroad. The Banker, a magazine published by the British business daily The Financial Times, has announced that the award for the best bank in Lithuania has once again gone to the Bank. In awarding the Best Bank in Lithuania award, The Banker's experts highlighted the Bank's achievements in client service. Another important assessment was revealed by the results of a mystery shopper survey commissioned by Dive Lietuva, which showed that the Bank is the best in Lithuania in terms of face-to-face client service. The Bank achieved a 100% face-to-face client service quality indicator, the best result among the six banks participating in the survey and 3.4 percentage points ahead of the banking sector average of 96.6%. According to Dive Lietuva, the Bank has been ranked among the top three best-serving banks in Lithuania for the last six years when mystery shopper surveys have been carried out (since 2017).

Saving and Investing

The deposit portfolio grew by 4% over the year (EUR 114 million) to almost EUR 2.8 billion at the end of the year. Demand deposits, which make up the bulk of the portfolio, increased by 1% or EUR 10 million, while the term deposit portfolio grew by 12% or EUR 104 million. This increase in the term deposit portfolio is due to the proactive increase in interest rates to meet client needs in a rising base rate environment.

Clients are increasingly directing their savings towards the Bank's saving and investment products, with commission income from securities-related services reaching almost EUR 4 million during the year (up 18% compared to 2021). Despite the volatile financial markets, the value of client securities in the Bank's custody continued to grow and exceeded EUR 0.9 billion at the end of the year.

In Q4, the Bank successfully placed an additional EUR 85 million bond issue to institutional investors, paying an annual interest at the rate of 1.047%. With a tap issue the amount of the total outstanding bonds increased from EUR 75 million to EUR 160 million. The additional bonds were issued at a yield to maturity of 6.4%. The bonds issued will help the Bank to meet future MREL requirements, while strengthening the liability structure and broadening the investor base.

Merger of Retail Businesses

At the end of the year, the Bank and Invalda INVL signed an agreement to merge part of their retail businesses. Following the transaction, Šiaulių Bankas Group, in addition to the financial services it already provides, will be managing second- and third-pillar pension and investment funds in Lithuania and will expand its life insurance business. The transaction aims to create a new-generation modern, client-oriented financial market participant that will increase competition and create value for the Lithuanian economy. Successful closing of the transaction requires the fulfilment of all the necessary conditions, the obtaining of all the necessary permissions and the preparation and implementation of an integration plan. On 1 February 2023, the Competition Council of the Republic of Lithuania already gave its authorisation. The aim is to close the transaction by the end of 2023. In the meantime, the Bank's strategy for 2024–2026 is to be updated.

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 31 December 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	31/12/2021	31/12/2022
ROAA, %	2.4	2.1	1.5	1.6	1.6
ROAE, %	22.3	17.6	12.7	14.3	15.2
Cost to income ratio, %	37.3	42.5	42.7	44.1	42.9
Cost to income ratio (adjusted due to the impact of the SB draudimas clients' portfolio), %	37.9	40.8	42.9	42.8	43.2
Loan to deposit ratio, %	75.1	82.2	75.0	78.6	94.6

At the end of year MREL requirement at Financial group level approved in June 2022 were effective, including 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 Financial group 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).

To ensure a linear build-up of own funds and eligible liabilities towards the requirements the supervisory authorities set intermediate targets. For 1 January 2023, 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 levels of MREL requirements are revised by the supervisory authorities of the bank each year. In February 2023, the Bank received an updated MREL requirement that shall be met by 1 January 2024.

The MREL targets for Financial group can be summarised as follows:

	01/01/2023 (intermediate target)	01/01/2024 (requirement)	01/01/2024 (requirement updated at February 2023)
MREL-TREA	15.43%	20.24%	21.49%
MREL-LRE	5.89%	7.07%	7.16%
MREL-TREA, subordinated	13.50%	13.50%	13.50%
MREL-LRE, subordinated	5.79%	5.89%	5.99%

On 29 November 2022, in the international financial markets, Šiaulių Bankas AB successfully supplemented the 4-year issue made in 2021 with an additional nominal value of EUR 85 million. Before this addition, this issue amounted to EUR 75 million, now it is EUR 160 million. The bond issue was aimed at meeting future MREL requirements set by the supervisory authorities of the bank. The bonds are listed on the Nasdaq Baltic bond list, ISIN code LT0000405771.

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](#)
- the description of alternative performance indicators:
[Homepage](#) › [Bank Investors](#) › [Financial Information](#) › [Alternative Performance Measures](#)

AUTHORIZED CAPITAL, SHAREHOLDERS

As of 31 December 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](#)

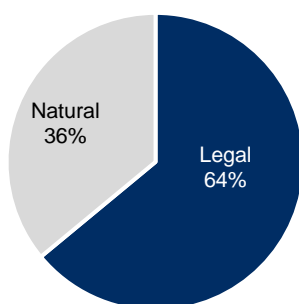
Authorized capital:

	14/09/2015	26/05/2016	06/06/2017	01/06/2018	13/12/2018
Capital, EUR	91 226 381.99	109 471 658.33	131 365 989.88	157 639 187.74	174 210 616.27

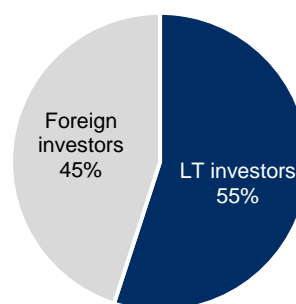
As of 31 December 2022 the number if the Bank's shareholders was 18,524 (at the end of 2021 – 16,573). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the The Republic of Lithuania of Lithuania and the Charter of the Bank:

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Shareholders by type



Shareholders by residence



Shareholders owning more than 5% of the Bank's shares and votes as of 31 December 2022:

	Share of shares and votes, %
EBRD, LEI code 549300HTGDOVDU60GK19	20.00
Invalda INVL AB, c.c. 121304349*	8.06
ME INVESTICIJA UAB, c.c. 302489393	5.71
Gintaras Kateiva**	5.39
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 – 1.96%, INVL Asset Management UAB, c.c. 126263073 - 0.66% of the votes

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

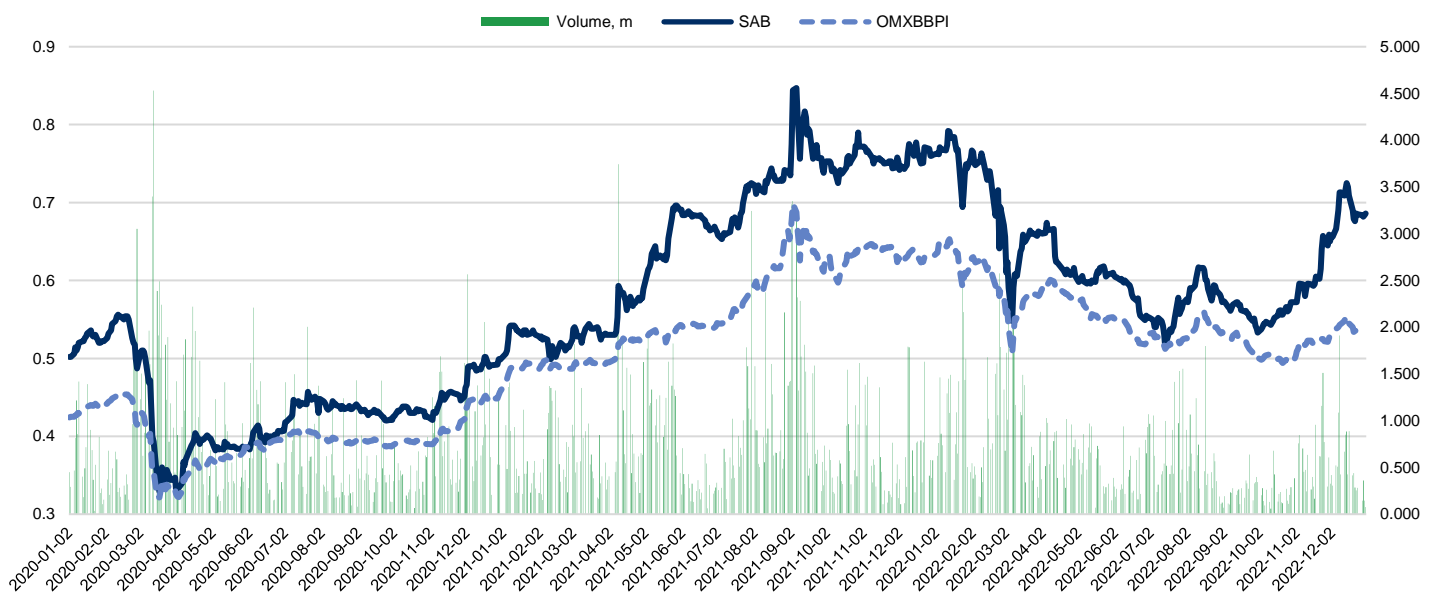
*** Votes are counted together with controlled companies: Prekybos namai AIVA UAB, c.c. 144031190 – 2.00%, Mintaka UAB, c.c. 144725916 - 0.88%

Information on shares

	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
Capitalization, m EUR	240.9	304.0	299.2	457.2	412.1
Turnover, mln. Eur	34.7	48.3	84.5	134.8	101.9
Share price on the last trading session day	0.401	0.506	0.498	0.761	0.686
Lowest share price during the reporting period	0.391	0.394	0.320	0.493	0.511
Highest share price during the reporting period	0.658	0.534	0.558	0.890	0.794
Average share price during the reporting period	0.521	0.473	0.442	0.663	0.624
Share book value	0.448	0.518	0.592	0.678	0.730
P/BV	0.9	1.0	0.8	1.1	0.9
P/E	4.6	5.9	7.0	8.3	6.5
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 (OMXBGI, 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 Eastern Europe TMI, STOXX All Europe Total Market, STOXX Eastern Europe 300, STOXX EU Enlarged TMI, STOXX Eastern Europe 300 Banks, STOXX Eastern Europe Small 100, STOXX Eastern Europe TMI Small, STOXX Global Total Market, STOXX Lithuania Total Market, Bloomberg ESB Data Index, S&P Frontier BMI Index, MSCI Frontier and Emerging Markets Select Index and in some FTSE Russell Frontier indices.*

ACQUISITION OF OWN SHARES

There were no outstanding own shares acquired by the Bank as of 31 December 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.

The Bank's Supervisory Council, whose term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024, composition for 31/12/2022 date was:

<i>Name, Surname</i>	<i>Duties at the Supervisory Council</i>	<i>Share of capital under the right of ownership, % (31/12/2022)</i>	<i>Share of votes together with the related persons, % (31/12/2022)</i>
<i>Valdas Vitkauskas</i>	Chairman since 05/08/2022	-	-
<i>Gintaras Kateiva</i>	Member since 2008	5.37	5.39*
<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 Bank's Board, whose term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024, composition for 31/12/2022 date was:

<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, % (31/12/2022)</i>	<i>Share of votes together with the related persons, % (31/12/2022)</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>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.sbp.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

*in liquidation process

**not consolidated under IFRS 10 requirements

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.sbp.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

28 February 2023



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 twelve months of 2022 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the total assets, liabilities, financial status, activity result and cash flow of Šiaulių bankas AB and consolidated companies.

Chief Executive Officer

Chief Financial Officer

28 February 2023



Vytautas Sinius

Donatas Savickas

