

INTERIM INFORMATION

for the twelve months period ended 31 December 2023

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CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

for the twelve months period ended 31 December 2023

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

	Notes	31 December 2023		31 December 2022	
		Group	Bank	Group (restated)	Bank (restated)
ASSETS					
Cash and cash equivalents		751,499	742,969	384,758	383,518
Securities in the trading book	2	207,677	20,402	58,301	27,287
Due from other banks		3,013	3,013	2,733	2,733
Derivative financial instruments		251	241	897	897
Loans to customers	1	2,645,104	2,633,482	2,391,629	2,370,762
Finance lease receivables	1	286,533	286,451	242,448	242,192
Investment securities at fair value	2	74,500	74,382	90,225	90,225
Investment securities at amortized cost	2	751,227	739,869	969,036	956,332
Investments in subsidiaries and associates	2	100	76,672	100	32,668
Intangible assets		45,138	8,149	8,283	6,450
Property, plant and equipment		15,781	14,702	16,151	15,525
Investment property		993	-	1,827	-
Current income tax prepayment		35	-	6	-
Deferred income tax asset		7,577	3,658	5,659	5,234
Other assets	3	19,743	18,970	10,453	8,724
Assets held for sale	3	150	150	150	150
Total assets		4,809,321	4,623,110	4,182,656	4,142,697
LIABILITIES					
Due to other banks and financial institutions		569,994	576,316	685,075	686,559
Derivative financial instruments		1,041	1,041	7,152	7,152
Due to customers	4	3,162,657	3,166,908	2,784,968	2,789,348
Special and lending funds	5	15,718	15,718	171,231	171,231
Debt securities in issue		276,480	276,480	14,184	14,184
Current income tax liabilities		6,412	6,412	4,374	4,036
Deferred income tax liabilities		6,125	-	1,463	-
Liabilities related to insurance activities		179,318	-	36,185	-
Other liabilities		48,448	35,794	35,118	26,176
Total liabilities		4,266,193	4,078,669	3,739,750	3,698,686
EQUITY					
Share capital	6	192,269	192,269	174,211	174,211
Share premium		25,534	25,534	3,428	3,428
Treasury shares (-)	6	(1,500)	(1,500)	-	-
Reserve capital		756	756	756	756
Statutory reserve	6	47,803	47,605	37,113	36,922
Reserve for acquisition of own shares	6	20,000	20,000	20,000	20,000
Financial instruments revaluation reserve		(5,426)	(5,426)	(8,111)	(8,111)
Other equity	6	1,697	1,209	2,355	1,917
Retained earnings		261,995	263,994	213,154	214,888
Non-controlling interest		-	-	-	-
Total equity		543,128	544,441	442,906	444,011
Total liabilities and equity		4,809,321	4,623,110	4,182,656	4,142,697

The notes on pages 10 - 36 constitute an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

29 February 2024



Vytautas Sinius



Donatas Savickas

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

	for the twelve months period ended				
		31 December 2023		31 December 2022	
	Notes	Group	Bank	Group (restated)	Bank (restated)
<i>Interest revenue calculated using the effective interest method</i>	7	195,726	181,049	107,650	92,845
<i>Other similar income</i>	7	21,242	21,070	12,041	11,878
<i>Interest expense and similar charges</i>	7	(60,115)	(60,189)	(12,910)	(12,918)
Net interest income		156,853	141,930	106,781	91,805
<i>Fee and commission income</i>	8	28,610	28,968	26,295	27,239
<i>Fee and commission expense</i>	8	(8,358)	(8,114)	(7,546)	(7,409)
Net fee and commission income		20,252	20,854	18,749	19,830
<i>Net gain from trading activities</i>	11	13,674	5,358	10,832	8,973
<i>Net gain (loss) from derecognition of financial assets</i>		809	532	1,034	254
<i>Net gain (loss) from disposal of tangible assets</i>		864	97	810	514
<i>Revenue related to insurance activities</i>		5,684	-	6,418	-
<i>Other operating income</i>		41	2,096	1,658	1,496
<i>Salaries and related expenses</i>		(36,226)	(33,004)	(30,729)	(27,773)
<i>Depreciation and amortization expenses</i>		(5,490)	(5,126)	(4,642)	(4,403)
<i>(Expenses)/recovery of expenses related to insurance activities</i>	11	(14,240)	-	(3,972)	-
<i>Other operating expenses</i>	9	(31,247)	(25,557)	(21,618)	(17,095)
Operating profit before impairment losses		110,974	107,180	85,321	73,601
<i>Allowance for impairment losses on loans and other assets</i>	10	(15,232)	(8,059)	(4,956)	(3,692)
<i>Allowance for impairment losses on investments in subsidiaries</i>		-	-	-	-
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	12	-	(4,267)	-	9,207
Profit before income tax		95,742	94,854	80,365	79,116
<i>Income tax expense</i>		(20,367)	(19,234)	(12,916)	(11,703)
Net profit for the period		75,375	75,620	67,449	67,413
<i>Profit (loss) from discontinued operations, net of tax</i>		-	-	-	-
Net profit for the period		75,375	75,620	67,449	67,413
Net profit attributable to:					
<i>Owners of the Bank</i>		75,375	75,620	67,449	67,413
<i>From continuing operations</i>		75,375	75,620	67,449	67,413
<i>From discontinued operations</i>		-	-	-	-
<i>Non-controlling interest</i>		-	-	-	-
<i>Basic earnings per share (in EUR per share) attributable to owners of the Bank</i>		0,13		0,11	
<i>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</i>		0,13		0,11	

The notes on pages 10 - 36 constitute an integral part of these financial statements.

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

	for the three months period				
	1 October - 31 December		1 October - 31 December		
	Notes	Group	Bank	Group	Bank
				(restated)	(restated)
<i>Interest revenue calculated using the effective interest method</i>		56,745	52,558	33,019	29,083
<i>Other similar income</i>		5,980	5,939	3,578	3,534
<i>Interest expense and similar charges</i>		(21,957)	(21,989)	(4,922)	(4,924)
Net interest income		40,768	36,508	31,675	27,693
<i>Fee and commission income</i>		8,301	7,887	6,659	6,858
<i>Fee and commission expense</i>		(2,651)	(2,499)	(1,973)	(1,949)
Net fee and commission income		5,650	5,388	4,686	4,909
<i>Net gain from trading activities</i>		6,012	197	1,992	1,763
<i>Net gain (loss) from derecognition of financial assets</i>		(27)	-	287	11
<i>Net gain (loss) from disposal of tangible assets</i>		32	20	119	68
<i>Revenue related to insurance activities</i>		1,849	-	1,466	-
<i>Other operating income</i>		(357)	1,587	165	161
<i>Salaries and related expenses</i>		(10,716)	(9,471)	(8,082)	(7,418)
<i>Depreciation and amortization expenses</i>		(1,545)	(1,333)	(1,237)	(1,189)
<i>(Expenses)/recovery of expenses related to insurance activities</i>		(9,533)	-	(567)	-
<i>Other operating expenses</i>		(14,278)	(11,848)	(7,759)	(6,295)
Operating profit before impairment losses		17,855	21,048	22,745	19,703
<i>Allowance for impairment losses on loans and other assets</i>		(6 775)	(2 361)	(2 522)	(2 429)
<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>		-	(7,954)	-	2,670
Profit before income tax		11,080	10,733	20,212	19,944
<i>Income tax expense</i>		(1,358)	(1,137)	(2,646)	(2,300)
Net profit for the period		9,722	9,596	17,566	17,644
<i>Profit (loss) from discontinued operations, net of tax</i>		-	-	-	-
Net profit for the year		9,722	9,596	17,566	17,644
Net profit attributable to:					
<i>Owners of the Bank</i>		9,722	9,596	17,566	17,644
<i>From continuing operations</i>		9,722	9,596	17,566	17,644
<i>From discontinued operations</i>		-	-	-	-
<i>Non-controlling interest</i>		-	-	-	-

The notes on pages 10 - 36 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 2023		31 December 2022	
	Group	Bank	Group (restated)	Bank (restated)
Net profit for the period	75,375	75,620	67,449	67,413
Other comprehensive income				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain from revaluation of financial assets	3,356	3,356	(9,407)	(9,393)
Deferred income tax on gain from revaluation of financial assets	(671)	(671)	1,879	1,879
<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	2,685	2,685	(7,528)	(7,514)
Total comprehensive income for the period	78,060	78,305	59,921	59,899
Total comprehensive income (loss) attributable to:				
Owners of the Bank	78,060	78,305	59,921	59,899
Non-controlling interest	-	-	-	-
	78,060	78,305	59,921	59,899

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

	for the three months period			
	1 October - 31 December 2023		1 October - 31 December 2022	
	Group	Bank	Group (restated)	Bank (restated)
Net profit for the period	9,722	9,596	17,566	17,644
Other comprehensive income (loss)				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain (loss) from revaluation of financial assets	1,703	1,687	(2,736)	(2,723)
Deferred income tax on gain (loss) from revaluation of financial assets	(339)	(337)	545	545
<i>Items that may not be subsequently reclassified to profit or loss:</i>				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-
Other comprehensive income (loss), net of deferred tax	1,364	1,350	(2,191)	(2,178)
Total comprehensive income for the period	11,086	10,946	15,375	15,466
Total comprehensive income (loss) attributable to:				
Owners of the Bank	11,086	10,946	15,375	15,466
Non-controlling interest	-	-	-	-
	11,086	10,946	15,375	15,466

The notes on pages 10 - 36 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
		Attributable to Bank shareholders										
31 December 2021		174,211	3,428	(516)	756	(597)	21,770	10,000	2,870	195,659	407,581	- 407,581
<i>Impact of change in accounting principles</i>		-	-	-	-	-	-	-	-	(2,607)	(2,607)	(2,607)
1 January 2022		174,211	3,428	(516)	756	(597)	21,770	10,000	2,870	193,052	404,974	- 404,974
<i>Transfer to statutory reserve</i>		-	-	-	-	-	15,152	-	-	(15,152)	-	-
<i>Transfer to reserve for acquisition of own shares</i>	6	-	-	-	-	-	-	10,000	-	(10,000)	-	-
<i>Acquisition of own shares</i>	6	-	-	(1,557)	-	-	-	(234)	-	-	(1,791)	(1,791)
<i>Share-based payment</i>	6	-	-	2,073	-	-	-	234	(953)	-	1,354	1,354
<i>Payment of dividends</i>	6	-	-	-	-	-	-	-	-	(20,425)	(20,425)	(20,425)
<i>Total comprehensive income (restated)</i>		-	-	-	-	(7,514)	-	-	-	67,413	59,899	- 59,899
31 December 2022		174,211	3,428	-	756	(8,111)	36,922	20,000	1,917	214,888	444,011	- 444,011
<i>Transfer to statutory reserve</i>		-	-	-	-	-	10,683	-	-	(10,683)	-	-
<i>Increase in share capital</i>		18,058	22,106	-	-	-	-	-	-	-	40,164	40,164
<i>Transfer to reserve for acquisition of own shares</i>		-	-	-	-	-	-	-	-	-	-	-
<i>Acquisition of own shares</i>	6	-	-	(3,368)	-	-	-	-	-	-	(3,368)	(3,368)
<i>Share-based payment</i>	6	-	-	1,868	-	-	-	-	(708)	88	1,248	1,248
<i>Payment of dividends</i>	6	-	-	-	-	-	-	-	-	(15,919)	(15,919)	(15,919)
<i>Total comprehensive income</i>		-	-	-	-	2,685	-	-	-	75,620	78,305	- 78,305
31 December 2023		192,269	25,534	(1,500)	756	(5,426)	47,605	20,000	1,209	263,994	544,441	- 544,441

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 equity
31 December 2021		174,211	3,428	(516)	756	(583)	21,893	10,000	3,288	193,950	406,427
<i>Impact of change in accounting principles</i>		-	-	-	-	-	-	-	-	(2,607)	(2,607)
1 January 2022		174,211	3,428	(516)	756	(583)	21,893	10,000	3,288	191,343	403,820
<i>Transfer to statutory reserve</i>		-	-	-	-	-	15,220	-	-	(15,220)	-
<i>Transfer to reserve for acquisition of own shares</i>	6	-	-	-	-	-	-	10,000	-	(10,000)	-
<i>Acquisition of own shares</i>	6	-	-	(1,557)	-	-	-	(234)	-	-	(1,791)
<i>Share-based payment</i>	6	-	-	2,073	-	-	-	234	(933)	7	1,381
<i>Payment of dividends</i>	6	-	-	-	-	-	-	-	-	(20,425)	(20,425)
<i>Total comprehensive income (restated)</i>		-	-	-	-	(7,528)	-	-	-	67,449	59,921
31 December 2022		174,211	3,428	-	756	(8,111)	37,113	20,000	2,355	213,154	442,906
<i>Transfer to statutory reserve</i>		-	-	-	-	-	10,690	-	-	(10,690)	-
<i>Increase in share capital</i>		18,058	22,106	-	-	-	-	-	-	-	40,164
<i>Transfer to reserve for acquisition of own shares</i>		-	-	-	-	-	-	-	-	-	-
<i>Acquisition of own shares</i>	6	-	-	(3,368)	-	-	-	-	-	-	(3,368)
<i>Share-based payment</i>	6	-	-	1,868	-	-	-	-	(658)	75	1,285
<i>Payment of dividends</i>	6	-	-	-	-	-	-	-	-	(15,919)	(15,919)
<i>Total comprehensive income</i>		-	-	-	-	2,685	-	-	-	75,375	78,060
31 December 2023		192,269	25,534	(1,500)	756	(5,426)	47,803	20,000	1,697	261,995	543,128

The notes on pages 10 - 36 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 2023		31 December 2022	
		Group	Bank	Group	Bank
Operating activities				(restated)	(restated)
Interest received on loans and advances		196,126	181,785	115,347	100,851
Interest received on securities in the trading book		1,887	1,741	1,521	1,388
Interest paid		(29,458)	(29,633)	(10,421)	(10,434)
Fees and commissions received		28,610	28,968	26,295	27,239
Fees and commissions paid		(8,358)	(8,114)	(7,593)	(7,409)
Net cash inflows from trade in securities in the trading book		(1,121)	1,602	(12,718)	(11,842)
Net inflows from foreign exchange operations		6,982	6,975	9,642	9,511
Net inflows from derecognition of financial assets		809	532	1,034	254
Net inflows from derecognition of non-financial assets		864	97	810	514
Cash inflows related to other activities of Group companies		5,725	2,096	10,956	1,496
Cash outflows related to other activities of Group companies		(14,240)	-	(3,972)	-
Recoveries on loans previously written off		210	208	403	237
Salaries and related payments to and on behalf of employees		(34,372)	(31,150)	(31,289)	(27,479)
Payments related to operating and other expenses		(31,247)	(25,557)	(21,968)	(17,095)
Income tax paid		(17,628)	(16,200)	(10,870)	(9,796)
Net cash flow from operating activities before change in operating assets and liabilities		104,789	113,350	67,177	57,435
Change in operating assets and liabilities:					
Decrease (increase) in due from other banks		(280)	(280)	(1,537)	(1,537)
(Increase) in loans to customers and finance lease receivables		(253,637)	(263,910)	(477,054)	(475,433)
(Increase)/decrease in finance lease receivables		(47,511)	(47,685)	(48,600)	(48,609)
Decrease (increase) in other assets		10,455	7,074	9,215	12,740
Decrease (increase) in due to banks and financial institutions		(129,700)	(124,862)	(14,827)	(18,876)
Increase (decrease) increase in due to customers		361,782	361,653	105,753	107,730
Increase in special and lending funds		1,534	1,534	7,517	7,517
Increase (decrease) in other liabilities		16,516	7,048	(7,938)	(1,109)
Change		(40,841)	(59,428)	(427,471)	(417,577)
Net cash flow from (used in) from operating activities		63,948	53,922	(360,294)	(360,142)
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(7,754)	(7,299)	(3,424)	(3,132)
Disposal of property, plant and equipment, investment property and intangible assets		3,844	2,215	1,916	1,559
Acquisition of debt securities at amortized cost		(91,408)	(64,157)	(396,788)	(396,538)
Proceeds from redemption of debt securities at amortized cost		292,941	279,209	133,303	130,244
Interest received on debt securities at amortized cost		10,082	9,777	8,465	8,178
Dividends received		14	10,014	24	5,724
Acquisition of investment securities at fair value		-	-	(38,478)	(37,275)
Sale or redemption of investment securities at fair value		16,824	16,824	13,055	8,986
Interest received on investment securities at fair value		758	758	1,350	1,208
Acquisition of business	2	740	-	-	-
Acquisition of shares in subsidiaries		-	(400)	(100)	(100)
Share capital contributions in subsidiaries		-	(17,706)	-	-
Net cash flow (used in) from investing activities		226,041	229,235	(280,677)	(281,146)
Financing activities					
Payment of dividends		(15,909)	(15,909)	(20,382)	(20,382)
Acquisition of own shares		(3,368)	(3,368)	(1,557)	(1,557)
Interest on debt securities in issue		(2,905)	(2,905)	(2,015)	(2,015)
Issue of debt securities		100,000	100,000	85,000	85,000
Principal elements of lease payments		(1,066)	(1,524)	(1,040)	(1,089)
Net cash flow (used in) financing activities		76,752	76,294	60,006	59,957
Net increase (decrease) in cash and cash equivalents		366,741	359,451	(580,965)	(581,331)
Cash and cash equivalents at 1 January		384,758	383,518	965,723	964,849
Cash and cash equivalents at 31 December		751,499	742,969	384,758	383,518

The notes on pages 10 - 36 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 54 customer service outlets (31 December 2022: 56 outlets). As at 31 December 2023 the Bank had 981 employees (31 December 2022: 817). As at 31 December 2023 the Group had 1 137 employees (31 December 2022: 908 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 2023 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 2022, 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 2022.

Taxation

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

The Republic of Lithuania has introduced a new solidarity contribution (or "windfall" tax) in respect of credit institutions operating in Lithuania, effective as of 16 May 2023 and is applied on the surplus of net interest income received in 2023 and 2024 from activities of the credit institutions operating in Lithuania. The Bank and the Group included amount of windfall tax in line 'Other taxes' of income statement.

New and amended standards, and interpretations

The Bank's management do not believe that except for new and adopted for the first time standards, described below, the newly published standards, amendments and interpretations that are mandatory for the Group's and Bank's reporting periods beginning on or after 1 January 2023 will have a material impact on the Group's and Bank's financial statements, also there are no new standards, amendments and interpretations that are mandatory for the Group and the Bank with effect from 2023, and that would have a material impact on the Group's and the Bank's financial information.

On 1 January 2023 Group and Bank's subsidiary UAB SB draudimas (hereinafter – the Company) applied IFRS 17 Insurance contracts and IFRS 9 Financial instruments for the first time. Application of these standards introduced significant accounting changes for insurance and reinsurance contracts and financial instruments.

IFRS 17 Insurance contracts is applicable for annual periods starting on or after 1 January 2023. IFRS 17 supersedes IFRS 4 according to which companies had the possibility to use previous practice for accounting of insurance contracts. Due to this reason investors had difficulties in comparing financial operating results of similar insurance entities. IFRS 17 is a standard based on general principles setting accounting requirements for all types of insurance contracts including reinsurance contracts held by an insurer. The Group and the Company has not applied this standard earlier.

A contract is considered an insurance contract only if the insurer accepts significant insurance risk taking into account future cash inflows (evaluated by probability) from premiums and disbursements due to fulfilment of obligations/ in case of death, terminal value and administrative costs discounted using interest rate curve at the inception date. The Group and the Company decided to use EIOPA risk free rate yield curve for significance testing. In evaluating the significance of insurance risk additional amounts are used which would be payable in economic base scenarios. Two scenarios are created - one when the insured event does not occur, another when the insured event does occur with probability of 100 %. The insured event will cause losses for the insurer if the present value of future cash outflows according to second scenario is larger than in first scenario. The Group and the Company chooses to use 10 % limit for significance testing, that would mean if losses are generated because of the insured event and additional amounts which would be payable according to scenarios which are based on second scenario are by 10 % larger than in first scenario, the Group considers the insurance risk to be significant. The significance of insurance risk is assessed in general on a contract-by-contract basis. A contract that meets the definition of an insurance contract remains an insurance contract until all rights and obligations expire.

GENERAL INFORMATION (CONTINUED)

New and amended standards, and interpretations (continued)

IFRS 17 requires that the Group and the Company groups its portfolio according to product lines which are related with similar risk. For estimation purposes insurance contracts are aggregated into groups of insurance contracts. The purpose of such grouping is to ensure that profit would be recognised over time proportionally to the insurance service provided while losses are recognised immediately when a group and company assesses that contract concluded is generating loss. Setting off profit and loss between different insurance contracts groups is not allowed. Insurance contracts are aggregated into insurance contracts groups based on such three levels:

- Portfolio – similar risk contracts managed together.
- Profitability – contracts of same profitability.
- Cohort – contracts which date of entry into force differ by more than one year.

Portfolio cohort period beginning is January 1st of each calendar year and contracts of each portfolio are accounted using a one year interval principle (annual cohort). It means that IFRS 17 introduce more detailed aggregation level than in IFRS 4. Insurance contracts are aggregated into homogeneous risk groups.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums or in which the Group has a substantive obligation to provide the policyholder with insurance contract services.

Contractual service margin (hereinafter– CSM) of insurance contracts group reflects unearned profit which the Group and the Company will recognise while providing services according to such contracts. On initial recognition the Group and the Company treats a group of insurance contracts as onerous if, after adding the fulfilment cashflows attributable to the contract, all insurance contract acquisition cashflows incurred in the past and all cashflows arising from contract before initial recognition, the net result is a cash outflow.

The carrying value of a group of insurance contracts at end of each reporting period is calculated by adding the liability for remaining coverage and the liability for incurred claims. Estimates of future cashflows are recalculated at each reporting date using updated data. The contractual service margin at the reporting date demonstrates the profit of a group of insurance contracts which has not yet been recognised as it is related to future service, which will be provided under group contracts.

According to IFRS 17 clause B119 the CSM for a group of insurance contracts is recognised as profit or loss of each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount allocated to a certain period is determined by identifying coverage units within the portfolio. The number of coverage units within a group of insurance contracts is the quantity of insurance contracts services provided by the contracts in the group, determined according by considering for each contract the quantity of the benefits provided under a contract and its expected coverage period.

If group of contracts is or becomes loss generating the Group and the Company recognises loss immediately.

The Group and the Company decided to apply bottom-up approach based on EIOPA risk-free rate (RFR) curve. Looking at the Group's and the Company's portfolio, the majority of the portfolio (in term of number of policies) is perceived to be liquid (Unit-Linked) whereas the other products might be seen as illiquid. It was decided to use Solvency II RFR without volatility adjustment for Unit-linked products and for other products Solvency II RFR with volatility adjustment.

Insurance acquisition cashflows are a separate cost category which is taken into account to determine future cashflows related to the contract. Such cashflows include cashflows arising from insurance contracts group acquisition, distribution and commencement costs directly attributable to portfolio of insurance contracts to which that group belongs. Applying General measurement model (hereinafter – GMM) and Variable fee approach (hereinafter – VFA) methods future expected attributable costs affect the amount of CSM.

IFRS 17 requires entities to depict risk inherent in insurance contracts by including risk adjustment for non-financial risk correction in the measurement of those contracts. The risk adjustment for non-financial risk directly measures the non-financial risk in the contract. Risk adjustment for non-financial risk is defined as compensation which the entity requires to assume uncertainty regarding amount and timing of cashflows arising from non-financial risk and is calculated separately from other cashflows. The Group and the Company chose to calculate risk adjustment based on Solvency II capital requirement before diversification. Assumption is made that all Solvency II non-financial risk (mortality, longevity, disability, validity, outflows and catastrophe risk) is distributed by normal distribution. Due to low quantitative impact assumption for life models can be made that catastrophe risk can be approximately assessed under normal distribution. Calculation of the risk adjustment is based on determining risks at the reference date (t=0) and forecasting them based on a run-off pattern appropriate for each non-financial risk based on coverage units. According to clause 81 in IFRS 17 requirements the Group and the Company decided not to disaggregate the change in the risk adjustment for non-financial risk between insurance services result and insurance financial income and expenses. Entire change in risk adjustment for non-financial risk will be included as part of the insurance service result.

GENERAL INFORMATION (CONTINUED)

New and amended standards, and interpretations (continued)

Insurance financial income and expenses include the time value of money (discounting) and changes in financial risks related to insurance contracts groups. The Group and the Company can select to distribute insurance financial income and expenses between profit (loss) and other comprehensive income (OCI) but decided not to apply the other comprehensive income approach.

The Group and the Company has applied all three possible methods for transition to new standard:

Product	Transition method
<i>Endowment insurance (KG)</i>	Fair value method
<i>Endowment insurance for survival (KI)</i>	Fair value method
<i>Hybrid (GD, GP)</i>	For contracts concluded till 2016 – Fair value method. For contracts concluded after 2016 – Full retrospective approach
<i>Studies insurance (SD)</i>	Fair value method
<i>Pension insurance (PD)</i>	Fair value method
<i>Pension annuities insurance (PA)</i>	Fair value method
<i>Annuities (SD_pay_out, PD_pay_out)</i>	Fair value method
<i>Investment insurance (UG,PP,IP)</i>	For contracts concluded till 2008 – Fair value method. For contracts concluded between 2008-2015 – Modified retrospective approach. For contracts concluded after 2016 – Full retrospective approach
<i>Children safe future insurance (VA)</i>	For contracts concluded till 2008 – Fair value method. For contracts concluded between 2008-2015 – Modified retrospective approach. For contracts concluded after 2016 – Full retrospective approach
<i>Children future programme (VP)</i>	Full retrospective approach
<i>Life risk insurance (GG)</i>	Fair value method
<i>Life risk insurance with decreasing insurance amount (RG)</i>	For contracts concluded till 2016 m. – Fair value method. For contracts concluded after 2016 – Full retrospective approach
<i>„I'm safe“ insurance (GN)</i>	Fair value method
<i>Life risk „Safe family“ insurance (SB)</i>	Full retrospective approach
<i>Mortgage life insurance (BK)</i>	Full retrospective approach

For insurance contracts concluded until new standard application date and about which the Group and the Company has insufficient data to apply full or modified retrospective approach or they constitute insignificant part of total portfolio fair value method was applied. For insurance contracts concluded until new standard application date and for which the Group and the Company has insufficiently detailed data to apply fully retrospective approach modified retrospective approach was applied. For remaining insurance contracts full retrospective approach was applied.

The Group and the Company has evaluated impact on financial statements of initial IFRS 17 and IFRS 9 application. According to assessments made the Group's and the Company's equity correction (after tax) is EUR 1,238 thousand as at 1 January 2023.

<i>Application impact on Group's equity</i>	31 December 2022	31 December 2021
<i>Equity under IFRS 4</i>	9 068	9 124
<i>Increase (decrease) in equity due to IFRS 17 and IFRS 9 application</i>	1,238	(2,607)
<i>Equity</i>	10 306	6 517

Revenue related to insurance activities

	31 December 2023	31 December 2022
Amounts relating to changes in LFRC		
- Expected benefits incurred	1,661	2,213
- Expected expenses incurred	1,766	1,136
- Change in the risk adjustment	(236)	929
- CSM recognized	835	652
Recovery of acquisition cash flows	919	828
Other insurance related revenue	739	660
Total	5,684	6,418

GENERAL INFORMATION (CONTINUED)

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 2022, 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 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 interim financial statements also include specific estimates and judgements applied for calculation of temporary solidarity contribution which calculation and payment order were set in provisions of Law on temporary solidarity contribution of Republic of Lithuania adopted in 2nd quarter of 2023. According to clarifications received from tax authorities regarding calculation of this contribution, amount of expenses reversal of temporary solidarity contribution accounted for 4th quarter of 2023 by the Bank is equal to EUR 0.5 million. During year 2023 total amount of temporary solidarity contribution accounts for EUR 1.7 million.

On 1 December 2023 Group companies have acquired two separate business units (see Note 2). Both business units were acquired during single transaction. Group management has applied judgement in defining if business units acquired meet definition of business as described in IFRS 3 also if from Group perspective separate business units' acquisition should be accounted as one transaction. Significant inputs and assumptions were applied to perform purchase price allocation and calculate fair value of net assets acquired during business combination. Changes in these judgements and estimates can significantly affect amounts accounted because of this business combination.

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 2023		31 December 2022	
	Group	Bank	Group	Bank
<i>Cash equivalents</i>	679,810	671,390	307,443	306,303
<i>Loans and advances to banks</i>	3,013	3,013	2,733	2,733
<i>Loans and advances to customers:</i>	2,645,104	2,633,482	2,391,629	2,370,762
<i>Loans and advances to financial institutions</i>	-	274,106	-	195,623
<i>Loans to individuals (Retail)</i>	1,258,203	999,029	1,114,258	916,118
<i>Loans to business customers</i>	1,386,901	1,360,347	1,277,371	1,259,021
<i>Finance lease receivables</i>	286,533	286,451	242,448	242,192
<i>Debt securities at fair value through profit or loss</i>	65,761	20,240	30,148	27,056
<i>Derivative financial instruments</i>	251	241	897	897
<i>Debt securities at fair value through other comprehensive income</i>	71,740	71,740	85,271	85,271
<i>Debt securities at amortized cost</i>	751,227	739,869	969,036	956,332
<i>Other assets subject to credit risk</i>	7,351	8,289	5,815	5,620
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	59,216	59,256	52,655	52,716
<i>Letters of credit</i>	538	538	5,756	5,756
<i>Loan commitments and other credit related liabilities</i>	482,027	489,655	490,944	492,592
Total	5,052,571	4,984,164	4,584,775	4,548,230

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

Loans to customers

Loans and advances are summarized as follows:

	31 December 2023		31 December 2022	
	Group	Bank	Group	Bank
<i>Gross loans at amortized cost</i>	2,685,454	2,661,035	2,423,800	2,395,409
<i>Less: allowance for impairment</i>	(43,558)	(30,761)	(34,229)	(26,705)
Net loans at amortized cost	2,641,896	2,630,274	2,389,571	2,368,704
<i>Gross loans at fair value</i>	3,208	3,208	2,058	2,058
Total loans	2,645,104	2,633,482	2,391,629	2,370,762

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 are provided in several tranches to different investment layers bearing different risk levels. Part of 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. During twelve months period ended 31 December 2023 losses from fair value change of such loans of EUR 374 thousand were recognized.

The distribution of loans by stages and days past due:

	31 December 2023					31 December 2022				
	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>	2,364,705	45,340	135	4	2,410,184	2,146,375	36,617	-	-	2,182,992
<i>Allowance for impairment</i>	(20,982)	(278)	(3)	-	(21,263)	(12,893)	(645)	-	-	(13,538)
Net amount	2,343,723	45,062	132	4	2,388,921	2,133,482	35,972	-	-	2,169,454
Stage 2:										
<i>Gross amount</i>	165,301	20,976	14,397	64	200,738	155,834	9,688	10,275	-	175,797
<i>Allowance for impairment</i>	(2,106)	(2,827)	(1,333)	(18)	(6,284)	(1,614)	(117)	(679)	-	(2,410)
Net amount	163,195	18,149	13,064	46	194,454	154,220	9,571	9,596	-	173,387
Stage 3:										
<i>Gross amount</i>	36,775	5,455	5,263	30,247	77,740	31,903	10,939	1,517	22,710	67,069
<i>Allowance for impairment</i>	(3,936)	(1,345)	(1,896)	(8,834)	(16,011)	(6,878)	(1,759)	(529)	(9,115)	(18,281)
Net amount	32,839	4,110	3,367	21,413	61,729	25,025	9,180	988	13,595	48,788
Total:										
<i>Gross amount</i>	2,566,781	71,771	19,795	30,315	2,688,662	2,334,112	57,244	11,792	22,710	2,425,858
<i>Allowance for impairment</i>	(27,024)	(4,450)	(3,232)	(8,852)	(43,558)	(21,385)	(2,521)	(1,208)	(9,115)	(34,229)
Net amount	2,539,757	67,321	16,563	21,463	2,645,104	2,312,727	54,723	10,584	13,595	2,391,629

	31 December 2023					31 December 2022				
	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>	2,130,579	35,340	-	4	2,165,923	1,961,097	25,618	-	-	1,986,715
<i>Allowance for impairment</i>	(15,888)	(67)	-	-	(15,955)	(9,390)	(35)	-	-	(9,425)
Net amount	2,114,691	35,273	-	4	2,149,968	1,951,707	25,583	-	-	1,977,290
Stage 2:										
<i>Gross amount</i>	412,309	6,877	8,965	4	428,155	332,429	9,340	7,615	-	349,384
<i>Allowance for impairment</i>	(2,059)	(147)	(71)	(1)	(2,278)	(1,560)	(64)	(50)	-	(1,674)
Net amount	410,250	6,730	8,894	3	425,877	330,869	9,276	7,565	-	347,710
Stage 3:										
<i>Gross amount</i>	35,119	4,065	1,929	29,052	70,165	30,029	9,992	875	20,472	61,368
<i>Allowance for impairment</i>	(3,157)	(710)	(374)	(8,287)	(12,528)	(5,993)	(1,318)	(229)	(8,066)	(15,606)
Net amount	31,962	3,355	1,555	20,765	57,637	24,036	8,674	646	12,406	45,762
Total:										
<i>Gross amount</i>	2,578,007	46,282	10,894	29,060	2,664,243	2,323,555	44,950	8,490	20,472	2,397,467
<i>Allowance for impairment</i>	(21,104)	(924)	(445)	(8,288)	(30,761)	(16,943)	(1,417)	(279)	(8,066)	(26,705)
Net amount	2,556,903	45,358	10,449	20,772	2,633,482	2,306,612	43,533	8,211	12,406	2,370,762

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.

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 2023		31 December 2022	
	Group	Bank	Group	Bank
<i>Business customers</i>	254,058	253,170	220,087	219,025
<i>Individuals</i>	40,049	40,049	27,661	27,661
Gross	294,107	293,219	247,748	246,686
<i>Less: Allowance for impairment</i>	(7,574)	(6,768)	(5,300)	(4,494)
Net	286,533	286,451	242,448	242,192

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

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

	31 December 2023					31 December 2022				
	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	240,529	26,934	-	-	267,463	216,512	10,934	-	-	227,446
Allowance for impairment	(2,563)	(379)	-	-	(2,942)	(1,757)	(124)	-	-	(1,881)
Net amount	237,966	26,555	-	-	264,521	214,755	10,810	-	-	225,565
Stage 2:										
Gross amount	17,132	895	1,065	-	19,092	10,866	596	1,201	-	12,663
Allowance for impairment	(1,024)	(25)	(28)	-	(1,077)	(246)	(15)	(24)	-	(285)
Net amount	16,108	870	1,037	-	18,015	10,620	581	1,177	-	12,378
Stage 3:										
Gross amount	4,089	211	1,143	2,109	7,552	5,053	719	323	1,544	7,639
Allowance for impairment	(2,101)	(33)	(150)	(1,271)	(3,555)	(1,761)	(153)	(62)	(1,158)	(3,134)
Net amount	1,988	178	993	838	3,997	3,292	566	261	386	4,505
Total:										
Gross amount	261,750	28,040	2,208	2,109	294,107	232,431	12,249	1,524	1,544	247,748
Allowance for impairment	(5,688)	(437)	(178)	(1,271)	(7,574)	(3,764)	(292)	(86)	(1,158)	(5,300)
Net amount	256,062	27,603	2,030	838	286,533	228,667	11,957	1,438	386	242,448

	31 December 2023					31 December 2022				
	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	240,529	26,934	-	-	267,463	216,512	10,934	-	-	227,446
Allowance for impairment	(2,563)	(379)	-	-	(2,942)	(1,757)	(124)	-	-	(1,881)
Net amount	237,966	26,555	-	-	264,521	214,755	10,810	-	-	225,565
Stage 2:										
Gross amount	17,055	895	1,057	-	19,007	10,606	596	1,201	-	12,403
Allowance for impairment	(1,021)	(25)	(27)	-	(1,073)	(241)	(15)	(24)	-	(280)
Net amount	16,034	870	1,030	-	17,934	10,365	581	1,177	-	12,123
Stage 3:										
Gross amount	4,089	211	1,143	1,306	6,749	5,053	719	323	742	6,837
Allowance for impairment	(2,101)	(33)	(150)	(469)	(2,753)	(1,762)	(153)	(62)	(356)	(2,333)
Net amount	1,988	178	993	837	3,996	3,291	566	261	386	4,504
Total:										
Gross amount	261,673	28,040	2,200	1,306	293,219	232,171	12,249	1,524	742	246,686
Allowance for impairment	(5,685)	(437)	(177)	(469)	(6,768)	(3,760)	(292)	(86)	(355)	(4,493)
Net amount	255,988	27,603	2,023	837	286,451	228,411	11,957	1,438	387	242,193

**NOTE 2
SECURITIES**

Securities in the trading book

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

	31 December 2023		31 December 2022	
	Group	Bank	Group	Bank
Debt securities:	65,761	20,240	30,148	27,056
Government bonds	24,839	2,637	2,880	2,602
Corporate bonds	40,922	17,603	27,268	24,454
Equity securities	141,916	162	28,153	231
Total	207,677	20,402	58,301	27,287

	31 December 2023		31 December 2022	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	27,663	20,240	30,079	27,056
from AA- to AAA	1,588	-	-	-
from A- to A+	8,016	2,637	2,779	2,602
from BBB- to BBB+	204	-	588	-
from BB- to BB+	-	-	492	-
lower than BB-	-	-	-	-
no rating	17,855	17,603	26,220	24,454
Equity securities	162	162	231	231
listed	162	162	213	213
unlisted	-	-	18	18
units of investment funds	-	-	-	-
Total trading securities	27,825	20,402	30,310	27,287
Other trading book securities:				
Debt securities	38,098	-	69	-
from AA- to AAA	106	-	-	-
from A- to A+	12,296	-	-	-
from BBB- to BBB+	17,826	-	-	-
from BB- to BB+	7,804	-	-	-
lower than BB-	-	-	-	-
no rating	66	-	69	-
Equity securities	141,754	-	27,922	-
listed	2,843	-	-	-
unlisted	121	-	-	-
units of investment funds	138,790	-	27,922	-
Total other trading book securities	179,852	-	27,991	-
TOTAL	207,677	20,402	58,301	27,287

NOTE 2
SECURITIES (CONTINUED)

Investment securities

	31 December 2023		31 December 2022	
	Group	Bank	Group	Bank
<u>Securities at fair value:</u>				
Debt securities:	71,740	71,740	85,271	85,271
Government bonds	53,949	53,949	52,570	52,570
Corporate bonds	17,791	17,791	32,701	32,701
Equity securities	2,760	2,642	4,954	4,954
Total	74,500	74,382	90,225	90,225
<u>Securities at amortized cost:</u>				
Debt securities:	751,227	739,869	969,036	956,332
Government bonds	663,211	657,445	827,764	821,781
Corporate bonds	88,016	82,424	141,272	134,551
Total	751,227	739,869	969,036	956,332

	31 December 2023		31 December 2022	
	Group	Bank	Group	Bank
<u>Securities at fair value:</u>				
Debt securities	71,740	71,740	85,271	85,271
from AA- to AA+	-	-	-	-
from A- to A+	58,981	58,981	56,664	56,664
from BBB- to BBB+	5,591	5,591	10,387	10,387
from BB- to BB+	4,345	4,345	15,432	15,432
lower than BB-	-	-	-	-
no rating	2,823	2,823	2,788	2,788
Equities	2,760	2,642	4,954	4,954
listed	241	241	286	286
unlisted	501	383	243	243
units of investment funds	2,018	2,018	4,425	4,425
Total	74,500	74,382	90,225	90,225
<u>Securities at amortized cost:</u>				
Debt securities	751,227	739,869	969,036	956,332
from AA- to AA+	2,271	2,067	3,369	3,164
from A- to A+	670,920	664,946	835,290	829,303
from BBB- to BBB+	76,919	72,856	128,867	123,865
from BB- to BB+	1,117	-	1,510	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
Total	751,227	739,869	969,036	956,332

Credit stages of investment debt securities:

	31 December 2023		31 December 2022	
	Group	Bank	Group	Bank
Stage 1:				
Gross amount	820,227	808,860	1,054,916	1,042,201
Allowance for impairment	(84)	(75)	(612)	(598)
Net amount	820,143	808,785	1,054,304	1,041,603
Stage 2:				
Gross amount	2,969	2,969	-	-
Allowance for impairment	(145)	(145)	-	-
Net amount	2,824	2,824	-	-
Stage 3:				
Gross amount	1,020	-	1,020	-
Allowance for impairment	(1,020)	-	(1,020)	-
Net amount	-	-	-	-

During twelve months periods ended 31 December 2023 and 31 December 2022 no material reclassifications between portfolios of securities were performed.

NOTE 2 SECURITIES (CONTINUED)

Investments in subsidiaries

As of 31 December 2023 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),
6. SB Asset Management UAB (funds management activities).

As of 31 December 2022 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),
5. SB Modernizavimo Fondas UAB (multiapartment buildings renovation financing activities),

As of 31 December 2022 the Bank owned the following indirectly controlled subsidiaries:

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

On 7 February 2023 new Šiaulių Bankas group company was established – SB Asset Management UAB, legal entity code: 306241274, registered office address Gynėjų str. 14, Vilnius, whose sole founder, owning 100 percent of the shares, is the Bank. SB Asset Management UAB 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 took over the management business of pension funds and investment funds for its further development.

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. 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 significantly.

By implementing its strategic plan, the Bank optimizes the structure of its subsidiaries. During twelve months period ended 31 December 2023 Bank's indirectly controlled subsidiary Šiaulių Banko Investicijų Valdymas UAB was liquidated. Šiaulių Banko Lizingas UAB directly controlled by the Bank is under liquidation procedure.

Bank's investments in subsidiaries consisted of:

	Share in equity	31 December 2023	31 December 2022 (restated)
<i>SB draudimas GD UAB</i>	100%	32,528	12,959
<i>SB lizingas UAB</i>	100%	2,964	13,904
<i>Šiaulių Banko Lizingas UAB</i>	100%	-	1,074
<i>SB Turto Fondas UAB</i>	100%	5,083	4,631
<i>SB Asset Management UAB</i>	100%	35,997	-
Total investments in subsidiaries using equity method		76,572	31,568
<i>SB Modernizavimo Fondas UAB</i>	100%	100	100
Total investments in subsidiaries at fair value		100	100

Investment to SB draudimas GD UAB value was restated due to IFRS 17 implementation impact.

On 1 December 2023 the Group has completed merger of retail businesses with Invalda INVL. After completion of this transaction Group entities have acquired parts of insurance and pension funds and investment funds for retail clients' management businesses from Invalda INVL. Transaction price – EUR 41,760 thousand. From this amount EUR 40,165 thousand was paid using new 62,270,383 units share emission issued by the Bank (see Note 6), remaining part (EUR 1,595 thousand) was paid in cash. After this transaction Bank's subsidiary SB Asset Management UAB is managing second- and third-pillar pension funds and investment funds in Lithuania with assets amounting to EUR 1,182 million at 31 December 2023 and Bank's subsidiary GD SB draudimas UAB has significantly expanded its life insurance business in Baltic countries (operating in Latvia and Estonia through its own branches). The Bank has capitalized liabilities of subsidiaries arising from the transaction during December 2023, also due to regulatory requirements share capitals of these subsidiaries were increased by cash as well, because of these reasons value of subsidiaries in Bank's stand-alone financial statements have increased significantly as the Bank is accounting subsidiaries at equity method. The business combination was accounted using acquisition method. Minority interest has not originated because of this transaction. Acquisition costs directly attributable with the transaction amounting to EUR 2,500 thousand were expensed and accounted within Group's income statement item 'Other operating expenses'.

NOTE 2
SECURITIES (CONTINUED)

According to clauses in IFRS 3 'Business combinations' the Group management has decided to account for and measure two separate businesses acquired as one transaction. Fair values of assets, liabilities and net assets of this business acquisition transaction are provided in table below.

Fair value	Acquisition date for consolidation purposes			In thousand EUR	
	Group	Insurance business	Funds management business	1 December 2023	
				Retail support	
Intangible assets	219	95	124	-	
Property, plant and equipment	105	76	26	3	
Financial assets accounted at fair value through profit and loss	138,108	137,994	114	-	
Reinsurance assets	4	4	-	-	
Trade amounts receivable	41	32	9	-	
Prepayments	46	38	8	-	
Cash and cash equivalents	2,335	1,784	551	-	
Total assets	140,857	140,023	831	-	
Liabilities for remaining coverage	48,923	48,923	-	-	
Investments contracts liabilities	82,983	82,983	-	-	
Trade accounts payable	66	43	23	-	
Other amounts payable	914	255	659	-	
Accrued expenses	11	11	-	-	
Total liabilities	132,897	132,215	682	-	
Total net assets	7,960	7,808	149	3	
Goodwill	4,290	1,147	3,143	-	
Identified deferred tax assets	3,501	-	3,501	-	
Other identified intangible assets (funds management rights)	30,598	-	30,598	-	
Identified deferred tax liabilities	(4,589)	-	(4,589)	-	
Total consideration paid	41,760	8,955	32,802	3	
Consideration paid in cash	1,595	1,595	-	-	
Other nettings of mutual transactions	40,165	7,360	32,802	-	
Less: cash acquired	(2,335)	(1,784)	(551)	-	
Total consideration paid in cash less cash acquired	(740)	(189)	(551)	-	

NOTE 3
SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Other assets

	31 December 2023		31 December 2022	
	Group	Bank	Group (restated)	Bank
Amounts receivable	7,351	8,289	5,815	5,620
Inventories	114	-	146	-
Deferred charges	3,529	3,424	1,004	974
Assets under reinsurance and insurance contracts	153	-	889	-
Prepayments	2,225	1,000	928	405
Foreclosed assets	168	164	468	464
Other	6,203	6,093	1,203	1,261
Total	19,743	18,970	10,453	8,724

Assets held for sale

Assets held for sale consist of:

	31 December 2023		31 December 2022	
	Group	Bank	Group	Bank
Real estate classified as held for sale	150	150	150	150
Total assets classified as held for sale	150	150	150	150

NOTE 4
DUE TO CUSTOMERS

	31 December 2023		31 December 2022	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	56,135	56,135	59,258	59,258
<i>Local government institutions</i>	121,886	121,886	139,054	139,054
<i>Governmental and municipal companies</i>	38,209	38,209	33,252	33,252
<i>Corporate entities</i>	628,408	632,159	763,766	767,625
<i>Non-profit organizations</i>	35,780	35,780	42,535	42,535
<i>Individuals</i>	711,184	711,184	811,586	811,586
<i>Unallocated amounts due to customers</i>	17,572	18,093	13,473	13,994
Total demand deposits	1,607,816	1,612,067	1,862,924	1,867,304
<i>Term deposits:</i>				
<i>National government institutions</i>	2,519	2,519	1,015	1,015
<i>Local government institutions</i>	2,316	2,316	3,803	3,803
<i>Governmental and municipality companies</i>	3,831	3,831	5,847	5,847
<i>Corporate entities</i>	336,944	336,944	187,108	187,108
<i>Non-profit organizations</i>	8,278	8,278	2,298	2,298
<i>Individuals</i>	1,200,953	1,200,953	721,973	721,973
Total term deposits	1,554,841	1,554,841	922,044	922,044
Total	3,162,657	3,166,908	2,784,968	2,789,348

NOTE 5
SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITIES ITEMS

Due to other banks and financial institutions

On 28th June 2023 the Bank has repaid a EUR 150 million loan borrowed under the ECB's TLTRO III programme. After this repayment 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 479 million as at 31 December 2023. 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, was recognised within the income statement line "Interest income". The remainder is a benefit of the below-market rate of interest and was 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 2023 and 2022 income statement line "Interest expenses". Securities with a carrying value of EUR 517,148 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 should 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 14,184 thousand in the beginning of the year to EUR 15,718 thousand in the end of the reporting period is attributable to routine fluctuations in these funds.

NOTE 6
CAPITAL

As of 31 December 2022 share capital of the Bank amounted to EUR 174,210,616.27, it comprised 600,726,263 ordinary registered shares with par value of EUR 0.29 each.

On 22 November the Bank and Invalda INVL signed an agreement according which segments of their retail businesses were merged on 1 December 2023. After closing the transaction, 62,270,383 newly issued shares of the Bank which represents 9,39% of the Bank shareholding were transferred to Invalda INVL on 15 December 2023. After this issue of shares as of 31 December 2023 share capital of the Bank amounted to EUR 192,269,027.34, it comprised 662,996,646 ordinary registered shares with par value of EUR 0.29 each. Following the completion of this share acquisition transaction, the Invalda INVL Group's shareholding in the Bank increased to 18.45%.

NOTE 6
CAPITAL (CONTINUED)

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 Willgrow, 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. After this transaction as of 31 December 2023 EBRD possessed 12.69% of the authorised capital and votes of the Bank. Following the completion of this and other planned share acquisition transactions announced, the Invalda INVL Group intends to increase its shareholding in the Bank up to 20% threshold.

As at 31 December 2023, the Bank had 19,087 shareholders (as at 31 December 2022: 18,524).

Dividends:

On 31 March 2023 ordinary general meeting of shareholders made a decision to pay EUR 0.0265 (i.e. 9.1%) dividends per one ordinary registered share with EUR 0.29 nominal value each.

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.

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 2023 carrying value of reserve for own shares acquisition amounts to EUR 20,000 thousand (as at 31 December 2022: EUR 20,000 thousand).

During twelve months period ended 31 December 2023 the Bank acquired 4,764 thousand units of own shares for EUR 3,368 thousand. Part of acquired shares were granted to the employees of the Bank and its subsidiaries as a deferred part of variable remuneration for 2019. As of 31 December 2023 the Bank held 2,273 thousand own shares with carrying value of EUR 1,500 thousand.

During twelve months period ended 31 December 2022 the Bank acquired 2,105 thousand units of own shares for EUR 1,557 thousand. Part of 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.

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. From 2023 Bank's shares options are executable after 4-5 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 31 March 2023: grant date (31 March 2023), expiry days (9 April 2027 and 14 April 2028), share price 0.747 on grant day, exercise price 0.65, expected price volatility of the bank's shares 26%, risk free interest rates - 5% ir 2.3%;
- 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%;

NOTE 6
CAPITAL (CONTINUED)

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

	31 December 2023		31 December 2022	
	Group	Bank	Group	Bank
Options	1,697	1,209	2,355	1,917
Shares distributable to employees	-	-	-	-
Total	1,697	1,209	2,355	1,917

No options were forfeited or expired during periods ended 31 December 2023 and 31 December 2022. During twelve months period ended 31 December 2023 2,491 thousand units of share options were exercised for benefit of Group's defined employees (for benefit of Bank's defined employees – 2,165 thousand units) on exercise date at weighted average share price of 0.67 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 2023 and 31 December 2022, 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 2023 was 662,997 and for the year ended 31 December 2022 was 600,726 thousand. Weighted average number of shares in issue for the year ended 31 December 2023 was 602,693 thousand (2022: 599,840 thousand).

Group	31 December 2022 (restated)	
	31 December 2023	31 December 2022
Net profit from continuing operations attributable to equity holders	75,375	67,449
Net profit (loss) from discontinued operations attributable to equity holders	-	-
Net profit attributable to equity holders	75,375	67,449
Weighted average number of shares in issue during the period (thousand units)	602,693	599,840
Basic earnings per share (EUR)	0.13	0.11
Basic earnings per share (EUR) from continuing operations	0.13	0.11
Basic earnings per share (EUR) from discontinued operations	-	-

NOTE 7
NET INTEREST INCOME

	1 January - 31 December 2023		1 January - 31 December 2022	
	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):	195,726	181,049	107,650	92,845
on loans to other banks and financial institutions and placements with credit institutions	13 022	22 124	3 491	7 373
on loans to customers	173 748	150 290	97 310	78 865
on debt securities at amortized cost	8 265	8 080	6 196	5 997
on debt securities at fair value through other comprehensive income	691	555	653	610
Other similar income:	21 242	21 070	12 041	11 878
on debt securities at fair value through profit or loss	1 887	1 741	1 521	1 388
on loans at fair value through profit or loss	374	374	-	-
on finance leases	18 981	18 955	9 702	9 672
other interest income	-	-	818	818
Total interest income	216 968	202 119	119 691	104 723
Interest expense:				
on financial liabilities designated at fair value through profit or loss	-	-	-	-
on financial liabilities measured at amortized cost	(60 083)	(60 172)	(10 871)	(10 885)
on other liabilities	(32)	(17)	(2 039)	(2 033)
Total interest expense	(60 115)	(60 189)	(12 910)	(12 918)
Net interest income	156 853	141 930	106 781	91 805

NOTE 8

NET FEE AND COMMISSION INCOME

	1 January - 31 December 2023		1 January - 31 December 2022	
	Group	Bank	Group (restated)	Bank
<i>Fee and commission income:</i>				
<i>for administration of loans of third parties</i>	5,249	5,249	4,195	4,195
<i>for settlement services</i>	5,428	5,443	5,960	5,976
<i>for cash operations</i>	4,750	4,750	5,459	5,459
<i>for account administration</i>	6,271	6,271	4,794	4,794
<i>for guarantees, letters of credit, documentary collection</i>	888	888	808	808
<i>for collection of utility and similar payments</i>	259	259	256	256
<i>for services related to securities</i>	4,268	4,270	3,862	3,967
<i>pension and investment funds management</i>	795	290	-	-
<i>other fee and commission income</i>	702	1,548	961	1,784
Total fee and commission income	28,610	28,968	26,295	27,239
<i>Fee and commission expense:</i>				
<i>for payment cards</i>	(5,126)	(5,126)	(4,528)	(4,528)
<i>for cash operations</i>	(838)	(838)	(975)	(975)
<i>for correspondent bank and payment system fees</i>	(583)	(458)	(618)	(505)
<i>for services of financial data vendors</i>	(304)	(304)	(231)	(231)
<i>for services related to securities</i>	(888)	(938)	(780)	(780)
<i>pension and investment funds management</i>	(49)	-	-	-
<i>other fee and commission expenses</i>	(570)	(450)	(414)	(390)
Total fee and commission expense	(8,358)	(8,114)	(7,546)	(7,409)
Net fee and commission income	20,252	20,854	18,749	19,830

NOTE 9

OTHER OPERATING EXPENSES

	1 January - 31 December 2023		1 January - 31 December 2022	
	Group	Bank	Group (restated)	Bank
<i>Rent of buildings and premises</i>	(300)	(304)	(271)	(276)
<i>Utility services for buildings and premises</i>	(1,292)	(1,252)	(1,167)	(1,136)
<i>Other expenses related to buildings and premises</i>	(781)	(781)	(939)	(939)
<i>Transportation expenses</i>	(391)	(309)	(400)	(329)
<i>Legal costs</i>	(703)	(703)	(577)	(577)
<i>Personnel and training expenses</i>	(1,414)	(1,344)	(626)	(575)
<i>IT and communication expenses</i>	(11,987)	(10,983)	(8,394)	(7,701)
<i>Marketing and charity expenses</i>	(5,331)	(2,524)	(4,927)	(2,559)
<i>Service organization expenses</i>	(4,099)	(3,611)	(2,839)	(2,729)
<i>Non-income taxes, fines</i>	(2,404)	(1,803)	(174)	460
<i>Costs incurred due to debt recovery</i>	(923)	(675)	(261)	(68)
<i>Other expenses</i>	(1,623)	(1,269)	(1,043)	(666)
Total	(31,247)	(25,557)	(21,618)	(17,095)

NOTE 10

IMPAIRMENT LOSSES

	1 January - 31 December 2023		1 January - 31 December 2022	
	Group	Bank	Group	Bank
<i>(Impairment losses) / reversal of impairment losses on loans</i>	(13,198)	(5,745)	(3,839)	(2,010)
<i>Recoveries of loans previously written-off</i>	210	208	402	237
<i>Reversal of impairment losses / (impairment losses) on finance lease receivables</i>	(2,273)	(2,274)	(1,512)	(1,454)
<i>Recovered previously written-off finance lease receivables</i>	-	-	-	-
<i>(Impairment losses) on debt securities</i>	369	378	(279)	(268)
<i>Reversal of impairment losses on due from banks</i>	(8)	(8)	68	68
<i>Reversal of impairment losses / (impairment losses) on other financial assets</i>	(618)	(618)	(260)	(265)
<i>(Impairment losses) on subsidiaries</i>	-	-	-	-
<i>(Impairment losses) / reversal of impairment losses on other non-financial assets</i>	-	-	1	-
<i>Recoveries of other non-financial assets previously written-off</i>	-	-	-	-
<i>Provisions for other liabilities</i>	286	-	463	-
Total	(15,232)	(8,059)	(4,956)	(3,692)

NOTE 10
IMPAIRMENT LOSSES (CONTINUED)

	1 January - 31 December 2023		1 January - 31 December 2022	
	Group	Bank	Group	Bank
Allowance for impairment of loans				
<i>As at 1 January</i>	34,229	26,705	35,696	28,137
<i>Change in allowance for loan impairment</i>	13,198	5,745	3,839	2,010
<i>Loans written off during the period</i>	(3,870)	(1,690)	(5,306)	(3,442)
<i>Other factors (reclassification, FX rate shift, etc.)</i>	1	1	-	-
<i>As at 31 December</i>	43,558	30,761	34,229	26,705
Allowance for impairment of finance lease receivables				
<i>As at 1 January</i>	5,300	4,494	3,787	3,039
<i>Change in allowance for impairment of finance lease receivables</i>	2,273	2,274	1,512	1,454
<i>Finance lease receivables written off during the period</i>	-	-	-	-
<i>Other factors (reclassification, FX rate shift, etc.)</i>	1	-	1	1
<i>As at 31 December</i>	7,574	6,768	5,300	4,494
Allowance for impairment of debt securities				
<i>As at 1 January</i>	1,632	598	1,365	331
<i>Change in allowance for impairment of debt securities</i>	(369)	(378)	267	268
<i>Debt securities written off during the period</i>	-	-	-	-
<i>Other factors (reclassification, FX rate shift, etc.)</i>	(14)	-	-	(1)
<i>As at 31 December</i>	1,249	220	1,632	598
Allowance for impairment of due from banks				
<i>As at 1 January</i>	39	39	106	106
<i>Change in allowance for impairment of due from banks</i>	8	8	(68)	(68)
<i>Due from banks written off during the period</i>	-	-	-	-
<i>Other factors (reclassification, FX rate shift, etc.)</i>	(1)	(1)	1	1
<i>As at 31 December</i>	46	46	39	39
Allowance for impairment of other financial assets				
<i>As at 1 January</i>	506	490	260	228
<i>Change in allowance for impairment of other financial assets</i>	618	618	260	265
<i>Other financial assets written off during the period</i>	-	-	(13)	(3)
<i>Other factors (reclassification, FX rate shift, etc.)</i>	(6)	(7)	(1)	-
<i>As at 31 December</i>	1,118	1,101	506	490

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:

	2024		2025		2026		2027		2028	
	GDP	Probability	GDP	Probability	GDP	Probability	GDP	Probability	GDP	Probability
At 31 December 2023:										
<i>Baseline scenario</i>	1.80%	60 %	3.10%	60 %	3.30%	60 %	2.21%	60 %	2.15%	60 %
<i>Optimistic scenario</i>	2.50%	15 %	3.80%	15 %	4.00%	15 %	3.50%	15 %	3.10%	15 %
<i>Pessimistic scenario</i>	0.20%	25 %	1.90%	25 %	2.00%	25 %	1.50%	25 %	1.50%	25 %
<i>Weighted average GDP growth</i>	1.51%		2.91%		3.08%		2.23%		2.13%	
	2023		2024		2025		2026		2027	
At 31 December 2022:										
<i>Baseline scenario</i>	0.70%	60 %	3.00%	60 %	3.00%	60 %	2.30%	60 %	2.30%	60 %
<i>Optimistic scenario</i>	1.30%	15 %	3.80%	15 %	3.80%	15 %	3.10%	15 %	3.10%	15 %
<i>Pessimistic scenario</i>	-2.80%	25 %	1.10%	25 %	1.10%	25 %	0.10%	25 %	0.10%	25 %
<i>Weighted average GDP growth</i>	-0.09%		2.65%		2.65%		1.87%		1.87%	

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 2023 – impairment loss of EUR 7,008 thousand (all attributable to change in calculation parameters), 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).

NOTE 10 IMPAIRMENT LOSSES (CONTINUED)

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 390 thousand was recognized for year 2022. Because of these circumstances exposures with carrying value of EUR 6,036 thousand and EUR 5,840 thousand, respectively, were added to Watch List or Not Performing Exposures (NPE) list as of 31 December 2022. Since then financial position of part of clients improved and risks related to geopolitical circumstances were managed therefore carrying value of loans still in Watch List decreased to EUR 406 thousand as at 31 December 2023 compared to EUR 6,036 thousand loans in Watch list as of 31 December 2022. Due to NPE status removal or partial repayment of loans there were no loans in NPE list as at 31 December 2023 from NPE list which at 31 December 2022 amounted to EUR 5,840 thousand. From EUR 390 thousand impairment losses recognized at 31 December 2022 impairment reversal of EUR 225 thousand was accounted as at 31 December 2023. No new clients were added to Watchlist during year 2023 because of geopolitical situation.

NOTE 11 SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from trading activities

	1 January - 31 December 2023		1 January - 31 December 2022	
	Group	Bank	Group (restated)	Bank
<i>Net gain from operations with securities</i>	6,197	(2,112)	1,190	(538)
<i>Net gain from foreign exchange and related derivatives</i>	8,574	8,567	(577)	(702)
<i>Net gain (loss) from other derivatives</i>	(1,097)	(1,097)	10,219	10,213
Total	13,674	5,358	10,832	8,973

Net gain from trading activities includes investment result of the insurance company assets under unit-linked investments (see below): a net profit of EUR 7,609 thousand for the twelve months period ended 31 December 2023; a net loss of EUR 3,776 thousand for the twelve months period ended 31 December 2022.

Expenses related to insurance activities

	1 January - 31 December 2023		1 January - 31 December 2022	
	Group	Bank	Group (restated)	Bank
<i>Part of the change of insurance contract liabilities that covers the result of investment of assets under unit-linked investments*</i>	(7,752)	-	3,603	-
<i>Other changes of insurance contract liabilities and other expenses related to insurance activities</i>	(6,488)	-	(7,575)	-
Total expenses related to insurance activities	(14,240)	-	(3,972)	-

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

	1 January - 31 December 2023		1 January - 31 December 2022	
	Group	Bank	Group (restated)	Bank
<i>Interest and similar income</i>	136	-	43	-
<i>Net gain (loss) from operations with securities</i>	7,609	-	(3,776)	-
<i>Net gain (loss) from foreign exchange</i>	7	-	130	-
Total	7,752	-	(3,603)	-

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 2023 and 2022, 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 2023		31 December 2022	
	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>	424	299	508	26
<i>Other related parties (excluding subsidiaries of the Bank)</i>	225	9,172	142	61
Total	649	9,471	650	87

As of 31 December 2023, the balance of individual allowance for impairment losses on loans to related parties, except subsidiaries, amounted to EUR 10 thousand (31 December 2022: EUR 0 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 2023 the total amount of fixed and annual variable remuneration (total of payments in cash and in shares of the Bank) to the Bank's Board members amounted to EUR 1,598 thousand (2022: EUR 3,595 thousand).

Transactions with subsidiaries:

Balances of transactions with the subsidiaries are presented below:

	31 December 2023		31 December 2022	
	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>	35,155	43,820	5,069	44,500
<i>Financial institutions</i>	52	263,192	1,119	187,350
	35,207	307,012	6,188	231,850

Bank's total balances with subsidiaries:

	31 December 2023	31 December 2022
Assets		(restated)
<i>Loans</i>	277,623	179,148
<i>Other assets</i>	-	-
<i>Bank's investment in subsidiaries</i>	76,672	32,668
Liabilities and shareholders' equity		
<i>Deposits</i>	35,207	6,188
<i>Other liabilities</i>	-	-

Income and expenses arising from transactions with subsidiaries:

	1 January – 31 December 2023	1 January – 31 December 2022
Income		(restated)
<i>Interest</i>	10,314	3,949
<i>Commission income</i>	2,711	1,142
<i>FX gain (loss)</i>	-	-
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	(4,267)	9,207
<i>Other income</i>	2,001	313
Expenses		
<i>Interest</i>	(88)	(16)
<i>Operating expenses</i>	155	25
<i>(Impairment losses)/ reversal of impairment losses on loans</i>	(162)	(258)
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	-

As of 31 December 2023, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 109 thousand (31 December 2022: EUR 271 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 2023 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>	182,584	718,798	143,559	332,814	347,088	1,271,834	1,586,170	226,474	4,809,321
<i>Total liabilities and shareholders' equity</i>	1,783,550	119,671	223,317	452,168	1,261,637	233,444	192,415	543,119	4,809,321
<i>Net liquidity gap</i>	(1,600,966)	599,127	(79,758)	(119,354)	(914,549)	1,038,390	1,393,755	(316,645)	-

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 (restated)</i>	384,989	66,841	125,136	339,293	328,261	1,232,280	1,628,499	77,357	4,182,656
<i>Total liabilities and shareholders' equity (restated)</i>	1,920,926	101,132	180,183	312,743	329,869	801,214	93,683	442,906	4,182,656
<i>Net liquidity gap</i>	(1,535,937)	(34,291)	(55,047)	26,550	(1,608)	431,066	1,534,816	(365,549)	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2023 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>	174,054	711,067	368,211	309,951	313,680	1,163,511	1,472,432	110,204	4,623,110
<i>Total liabilities and shareholders' equity</i>	1,697,259	108,893	223,678	455,836	1,255,860	228,600	108,543	544,441	4,623,110
<i>Net liquidity gap</i>	(1,523,205)	602,174	144,533	(145,885)	(942,180)	934,911	1,363,889	(434,237)	-

NOTE 13

LIQUIDITY, MARKET AND OPERATIONAL RISKS (CONTINUED)

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 (restated)</i>	383,749	59,231	284,777	321,057	300,353	1,158,883	1,568,370	66,277	4,142,697
<i>Total liabilities and shareholders' equity (restated)</i>	1,925,706	93,833	179,885	312,514	327,040	798,457	61,251	444,011	4,142,697
<i>Net liquidity gap</i>	(1,541,957)	(34,602)	104,892	8,543	(26,687)	360,426	1,507,119	(377,734)	-

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.

Enhancing the risk culture in the organisation is one of the Bank's priorities this year. For this purpose, e-training on the subject of operational risk was prepared for all employees of the Bank. The Bank continues to improve its systems designed for management of operational and reputation risks and recording of events at the Bank and its subsidiaries. Transfer of the register of the operational risk events from the Administrative Information System (AIS) to the Service Bank is planned this year.

At the end of 2022, procedures for procurement of outsourced services were updated, with the focus on improvement of the processes for monitoring the procurement and the services at the Bank. This year, a presentation on the subject of the outsourced services management was held for the employees of the Bank.

In 2023, the procedure for managing continuity of the Bank's activities was updated and process coordination in the continuity planning and management area at the Group's level was defined. At present, preparations for a comprehensive testing of the continuity plans, scheduled for this year, is underway.

In March 2022, a working group for the monitoring and assessment of the risks arising for the Bank due to Russia's military actions in Ukraine was formed in the Bank.

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 2023, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2022. 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 2023.

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 2023		31 December 2022	
	Group	Bank	Group (restated)	Bank
LEVEL I				
Trading book securities	140,317	5,413	11,966	9,381
Investment securities at fair value	70,054	70,054	83,623	83,623
Total Level I financial assets	210,371	75,467	95,589	93,004
LEVEL II				
Derivative financial instruments - assets	251	241	897	897
Derivative financial instruments - liabilities	(1,041)	(1,041)	(7,152)	(7,152)
LEVEL III				
Trading book securities	67,360	14,989	46,335	17,906
Investment securities at fair value	4,446	4,328	6,602	6,602
Total Level III financial assets	71,806	19,317	52,937	24,508

Due to business combination described in Note 2 need to align distribution into fair value hierarchy levels was identified therefore Group trading book securities with value of EUR 1,238 thousand were transferred from Level I of fair value hierarchy to Level III in comparable figures of year 2022.

There were no other significant transfers between fair value hierarchy levels during 2023 and 2022.

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 2023	1 Jan - 31 Dec 2022 (restated)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
As at 31 December	46,335	33,115	6,602	4,573
Impact of change in accounting principles	-	-	-	-
As at 1 January	46,335	33,115	6,602	4,573
Additions	20,881	55,141	-	2,031
Disposals / redemption / derecognition	(19,486)	(42,471)	(2,058)	(310)
Acquired in an acquisition of a business transaction (see Note 2)	35,835			
Reclassifications	(14,568)			
Changes due to interest accrued/paid	309	550	56	23
Changes in fair value	(1,946)	(731)	(154)	285
As at 31 December	67,360	45,604	4,446	6,602

Bank	Trading book securities		Investment securities at fair value	
	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022 (restated)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
As at 31 December	17,906	6,946	6,602	4,536
Impact of change in accounting principles	-	-	-	-
As at 1 January	17,906	6,946	6,602	4,536
Additions	18,334	45,179	-	2,031
Disposals / redemption / derecognition	(19,464)	(33,985)	(2,058)	(273)
Changes due to interest accrued/paid	301	550	56	23
Changes in fair value	(2,088)	(784)	(272)	285
As at 31 December	14,989	17,906	4,328	6,602

	1 January – 31 December 2023		1 January – 31 December 2022	
	Group	Bank	Group (restated)	Bank
Total result from revaluation of Level III instruments included in the income statement	(2,100)	(2,360)	(446)	(499)

Fair value of investment securities held to collect cash flows:

The fair value for Group's 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 2023		31 December 2022	
	Carrying value	Fair value	Carrying value	Fair value
Investment securities at amortized cost	751,227	712,594	969,036	914,070

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 2023 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 (restated) 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 (restated)</i>	18,912	-	-	(163)	-	18,749
Net fee and commission income (restated)	19,713	-	-	(112)	(852)	18,749
<i>Internal</i>	98	-	(16)	61	(143)	-
<i>External (restated)</i>	117,022	6,433	1,869	206	-	125,530
Net interest, fee and commissions income (restated)	117,120	6,433	1,853	267	(143)	125,530
<i>Internal</i>	(208)	-	-	(144)	352	-
<i>External (restated)</i>	(46,494)	(4,487)	-	(3,027)	-	(54,008)
Operating expenses (restated)	(46,702)	(4,487)	-	(3,171)	352	(54,008)
<i>Amortisation charges (restated)</i>	(1,261)	(140)	-	(28)	-	(1,429)
<i>Depreciation charges (restated)</i>	(2,830)	(300)	-	(83)	-	(3,213)
<i>Internal</i>	-	-	-	-	-	-
<i>External</i>	(4,952)	-	(462)	458	-	(4,956)
Impairment expenses	(4,952)	-	(462)	458	-	(4,956)
<i>Internal (restated)</i>	9,207	-	134	(20)	(7,825)	1,496
<i>External</i>	10,357	(539)	2,130	5,206	-	17,154
Net other income (restated)	19,564	(539)	2,264	5,186	(7,825)	18,650
Profit (loss) before tax from continuing operations (restated)	80,939	967	3,655	2,629	(7,825)	80,365
<i>Income tax</i>	(11,771)	(1,170)	-	25	-	(12,916)
Profit (loss) per segment after tax from continuing operations (restated)	69,168	(203)	3,655	2,654	(7,825)	67,449
<i>Profit or (loss) per segment after tax from discontinued operations</i>	-	-	-	-	-	-
Profit (loss) per segment (restated)	69,168	(203)	3,655	2,654	(7,825)	67,449
<i>Non-controlling interest</i>	-	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank (restated)	69,168	(203)	3,655	2,654	(7,825)	67,449
<i>Total segment assets (restated)</i>	2,859,786	1,479,122	4,731	52,950	(213,933)	4,182,656
<i>Total segment liabilities (restated)</i>	2,560,536	1,320,982	4,225	37,813	(183,806)	3,739,750
Net segment assets (shareholders' equity) (restated)	299,250	158,140	506	15,137	(30,127)	442,906

NOTE 16
SELECTED INFORMATION OF FINANCIAL GROUP

According to local legislation the Bank is required to disclose certain information for the Financial group. As of 31 December 2023 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. SB Turto Fondas UAB (real estate management activities),
3. SB Lizingas UAB (consumer financing activities),
4. SB Asset Management UAB (investment management activities).

As of 31 December 2022 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),
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 2023	31 December 2022
ASSETS		
		(restated)
Cash and cash equivalents	743,733	383,834
Securities in the trading book	20,522	27,287
Due from other banks	3,013	2,733
Derivative financial instruments	241	897
Loans to customers	2,645,104	2,391,629
Finance lease receivables	286,533	242,448
Investment securities at fair value	74,500	90,225
Investment securities at amortized cost	739,869	956,332
Investments in subsidiaries and associates	32,628	13,059
Intangible assets	41,919	6,450
Property, plant and equipment	15,116	15,777
Investment property	993	1,827
Current income tax prepayment	9	6
Deferred income tax asset	7,575	5,657
Other assets	20,014	9,705
Total assets	4,631,769	4,147,866
LIABILITIES		
Due to other banks and financial institutions	571,750	685,480
Derivative financial instruments	1,041	7,152
Due to customers	3,163,157	2,785,489
Special and lending funds	15,718	14,184
Debt securities in issue	276,480	171,231
Current income tax liabilities	6,412	4,336
Deferred income tax liabilities	6,125	1,463
Other liabilities	46,603	34,266
Total liabilities	4,087,286	3,703,601
EQUITY		
Share capital	192,269	174,211
Share premium	25,534	3,428
Treasury shares (-)	(1,500)	-
Reserve capital	756	756
Statutory reserve	47,682	36,990
Reserve for acquisition of own shares	20,000	20,000
Financial instruments revaluation reserve	(5,426)	(8,111)
Other equity	1,603	2,287
Retained earnings	263,565	214,704
Non-controlling interest	-	-
Total equity	544,483	444,265
Total liabilities and equity	4,631,769	4,147,866

SELECTED INFORMATION OF FINANCIAL GROUP (CONTINUED)

Financial Group's condensed income statement

	for the twelve months period ended	
	31 December 2023	31 December 2022 (restated)
<i>Interest revenue calculated using the effective interest method</i>	195,477	107,487
<i>Other similar income</i>	21,096	11,908
<i>Interest expense and similar charges</i>	(60,113)	(12,922)
Net interest income	156,460	106,473
<i>Fee and commission income</i>	28,642	26,419
<i>Fee and commission expense</i>	(8,207)	(7,507)
Net fee and commission income	20,435	18,912
<i>Net gain from trading activities</i>	5,481	8,975
<i>Net gain (loss) from derecognition of financial assets</i>	809	1,034
<i>Net gain (loss) from disposal of tangible assets</i>	864	810
<i>Revenue related to insurance activities</i>	1	-
<i>Other operating income</i>	881	1,667
<i>Salaries and related expenses</i>	(35,531)	(30,405)
<i>Depreciation and amortization expenses</i>	(5,386)	(4,580)
<i>Expenses related to insurance activities</i>	-	-
<i>Other operating expenses</i>	(30,569)	(21,390)
Operating profit before impairment losses	113,445	81,496
<i>Allowance for impairment losses on loans and other assets</i>	(15,223)	(4,945)
<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>	(2,471)	3,768
Profit before income tax	95,751	80,319
<i>Income tax expense</i>	(20,367)	(12,870)
Net profit for the period	75,384	67,449
<i>Profit (loss) from discontinued operations, net of tax</i>	-	-
Net profit for the year	75,384	67,449
Net profit attributable to:		
<i>Owners of the Bank</i>	75,384	67,449
<i>From continuing operations</i>	75,384	67,449
<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 2023	31 December 2022 (restated)
Net profit for the period	75,384	67,449
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
<i>Gain from revaluation of financial assets</i>	3,356	(9,393)
<i>Deferred income tax on gain from revaluation of financial assets</i>	(671)	1,879
Other comprehensive income, net of deferred tax	2,685	(7,514)
Total comprehensive income for the period	78,069	59,935
Total comprehensive income (loss) attributable to:		
<i>Owners of the Bank</i>	78,069	59,935
<i>Non-controlling interest</i>	-	-
	78,069	59,935

NOTE 17
LIABILITIES RELATED TO INSURANCE ACTIVITIES

Insurance contract liabilities

Bank's subsidiary SB draudimas UAB GD is engaged in life insurance business. For the periods ended 31 December 2023 and 31 December 2022 the liabilities from insurance contracts and their changes were as follows:

	<i>Estimate of present value of future cash flows</i>	<i>Risk adjustment for non-financial risks</i>	<i>Contractual service margin</i>	<i>Investment units</i>	<i>Total</i>
Gross:					
<i>At 1 January 2022 (restated)</i>	29,757	2,949	3,946	6,081	42,734
<i>Change during period At 31 December 2022 (restated)</i>	(6,732)	(378)	414	148	(6,548)
<i>Change during period At 31 December 2023</i>	16,697	14,443	25,899	86,092	143,131
	39,724	17,014	30,259	92,322	179,317
Reinsurance share:					
<i>At 1 January 2022</i>	-	-	-	-	-
<i>Change during period At 31 December 2022</i>	-	-	-	-	-
<i>Change during period At 31 December 2023</i>	1	-	-	-	1
	1	-	-	-	1
Net value					
<i>At 31 December 2022</i>	23,025	2,571	4,360	6,229	36,185
<i>At 31 December 2023</i>	39,724	17,014	30,259	92,322	179,318

Insurance contract liabilities value as at 31 December 2023 if compared to previous periods increased significantly due to business acquired by SB draudimas UAB GD as described in more detail in Note 2.

NOTE 18
SUBSEQUENT EVENTS

On 25 - 29 January 2024 Bank has acquired 1,250 thousand units of own shares. Amount paid for the shares is EUR 900 thousand. Purpose of share acquisition - to maintain and increase the value of the Bank shares.

On 13 February 2024 Bank has signed an agreement with European Investment Bank (EIB) to amend the 2020 operational contract for the Multi-apartment Building Renovation Fund, committing to set up and manage a second EUR 200 million multi-apartment building renovation fund. The second Multi-apartment Building Renovation Fund is planned to finance the renovation (modernisation) of around 300 multi-apartment buildings in Lithuania. Around 11,000 households would benefit from the changes. The Bank is already negotiating with potential investors in the new fund.

On 21 February 2024 second special purpose subsidiary of the Bank was established – UAB SB Modernization Fund 2. Purpose of SB Modernization Fund 2 is to manage the second fund of EUR 200 million to be established for the financing of multi-apartment building renovation projects. The Bank is the founder of the fund and administrator of the renovation loans, while SB Modernization Fund 2 is the legal manager.

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

ADDITIONAL INFORMATION

for the twelve months period ended 31 December 2023

The present additional information of Šiaulių Bankas AB (hereinafter — the Bank) covers the period 01 January 2023 to 31 December 2023. From 1 January 2023 Group is applying new accounting standard IFRS 17 Insurance contracts. This standard was applied retrospectively, had impact on comparable figures therefore figures for 2022 were restated.

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

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

ACTIVITY RESULTS

- **Profit.** Šiaulių Bankas Group earned a record net profit of EUR 75.4 million last year.
- **Dividends.** A dividend of almost 43% of net profit for 2023, i.e., EUR 0.0485 per share, is to be proposed to shareholders.
- **Portfolio.** Loan portfolio value increased steadily by 11% year-on-year to over EUR 2.9 billion.
- **Deposits.** The portfolio of funds held by clients grew by 14% per year to reach almost EUR 3.2 billion at the end of 2023.
- **Transaction.** Šiaulių Bankas and Invalda INVL successfully completed merger of retail businesses.
- **Strategy.** The Bank's 2024–2029 strategy has been updated and we aim to become the best bank in Lithuania by 2029

"In 2023, we successfully grew by strengthening our retail client business line through the timely implementation of the retail business merger transaction and by maintaining stable business and retail financing volumes. To make a real difference in reducing our environmental impact, we have joined the international SBTi initiative and committed to becoming a climate-neutral bank by 2050.

Last year was a strong starting point for the implementation of the updated 2024–2029 strategy of Šiaulių Bankas Group, which sets us on the path to become the best bank in Lithuania," says Vytautas Sinius, Chief Executive Officer of Šiaulių Bankas.

Overview of Key Performance Indicators

Šiaulių Bankas Group generated an unaudited net profit of EUR 75.4 million in 2023, an increase of 12% compared to 2022. Operating profit before impairment and corporate tax amounted to EUR 111.0 million, a 30% increase compared to an operating profit of EUR 85.3 million in 2022.

The net profit for Q4 2023 was EUR 9.7 million or 45% lower than in Q4 2022. The lower quarterly operating result was significantly impacted by one-off costs of EUR 6.6 million for the merger of retail business, solidarity tax reallocation and increase in minimal acquisition value for property, plant and equipment.

The Bank's revenue from operating activities grew rapidly throughout the year. Compared to 2022, net interest income grew by 47% to EUR 156.9 million, while net fee and commission income grew by 8% to EUR 20.3 million.

The revision of the parameters for the calculation of provisions in the light of updated macroeconomic forecasts resulted in provisions of EUR 6.8 million in the last quarter and EUR 15.2 million for the year (provisions amounted to EUR 4.9 million in 2022). In 2023, the cost of risk (CoR) for the loan portfolio was 0.5% (0.2% in 2022).

Šiaulių Bankas maintained high operational efficiency – the Group's cost-to-income ratio was 41.7%* (43.4% in 2022*) and return on equity – 15.5% (16.1% in 2022). Capital and liquidity position remains sound and prudential regulations are met with the solid buffers – the liquidity coverage ratio (LCR) was 217%** and the capital adequacy ratio (CAR) was 20.7%**.

The Management Board, in view of the successful year, the strong capital position and the foreseeable operating environment, intends to consider and submit for approval to the Bank's Ordinary General Meeting of Shareholders a decision to pay a dividend of almost 43% of the net profit for 2023, i.e., EUR 0.0485 per share.

* After eliminating the impact of the client portfolio of SB Draudimas

** Preliminary data

Overview of Business Segments

Corporate and Private Clients Financing

All financing segments grew in 2023. The value of the loan portfolio increased by 1% in Q4 2023 and by 11% year-on-year to over EUR 2.9 billion. Last year, EUR 1.35 billion worth of new credit agreements were signed, i.e., 12% less than in 2022.

Business lending volumes remained stable at the end of the year, with new business loan agreements signed for EUR 740 million during the year, or 11% less than in 2022. The value of the portfolio remained stable over the last quarter and grew by 6% year-on-year to EUR 1.47 billion.

Despite the increase in base interest rates or continued uncertainty, Šiaulių Bankas grew its mortgage financing portfolio, which increased by 3% in the quarter and by 17% since the beginning of the year, reaching almost EUR 0.8 billion. During the year, new mortgage agreements were signed for EUR 175 million, i.e., 32% less than in 2022.

Slower domestic consumption and a more cautious attitude of the population towards borrowing for consumption and purchases led to slower portfolio growth at the end of the year. The consumer financing portfolio grew by 2% in Q4 2023 and by 29% for the whole of 2023, reaching almost EUR 300 million. In total, EUR 220 million worth of consumer credit agreements were signed during the year, or 17% more than in 2022.

The Bank continues to actively finance energy efficiency projects by participating in the renovation of multi-apartment buildings in Lithuania. In the last quarter of 2023, a significant milestone was reached – the amount of multi-apartment building renovation financing agreements signed on behalf of Šiaulių Bankas exceeded EUR 1 billion. Work on the establishment of the second modernisation fund SB Modernizavimo Fondas, worth EUR 200 million, has also gained momentum. The fund is expected to finance renovation of around 300 multi-apartment buildings and should start operating in March 2024.

The Bank, as a pioneer of securitisation in Lithuania, continues to actively use the experience gained not only in the establishment of the second multi-apartment building modernisation fund, but also in the use of synthetic securitisation for other loan products, thus meeting the Bank's objectives of efficient use of capital.

Daily banking

In Q4 2023, 7.1 thousand new private and business clients started using the Bank's services, and since the beginning of the year, more than 30 thousand have joined the Bank. The number of active clients of Šiaulių Bankas at the end of the year exceeded 180 thousand. Following the merger of the retail businesses, the total number of clients of Šiaulių Bankas Group, including clients of SB Asset Management, SB Draudimas and SB Lizingas, exceeds 500 thousand.

In 2023, Šiaulių Bankas placed great emphasis on digitisation and new more convenient smart solutions. In response to client needs, the Bank has developed digital channels as well as services in the Internet Bank and mobile app.

The Bank continues to provide the highest quality of customer service. In a mystery shopper survey conducted for Dive Lietuva in 2023, the Bank scored maximum in terms of quality of customer service, both in person at branches and over the phone.

Saving and Investing

Seeing the increased demand from clients to protect their savings against inflation, we have been offering our clients some of the highest interest rates on term deposits among the major banks in Lithuania all year round. The portfolio of term deposits of clients grew by 68% year-on-year to EUR 634 million. The total portfolio of funds held by clients grew by 5% or EUR 152 million in Q4 2023 and by 14% or EUR 379 million year-on-year, reaching almost EUR 3.2 billion at the end of the year.

The second-pillar pension funds managed by SB Asset Management, the asset management company of Šiaulių Bankas Group, have earned more than EUR 100 million in investment returns for their participants in 2023, after deducting all fees. The clients' assets in the second-pillar pension funds managed by the company exceeded EUR 1 billion at the beginning of this year. The clients' assets in the third-pillar pension funds managed by SB Asset Management amounted to EUR 122 million at the end of 2023. The company was the largest in Lithuania in terms of assets under management in the third-pillar pension funds, with a 42% market share.

In the last quarter alone, investing clients invested more than EUR 50 million in the 13 corporate bond placements organised by the Bank. In total, clients invested over EUR 100 million in bond issues last year. The value of clients' investments held with the Bank doubled during the year to EUR 2 billion.

REGARDING EXTERNAL ENVIRONMENT FACTORS

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 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.

The Bank is closely monitoring the situation regarding problems of some US and Swiss banks. The Bank has no direct positions in these credit institutions and does not notice any material second or third order effects to Bank's activities. Events unfolding in the Middle East also do not have a material direct impact on Bank's activities.

RATINGS

On June 7 2023 the international rating agency Moody's Investor Service has upgraded Šiaulių Bankas long-term deposit ratings from Baa2 to Baa1. The outlook on the long-term deposit ratings is affirmed as stable. This is the highest rating in the bank's history. Moody's has also upgraded the long-term Counterparty Risk Ratings from Baa1 to A3. The long-term Counterparty Risk Assessments (CR Assessments) were upgraded from Baa1(cr) to A3(cr). Moody's has affirmed short-term deposit ratings of Šiaulių Bankas at P-2 and the short-term CR Assessments at P-2(cr). The Baseline Credit Assessment has also been upgraded from Ba1 to Baa3.

COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

Šiaulių Bankas maintained high operational efficiency. Capital and liquidity position remain robust - prudential requirements are implemented with adequate reserve. According to the data as of 31 December 2023 the Bank complied with all the prudential requirements set out by the supervisory authority.

The main financial indicators of the Group:

	31/12/2019	31/12/2020	31/12/2021	31/12/2022 (restated)	31/12/2023
ROAA, %	2.1	1.5	1.6	1.7	1.7
ROAE, %	17.6	12.7	14.3	16.1	15.5
Cost to income ratio, %	42.5	42.7	44.1	41.7	44.0
Cost to income ratio (adjusted due to the impact of the SB draudimas clients' portfolio), %	40.8	42.9	42.8	43.4	41.7
Loan to deposit ratio, %	82.2	75.0	78.6	94.6	92.7

At the end of Q4 2023 MREL requirement at Financial group level approved in February, 2023 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 21.49% of total risk exposure (MREL-TREA) and 7.16% of leverage ratio exposure (MREL-LRE);
- Subordinated instruments shall comprise 13.50% of total risk exposure (MREL-TREA, subordinated) and 5.99% 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 31 December 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. The MREL targets for Financial group can be summarised as follows:

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

In November 2023, in the international financial markets, Šiaulių Bankas AB successfully supplemented the 4-year issue made in 2021 with an additional nominal value of EUR 50 million. Before this addition, this issue amounted to EUR 160 million, now it is EUR 210 million. The bond issue was aimed at meeting future MREL requirements set by the supervisory authorities of the bank. In June 2023, the Bank successfully placed a 10-year subordinated bond issue of EUR 50 million in the international financial markets, which attracted more investor attention than expected. The funds raised will help the Bank to maintain its lending volumes to Lithuanian businesses, to achieve an efficient capital structure, to meet the requirements of the supervisory authority and to maintain the continuity of its dividend policy.

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 2023, the authorized capital of the Bank totalled to EUR 192,269,027.34 and is divided into 662,996,646 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 15 December 2023 after the last increase of the authorized capital by additional contributions.

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

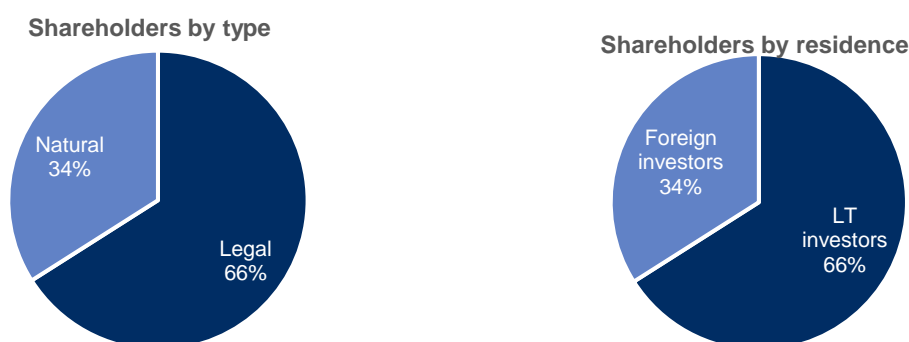
[Homepage > About Us > Important Documents](#)

Authorized capital:

	26/05/2015	14/09/2015	26/05/2016	06/06/2017	01/06/2018	13/12/2018	15/12/2023
Capital, EUR	85,033,800	91,226,381.99	109,471,658.33	131,365,989.88	157,639,187.74	174,210,616.27	192,269,027.34

As of 31 December 2023 the number if the Bank's shareholders was 19,087 (at the end of 2021 – 18,524). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the The Republic of Lithuania of Lithuania and the Charter of the Bank:

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



Shareholders owning more than 5% of the Bank's shares and votes as of 31 December 2023:

	Share of shares and votes, %
<i>Invalda INVL AB, c.c. 121304349</i>	18.45*
<i>EBRD, LEI code 549300HTGDOVDU60GK19</i>	12.69
<i>Willgrow UAB, c.c. 302489393</i>	7.07
<i>Algirdas Butkus</i>	4.90**
<i>Gintaras Kateiva</i>	4.89***

* Pursuant to the Law on Securities of the Republic of Lithuania, the shareholder's votes are counted together with the controlled company: INVL Asset Management UAB, c.c. 126263073 - 0.60% of the votes

** Votes are counted together with controlled companies: Prekybos namai AIVA UAB, c.c. 144031190 – 1.81%, Mintaka UAB, c.c. 144725916 - 0.79%

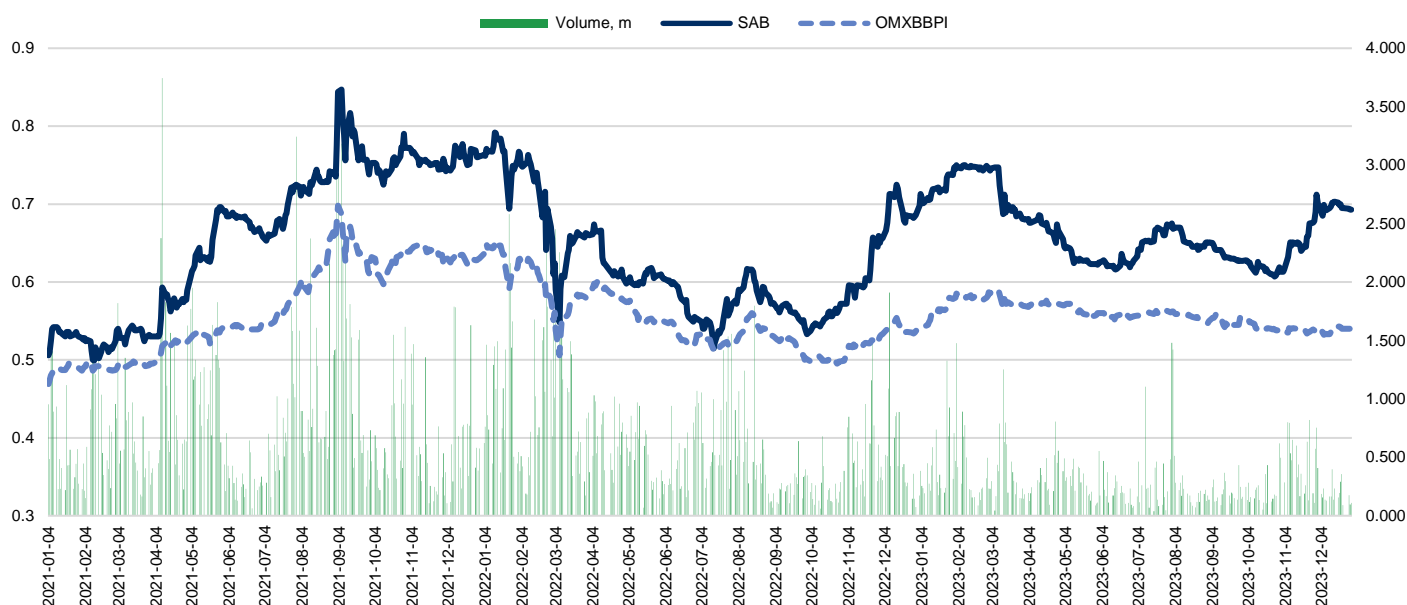
*** Votes are counted together with the votes held by the spouse

Information on shares

	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
Capitalization, m EUR	304.0	299.2	457.2	412.1	459.5
Turnover, mln. Eur	48.3	84.5	134.8	101.9	52.0
Share price on the last trading session day	0.506	0.498	0.761	0.686	0.693
Lowest share price during the reporting period	0.394	0.320	0.493	0.511	0.606
Highest share price during the reporting period	0.534	0.558	0.890	0.794	0.754
Average share price during the reporting period	0.473	0.442	0.663	0.624	0.667
Share book value	0.518	0.592	0.678	0.730	0.822
P/BV	1.0	0.8	1.1	0.9	0.8
P/E	5.9	7.0	8.3	6.5	6.1
Capital increase from retained earnings, %	-	-	-	-	-

*description of indicators is provided on the Bank's website: [Homepage](#) > [Bank Investors](#) > [Financial Information](#) > [Alternative Performance Measures](#)

Turnover and price of the Bank's shares 2021-2023



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 662,996,646 registered ordinary shares of the Bank with a nominal value of EUR 0.29 per share and total nominal value of EUR 192,269,027.34 are admitted to the listing.

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

- *OMX Baltic Benchmark (OMXBGI, OMXBPI, OMXBBCAPGI, OMXBBCAPPI)* - the Baltic benchmark index consists of the largest and most traded stocks on the Nasdaq Baltic Market representing all sectors;
- *OMX Baltic 10 (OMXB10, OMXB10EXP)* - is a tradable index of the Baltic states consisting of the 10 most actively traded stocks on the Baltic exchanges;
- *OMX Baltic (OMXBGI, OMXBPI)* – is an all-share index consisting of all the shares listed on the Main and Secondary lists of the Baltic exchanges with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Vilnius (OMXVGI)* – is an all-share index which includes all the shares listed on the Main and Secondary lists on the Nasdaq Vilnius with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Baltic Financials (B8000GI, B8000PI, B40PI)* – an index of the Baltic financial institutions;
- *OMX Baltic Banks (B300GI, B8300PI)* - an index of the Baltic banks.

Return indices (RIs) represent the total return on the shares included in the index and reflect not only stock price movements but also the dividends paid, making these indices a more complete measure of market performance than price indices. Price indices (PIs) only reflect changes in the price of shares included in the index, regardless of dividends. There is a cap on the weight of the shares (CAP) forming indices of a limited number of shares above which the number of shares included in the index is reduced to a cap.

Besides, the Bank's shares are included into such indices as *STOXX All Europe Total Market, STOXX EU Enlarged TMI, STOXX Eastern Europe 300, STOXX Eastern Europe 300 Banks, STOXX Eastern Europe Mid 100, STOXX Eastern Europe TMI, STOXX Eastern Europe TMI Small, STOXX Global Total Market, STOXX Lithuania Total Market, Bloomberg ESG Data Index, Bloomberg ESG Coverage Index, S&P Frontier BMI Index, MSCI Frontier and Emerging Markets Select Index, FCI EMU MIDSMLLCAP MKTCAP-CONSTRAINED (FREE-FLOAT UNADJUSTED) 400 (NET) Index* and in some FTSE Russell Frontier indices.

ACQUISITION OF OWN SHARES

During twelve months period ended 31 December 2023 the Bank acquired 4,764 thousand units of own shares for EUR 3,368 thousand. Part of acquired shares were granted to the employees of the Bank and its subsidiaries as a deferred part of variable remuneration for 2019. As of 31 December 2023 the Bank held 2,273 thousand own shares with carrying value of EUR 1,500 thousand.

AGREEMENTS WITH INTERMEDIARIES IN PUBLIC CIRCULATION

Agreements with public circulation intermediaries regarding the accounting of securities issued by the Bank are, not concluded, this accounting is managed by the Bank's Securities Accounting Department. The Bank has not entered into market-making agreements with respect to securities issued by the Bank.

According to data as of 31 December 2023 the Bank itself, as an intermediary of public trading, under agreements with the companies issuing securities conducted accounting of 750 companies which totalled to 1100 securities issues (including shares of public and private companies, debt securities, investment fund units). The Bank also conducts market making on the Nasdaq Baltic under a market making programme and under agreements with issuers. As of the end of 2023, the Bank was the market maker of 10 securities issues.

INFORMATION ON DETRIMENTAL TRANSACTIONS

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

DIVIDENDS

In 2018, the Supervisory Council approved the dividend policy. Carrying out its activities and planning the capital the Bank seeks to ensure a competitive return on investment through dividends and increasing stock value. The Bank shall pay dividends on two assumptions - when external and internal capital and liquidity requirements will be sustained, and the level of capital after dividends will remain sufficient to carry out all approved investment and development plans and other capital-intensive activities. Taking into account the above-mentioned principles and assumptions, the Bank shall seek to allocate at least 25 per cent of the earned annual profit to dividends.

The General Meeting of Shareholders held on 31 March 2023 decided on the allocation of the Bank's profits. The profit allocation included EUR 15.9 million for dividends, representing 25% of the net profit for 2022. Dividends of EUR 0.0265 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>	2018	2019	2020	2021	2022
<i>Per cent from nominal value</i>	10	-	1.90	11.72	9.14
<i>Dividend amount per share, Eur</i>	0.0290	-	0.0055	0.0340	0.0265
<i>Dividend amount, Eur</i>	17,421,064	-	3,303,994	20,424,693	15,919,246
<i>Yields from dividends, %</i>	6.2	-	1.1	4.5	3.9
<i>Dividends to Group net profit, per cent</i>	33.0	-	7.7	37.0	25.0

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, Management Board of the Bank and Chief Executive Officer (CEO).

There were no changes in the composition of the Bank's Supervisory Council in 2023.

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 and other information for 31/12/2023 date was:

Name, Surname	Duties at the Supervisory Council	Share of capital under the right of ownership, %	Share of votes together with the related persons, %
<i>Valdas Vitkauskas</i>	Independent member since 01/06/2022 Chairman since 05/08/2022	-	-
<i>Gintaras Kateiva</i>	Member since 2008	4.87	4.89*
<i>Ramunė Vilija Zabulienė</i>	Independent member 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	-	-
<i>Mindaugas Raila</i>	Member since 18/01/2023	-	7.07**
<i>Tomas Okmanas</i>	Independent member since 02/02/2023	-	-

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

** Pursuant to the Law on Securities of the Republic of Lithuania, votes are counted together with the votes held by the controlled company Willgrow UAB

At the meeting of the Supervisory Council of the Bank held on 23 February 2023, Agnė Dukšienė was elected as a member of the Bank's Board and took up her duties on 8 May 2023, after obtaining the permission of the Supervisory Authority of the Bank.

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 31/12/2023 date was:

Name, Surname	Duties at the Board	Other current leading positions at the Bank	Share of capital under the right of ownership, %	Share of votes together with the related persons, %
<i>Vytautas Sinius</i>	Chairman since 19/08/2022	Chief Executive Officer	0.27	0.27
<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 Corporate Clients Division	0.05	0.05
<i>Mindaugas Rudys</i>	Member since 2020	Head of Service Development Division	0.06	0.06
<i>Algimantas Gaulia</i>	Member since 30/07/2021	Head of Risk Management Division	0.01	0.01
<i>Agnė Dukšienė</i>	Member since 08/05/2023	Head of Legal, Compliance and Prevention Division	-	-

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>
Šiaulių Bankas AB	commercial banking	04/02/1992	112025254	Tilžės str.149 LT-76348 Šiauliai	+370 41 595 607	info@sb.lt , www.sb.lt

The Bank directly controls the following subsidiaries

SB Lizingas UAB	finance lease, consumer credits.	14/07/1997	234995490	Laisvės al. 80, LT-44249 Kaunas	+370 37 407 200	info@sbl.lt , www.sblizingas.lt
Šiaulių Banko Lizingas UAB*	finance leases (leasing) and operating leases.	16/08/1999	145569548	Vilniaus str. 167, LT-76352 Šiauliai	+370 41 598 010, +370 5 272 3015	lizingas@sb.lt , www.sb.lt
SB Turto Fondas UAB	real estate management	13/08/2002	145855439	Vilniaus str. 167, LT-76352 Šiauliai	+370 41 525 322	turtofondas@sb.lt , www.sbjp.lt
Life insurance SB draudimas UAB	life insurance	31/08/2000	110081788	Laisvės pr. 3, LT-04215 Vilnius	+370 5 236 2723	info@sbdraudimas.lt , www.sbdraudimas.lt
SB modernizavimo fondas UAB**	multi-apartment renovation financing	05/04/2022	306057616	Tilžės g. 149, LT-76348 Šiauliai	+370 41 595 607	sbfondas@sb.lt
SB Asset Management UAB	fund management	07/02/2023	306241274	Gynėjų g. 14, LT-01109 Vilnius	+370 41 595 607	https://info@sbam.lt

*in liquidation process

**not consolidated under IFRS 10 requirements

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

29 February 2024



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 2023 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the total assets, liabilities, financial status, activity result and cash flow of Šiaulių bankas AB and consolidated companies.

Chief Executive Officer



Vytautas Sinius

Chief Financial Officer

Donatas Savickas

29 February 2024

