

FINANCIAL STATEMENTS AND ANNUAL REPORT

31 December 2022

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FINANCIAL STATEMENTS

31 December 2022

Tilžės 149, LT-76348 Šiauliai
Tel. (8 41) 595 607, fax (8 41) 430 774
E-mail info@sb.lt
www.sb.lt

THE GROUP'S AND THE BANK'S INCOME STATEMENTS

	Notes	31 December 2022		Year ended 31 December 2021	
		Group	Bank	Group	Bank
Continuing operations					
Interest income calculated using the effective interest method	1	107,650	92,845	83,035	69,951
Other similar income	1	12,041	11,878	8,861	8,719
Interest expense and similar charges	1	(12,910)	(12,918)	(10,979)	(10,972)
Net interest income		106,781	91,805	80,917	67,698
Fee and commission income	2	26,295	27,239	24,617	25,193
Fee and commission expense	2	(7,593)	(7,409)	(7,457)	(7,239)
Net fee and commission income		18,702	19,830	17,160	17,954
Net gain from trading activities	3	4,354	8,973	11,936	9,188
Net gain (loss) from derecognition of financial assets	6	1,034	254	4,363	2,729
Net gain (loss) from disposal of tangible assets	6	810	514	3,736	66
Revenue related to insurance activities	5	9,298	-	8,137	-
Other operating income	6	1,658	1,496	1,310	1,136
Salaries and related expenses		(31,583)	(27,773)	(27,105)	(23,640)
Depreciation and amortization expenses		(4,848)	(4,403)	(4,440)	(3,972)
Expenses related to insurance activities	5	(2,763)	-	(8,032)	-
Other operating expenses	4	(21,968)	(17,095)	(16,643)	(12,268)
Operating profit before impairment losses		81,475	73,601	71,339	58,891
Allowance for impairment losses on loans and finance lease receivables	7	(5,409)	(3,691)	(4,354)	(973)
(Allowance for)/ reversal of allowance for impairment losses on other assets	7	464	(1)	277	(1)
Allowance for impairment losses on investments in subsidiaries	7, 16	-	-	-	-
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	16	-	5,373	-	8,830
Profit from continuing operations before income tax		76,530	75,282	67,262	66,747
Income tax expense	8	(12,916)	(11,703)	(12,039)	(10,742)
Net profit from continuing operations for the year		63,614	63,579	55,223	56,005
Profit (loss) from discontinued operations, net of tax		-	-	-	-
Net profit for the year		63,614	63,579	55,223	56,005
Net profit attributable to:					
Owners of the Bank		63,614	63,579	55,223	56,005
From continuing operations		63,614	63,579	55,223	56,005
From discontinued operations		-	-	-	-
Non-controlling interest		-	-	-	-
Basic earnings per share (in EUR per share) attributable to owners of the Bank	9	0.11		0.09	
From continuing operations		0.11		0.09	
From discontinued operations		-		-	
Diluted earnings per share (in EUR per share) attributable to owners of the Bank	9	0.11		0.09	
From continuing operations		0.11		0.09	
From discontinued operations		-		-	

Chief Executive Officer

Chief Financial Officer

6 March 2023



Vytautas Sinius



Donatas Savickas

The accounting policies and notes on pages 11 to 129 constitute an integral part of these financial statements.

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

	Notes	31 December 2022		Year ended 31 December 2021	
		Group	Bank	Group	Bank
Net profit for the year		63,614	63,579	55,223	56,005
Other comprehensive income (loss):					
<i>Items that may be subsequently reclassified to profit or loss:</i>					
<i>Financial assets valuation gains (losses) taken to other comprehensive income</i>	15	(9,554)	(9,554)	(1,026)	(1,027)
<i>Financial assets valuation result transferred to profit or loss</i>	15	161	161	(185)	(185)
<i>Deferred income tax on gain (loss) from revaluation of financial assets</i>	8, 15	1,879	1,879	240	240
<i>Items that may not be subsequently reclassified to profit or loss:</i>					
<i>Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk</i>		-	-	-	-
Other comprehensive income (loss), net of deferred tax		(7,514)	(7,514)	(971)	(972)
Total comprehensive income for the year		56,100	56,065	54,252	55,033
Total comprehensive income attributable to:					
<i>Owners of the Bank</i>		56,100	56,065	54,252	55,033
<i>Non-controlling interest</i>		-	-	-	-
		56,100	56,065	54,252	55,033

Chief Executive Officer

Chief Financial Officer

6 March 2023



Vytautas Sinius



Donatas Savickas

The accounting policies and notes on pages 11 to 129 constitute an integral part of these financial statements.

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

	Notes	31 December 2022		31 December 2021	
		Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents	10	384,758	383,518	965,723	964,849
Securities in the trading book	12	58,301	27,287	48,181	15,099
Due from other banks	11	2,733	2,733	1,196	1,196
Derivative financial instruments	12	897	897	2,121	2,121
Loans to customers	13	2,391,629	2,370,762	1,908,681	1,889,629
Finance lease receivables	14	242,448	242,192	195,174	194,909
Investment securities at fair value	15	90,225	90,225	82,988	82,951
Investment securities at amortized cost	15	969,033	956,332	705,398	692,226
Investments in subsidiaries and associates	16	100	31,441	-	31,668
Intangible assets	17	8,283	6,450	4,834	3,114
Property, plant and equipment	18	16,151	15,525	14,760	14,118
Investment property	26	1,827	-	2,229	344
Current income tax prepayment		6	-	847	820
Deferred income tax asset	8	5,659	5,234	1,593	1,250
Other financial assets	19	5,815	5,620	16,398	16,271
Other non-financial assets	19	6,516	3,104	11,739	8,289
Assets classified as held for sale	19	150	150	620	620
Total assets		4,184,531	4,141,470	3,962,482	3,919,474
LIABILITIES					
Due to other banks and financial institutions	20	685,075	686,559	697,738	703,271
Derivative financial instruments	12	7,152	7,152	96	96
Due to customers	21	2,784,968	2,789,348	2,679,183	2,681,586
Special and lending funds	22	14,184	14,184	6,667	6,667
Debt securities in issue	23	171,231	171,231	95,212	95,212
Current income tax liabilities		4,374	4,036	1,084	962
Deferred income tax liabilities	8	1,463	-	1,452	-
Liabilities related to insurance activities	24	39,313	-	41,409	-
Other financial liabilities	25	27,419	24,491	25,053	21,775
Other non-financial liabilities	25	7,656	1,685	7,251	1,414
Grants	20	-	-	910	910
Total liabilities		3,742,835	3,698,686	3,556,055	3,511,893
EQUITY					
Share capital	27	174,211	174,211	174,211	174,211
Share premium	27	3,428	3,428	3,428	3,428
Treasury shares (-)	27	-	-	(516)	(516)
Reserve capital	27	756	756	756	756
Statutory reserve	27	37,113	36,922	21,893	21,770
Financial instruments revaluation reserve		(8,097)	(8,111)	(583)	(597)
Reserve for acquisition of own shares	27	20,000	20,000	10,000	10,000
Other equity	27	2,355	1,917	3,288	2,870
Retained earnings		211,930	213,661	193,950	195,659
Non-controlling interest		-	-	-	-
Total equity		441,696	442,784	406,427	407,581
Total liabilities and equity		4,184,531	4,141,470	3,962,482	3,919,474

Chief Executive Officer

Chief Financial Officer

6 March 2023



Vytautas Sinius



Donatas Savickas

The accounting policies and notes on pages 11 to 129 constitute an integral part of these financial statements.

THE GROUP'S STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Treasury shares (-)	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to Bank's shareholders											
1 January 2021		174,211	3,428	-	756	388	14,427	10,000	2,359	149,497	355,066	-	355,066
<i>Transfer to/from statutory reserve</i>		-	-	-	-	-	7,466	-	-	(7,466)	-	-	-
<i>Acquisition of own shares</i>	27	-	-	(516)	-	-	-	(234)	-	-	(750)	-	(750)
<i>Share-based payment</i>	27	-	-	-	-	-	-	234	929	-	1,163	-	1,163
<i>Payment of dividends</i>	29	-	-	-	-	-	-	-	-	(3,304)	(3,304)	-	(3,304)
<i>Total comprehensive income</i>		-	-	-	-	(971)	-	-	-	55,223	54,252	-	54,252
<i>Net profit</i>		-	-	-	-	-	-	-	-	55,223	55,223	-	55,223
<i>Other comprehensive income</i>		-	-	-	-	(971)	-	-	-	-	(971)	-	(971)
31 December 2021		174,211	3,428	(516)	756	(583)	21,893	10,000	3,288	193,950	406,427	-	406,427
<i>Transfer to statutory reserve</i>		-	-	-	-	-	15,220	-	-	(15,220)	-	-	-
<i>Transfer to reserve for acquisition of own shares</i>	27	-	-	-	-	-	-	10,000	-	(10,000)	-	-	-
<i>Acquisition of own shares</i>	27	-	-	(1,557)	-	-	-	(234)	-	-	(1,791)	-	(1,791)
<i>Share-based payment</i>	27	-	-	2,073	-	-	-	234	(933)	11	1,385	-	1,385
<i>Payment of dividends</i>	29	-	-	-	-	-	-	-	-	(20,425)	(20,425)	-	(20,425)
<i>Total comprehensive income</i>		-	-	-	-	(7,514)	-	-	-	63,614	56,100	-	56,100
<i>Net profit</i>		-	-	-	-	-	-	-	-	63,614	63,614	-	63,614
<i>Other comprehensive income</i>		-	-	-	-	(7,514)	-	-	-	-	(7,514)	-	(7,514)
31 December 2022		174,211	3,428	-	756	(8,097)	37,113	20,000	2,355	211,930	441,696	-	441,696

The accounting policies and notes on pages 11 to 129 constitute an integral part of these financial statements.

THE BANK'S STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Treasury shares (-)	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total
1 January 2021		174,211	3,428	-	756	375	14,246	10,000	2,066	150,482	355,564
<i>Transfer to statutory reserve</i>		-	-	-	-	-	7,524	-	-	(7,524)	-
<i>Acquisition of own shares</i>	27	-	-	(516)	-	-	-	(234)	-	-	(750)
<i>Share-based payment</i>	27	-	-	-	-	-	-	234	804	-	1,038
<i>Payment of dividends</i>	29	-	-	-	-	-	-	-	-	(3,304)	(3,304)
<i>Total comprehensive income</i>		-	-	-	-	(972)	-	-	-	56,005	55,033
<i>Net profit</i>		-	-	-	-	-	-	-	-	56,005	56,005
<i>Other comprehensive income</i>		-	-	-	-	(972)	-	-	-	-	(972)
31 December 2021		174,211	3,428	(516)	756	(597)	21,770	10,000	2,870	195,659	407,581
<i>Transfer to statutory reserve</i>		-	-	-	-	-	15,152	-	-	(15,152)	-
<i>Transfer to reserve for acquisition of own shares</i>	27	-	-	-	-	-	-	10,000	-	(10,000)	-
<i>Acquisition of own shares</i>	27	-	-	(1,557)	-	-	-	(234)	-	-	(1,791)
<i>Share-based payment</i>	27	-	-	2,073	-	-	-	234	(953)	-	1,354
<i>Payment of dividends</i>	29	-	-	-	-	-	-	-	-	(20,425)	(20,425)
<i>Total comprehensive income</i>		-	-	-	-	(7,514)	-	-	-	63,579	56,065
<i>Net profit</i>		-	-	-	-	-	-	-	-	63,579	63,579
<i>Other comprehensive income</i>		-	-	-	-	(7,514)	-	-	-	-	(7,514)
31 December 2022		174,211	3,428	-	756	(8,111)	36,922	20,000	1,917	213,661	442,784

The accounting policies and notes on pages 11 to 129 constitute an integral part of these financial statements.

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

	Notes	31 December 2022		Year ended 31 December 2021	
		Group	Bank	Group	Bank
Operating activities					
Interest received on loans and advances		105,774	91,308	81,902	68,699
Interest received on finance leases		9,573	9,543	8,218	8,195
Interest received on debt securities in the trading book		1,521	1,388	496	372
Interest paid		(10,421)	(10,434)	(11,498)	(11,498)
Fees and commissions received		26,295	27,239	24,582	25,193
Fees and commissions paid		(7,593)	(7,409)	(7,457)	(7,239)
Net cash inflows from trade in securities in the trading book		(19,196)	(11,842)	(1,527)	(7,040)
Net inflows from foreign exchange trading		9,642	9,511	4,512	4,439
Net inflows from derecognition of financial assets		1,034	254	4,363	2,729
Net inflows from derecognition of non-financial assets		810	514	3,736	66
Cash inflows related to other activities of Group companies		10,956	1,496	10,757	1,136
Cash outflows related to other activities of Group companies		(2,763)	-	(8,032)	-
Recoveries on loans previously written off		403	237	1,126	541
Salaries and related payments to and on behalf of employees		(31,289)	(27,479)	(26,396)	(22,931)
Payments related to operating and other expenses		(21,968)	(17,095)	(22,223)	(17,678)
Income tax paid	8	(10,870)	(9,796)	(11,914)	(10,625)
Net cash flow from operating activities before change in operating assets and liabilities		61,908	57,435	50,645	34,359
Change in operating assets and liabilities:					
(Increase) decrease in due from other banks		(1,537)	(1,537)	402	402
Increase in loans to customers		(477,054)	(475,433)	(314,018)	(300,088)
Decrease (increase) in finance lease receivable		(48,600)	(48,609)	(36,149)	(39,380)
Decrease (increase) in other financial assets		10,583	10,651	(11,703)	(11,993)
(Increase) decrease in other non-financial assets		3,901	2,089	6,177	5,207
Increase in due to banks and financial institutions		(14,827)	(18,876)	469,915	472,001
Increase in due to customers		105,753	107,730	332,301	333,110
Increase (decrease) in special and lending funds		7,517	7,517	918	918
Increase (decrease) in other financial liabilities		2,708	1,180	1,878	2,494
Increase (decrease) in other non-financial liabilities		(10,646)	(2,289)	(8,533)	(3,857)
Change		(422,202)	(417,577)	441,188	458,814
Net cash flow from operating activities		(360,294)	(360,142)	491,833	493,173
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(3,424)	(3,132)	(1,014)	(866)
Disposal of property, plant and equipment, investment property and intangible assets		1,916	1,559	8,028	378
Acquisition of debt securities at amortized cost	15	(396,788)	(396,538)	(100,202)	(99,382)
Proceeds from redemption or sale of debt securities at amortized cost	15	133,303	130,244	100,755	100,039
Interest received on debt securities at amortized cost	15	8,465	8,178	9,473	9,323
Dividends received		24	5,724	-	5,000
Acquisition of investment securities at fair value		(38,478)	(37,275)	(100,447)	(89,161)
Sale or redemption of investment securities at fair value		13,055	8,986	50,297	40,425
Interest received on investment securities at fair value		1,350	1,208	649	403
Disposal of subsidiaries	16	-	-	5,478	5,428
Establishment of subsidiary	16	(100)	(100)	-	-
Net cash flow from (used in) investing activities		(280,677)	(281,146)	(26,983)	(28,413)
Financing activities					
Payment of dividends	29	(20,382)	(20,382)	(3,299)	(3,299)
Acquisition of own shares	27	(1,557)	(1,557)	(750)	(750)
Interest on debt securities in issue	23	(2,015)	(2,015)	(1,230)	(1,230)
Issue of debt securities	23	85,000	85,000	75,000	75,000
Principal elements of lease payments	10	(1,040)	(1,089)	(1,432)	(1,281)
Net cash flow (used in) from financing activities	10	60,006	59,957	68,289	68,440
Net increase (decrease) in cash and cash equivalents		(580,965)	(581,331)	533,139	533,200
Cash and cash equivalents at 1 January		965,723	964,849	432,584	431,649
Cash and cash equivalents at 31 December	10	384,758	383,518	965,723	964,849

The accounting policies and notes on pages 11 to 129 constitute an integral part of these financial statements.

GENERAL INFORMATION

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

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. At the end of the reporting period the Bank had 56 customer service outlets (2021: 56 outlets). As at 31 December 2022 the Bank had 817 employees (31 December 2021: 789). As at 31 December 2022 the Group had 908 employees (31 December 2021: 882 employees).

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

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

As of 31 December 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. SB Turto Fondas UAB (real estate management activities),
5. SB Modernizavimo Fondas UAB (multi-apartment renovation financing)*

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

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

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

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

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

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

*not consolidated under IFRS 10 requirements

ACCOUNTING POLICIES

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

Basis of preparation

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

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

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

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

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

Amendments to existing standards and interpretations effective in 2022

A number of new standards are effective from 1 January 2022 but they do not have a material effect on the Group's financial statements:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
- Reference to Conceptual Framework (Amendments to IFRS 3).

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

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

IFRS 17, Insurance Contracts (effective for annual periods beginning on or after 1 January 2023, including IFRS 17 amendments, issued on 9 December 2021): IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of the amendments on its financial statements.

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

- Liability in a Sale and Leaseback (Amendment to IFRS 16; not adopted by EU)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1; not adopted by EU);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

ACCOUNTING POLICIES (CONTINUED)

Consolidation of subsidiaries

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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

ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation*(a) Functional and presentation currency*

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

(b) Transactions and balances

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

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

Off-setting financial instruments

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

Recognition of income and expenses

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

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

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

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

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

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

ACCOUNTING POLICIES (CONTINUED)

Dividend income

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

Share-based payment

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

Taxation*a) Income tax*

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled (20% for deferred income tax assets and liabilities recognized at 31 December 2022 and at 31 December 2021).

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

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

b) Other taxes

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

Cash and cash equivalents

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

ACCOUNTING POLICIES (CONTINUED)

Financial assets

Financial assets are classified into 3 categories:

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

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

Financial assets at fair value through profit or loss

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

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

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

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

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

Financial assets at fair value through other comprehensive income

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

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

Financial assets at amortized cost

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

ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

Derecognition of financial assets

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

Write-offs of financial assets

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

Modifications of financial assets

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

Impairment of non-financial assets

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

Reverse repurchase transactions

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

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

ACCOUNTING POLICIES (CONTINUED)

Intangible assets

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

Property, plant and equipment

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

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

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

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

Leases*a) Group company is the lessee*

Right-of-use assets and liabilities arising from lease are initially measured on present value basis, discounted using the interest rate implicit in the lease (the weighted average lessee's incremental borrowing rates: 31 December 2022: Group 0.87%, Bank 0.80%; 31 December 2021: Group 0.60%, Bank 0.26%). Lease liabilities include fixed and variable payments (based on consumer index or inflation rate). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The discount influence is recognised in finance cost as interest expense in income statement. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any initial direct costs, adjusted by advance payments. Right-of-use assets are depreciated using the straight-line method over rent period. The depreciation charge is recognised as depreciation expenses in income statement. The duration of rent agreements are adjusted by the Group's management assumptions on contract extensions. The expenses related to short-term leases or to leases of low-value assets are included in other operating expenses in income statement. Right-of-use assets are included in Property, plant and equipment, lease liabilities are included in Other financial liabilities.

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

*b) Group company is the lessor*Operating leases

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

Finance leases

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

ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Other liabilities measured at amortised cost

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

Provisions

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

Technical provisions

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

a) Unearned premiums reserve

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

b) Outstanding claims reserve

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

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

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

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

ACCOUNTING POLICIES (CONTINUED)

c) Life insurance mathematical provision

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

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

When computing the life insurance mathematical technical provision assumptions determined on insurance contract conclusion date are used. Guaranteed interest rate is applied according to agreements but no more than 3.5%.

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

d) Technical provision for unit-linked life insurance policies

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

Insurance contracts

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

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

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

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

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

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

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

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

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

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

ACCOUNTING POLICIES (CONTINUED)

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

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

c) *Liability adequacy test*

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

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

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

For the years ended 31 December 2022 and 2021 the liability adequacy test and the changes were as follows:

	Technical provisions	Deferred acquisition cost	Best estimate of future cash flows	Excess of technical provisions
<i>At 31 December 2021</i>	41,409	1,688	30,849	8,872
<i>Change for the period</i>	(2,096)	893	(4,920)	1,931
<i>At 31 December 2022</i>	39,313	2,581	25,929	10,803

Dividends

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

Employee benefits

a) *Social security contributions*

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

b) *Termination benefits*

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

ACCOUNTING POLICIES (CONTINUED)

Segment information

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

The Group has four main business segments:

- Traditional banking operations and lending – includes traditional retail and corporate banking operations such as issuing loans and providing banking services to the customers and finance, lease and consumer financing services provided to customers of the Group (includes financial information of the Bank allocated to this segment and financial information of Šiaulių Banko Lizingas UAB and SB Lizingas UAB);
- Treasury – includes banking treasury operations such as managing securities and liquidity portfolio, currency exchange etc. (includes financial information of the Bank allocated to this segment);
- Non-core banking activities - includes other banking operations not included in traditional lending and treasury segments such as lending to subsidiaries (except for lending to leasing and consumer financing subsidiaries), revenues/expenses related to investment in subsidiaries (dividends, impairment of investment in subsidiaries), engagement in one-off projects, managing problem loans (includes financial information of the Bank allocated to this segment);
- Other activities – includes other activities performed by Group companies not included in previous segments – i.e. real estate operations, life insurance, investment management (includes financial information of the subsidiaries not mentioned above).

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

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

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

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

Fiduciary activities

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

Fair value of assets and liabilities

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

Financial guarantee contracts, letters of credit and undrawn loan commitments

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

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

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

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

ACCOUNTING POLICIES (CONTINUED)

Share issue costs

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

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

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

Investment properties

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

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

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

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

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

Derivative financial instruments

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

FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

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

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

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

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

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

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

1. CREDIT RISK

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

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

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

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

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

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

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

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

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

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

1.1. Credit risk measurement(a) Loans and receivables

The Bank applies credit risk management measures, which could be divided into two types:

- 1) Measures that help to avoid decisions to grant loans with higher risk potential;
- 2) Measures ensuring the effective monitoring system of the Bank's asset quality.

Measures that help to avoid decisions to grant loans with higher risk potential:

- 1) Multi-stage decision-making and its approval system;
- 2) Defined credit risk appetite, credit risk indicators and risk allocation among structural levels – limit establishment;
- 3) Customer risk assessment requirements set by internal procedures;
- 4) Regulation of acceptable risk criteria for separate products;
- 5) Security measures for credit repayment (collateral).

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

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

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

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

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

(b) Debt securities

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

(c) Credit-related commitments

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

1.2. Control of risk limits and risk mitigation policy**(a) Concentrations**

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

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

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

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

Some other specific control and mitigation measures are outlined below.

b) Collateral

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

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

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

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

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

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3. Impairment and provisioning policies

a) ECL model used by the Group

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

The ECL is measured by the formula:

$$PD \times LGD \times EAD = ECL$$

Where:

PD – probability of default. It represents the likelihood of a borrower on defaulting on its financial obligation;

LGD – loss given default. It represents the extent of loss the Group is likely to incur in case the borrower defaults;

EAD – exposure at default. It represents expected exposure at the time of the default.

The financial assets are grouped into 3 stages:

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

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

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

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

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

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

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

To include the impact of economic variables, the Group uses 3 economic scenarios (base case, optimistic, pessimistic) that are based on the forecasts published by the institutions that publish economic forecasts (i.e. Bank of Lithuania, Ministry of Finance of Lithuania, etc.) and derives a single scenario based on the probabilities assigned to these scenarios. These probabilities are approved in ECL calculation procedure, any deviation from procedure is approved by the Board of the Bank. Base case scenario for GDP, unemployment rate and wage changes are aligned to the base case forecasts published by the institutions and optimistic and pessimistic scenarios are calibrated by expert judgement of Group's employees.

The most significant assumptions used for the ECL estimates as at 31 December 2022 are presented in the tables below:

	GDP growth	Unemployment	Change in manufacturing output	Change in housing prices	Change in salaries
At 31 December 2022:					
Base scenario	0.70%	7.00%	6.00%	-0.53%	8.40%
Optimistic scenario	1.30%	6.70%	20.30%	13.40%	9.10%
Pessimistic scenario	-2.80%	7.90%	-1.45%	-15.18%	4.60%

Scenario probabilities and weighted average GDP growth:

	2023		2024		2025		2026		2027	
	GDP	Probability	GDP	Probability	GDP	Probability	GDP	Probability	GDP	Probability
At 31 December 2022:										
Base scenario	0.70%	60 %	3.00%	60 %	3.00%	60 %	2.30%	60 %	2.30%	60 %
Optimistic scenario	1.30%	15 %	3.80%	15 %	3.80%	15 %	3.10%	15 %	3.10%	15 %
Pessimistic scenario	-2.80%	25 %	1.10%	25 %	1.10%	25 %	0.10%	25 %	0.10%	25 %
Weighted average GDP growth	-0.09%		2.65%		2.65%		1.95%		1.95%	

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

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

Scenario probabilities and weighted average GDP growth:

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

The assumptions underlying ECL calculations are subject to frequent review, the models used in ECL calculation are back tested against the actual performance data. In case of need, changes are made to the models. In 2022, PD calculations were modified by removing the cure rate from PD and adding cure rate to the LGD calculations. In 2021, the scenario composition approach was changed (previously, probabilities were assigned to 4 scenarios in a way that the resulting scenario would match the dominant base case forecast by the institutions; currently, scenarios based on those published by the institutions are assigned probabilities by Group's employees judgement). EAD calculation models were revised in 2021 (likely usage off-balance sheet commitments was added to Stage 1 EAD calculation, Stage 2 EAD calculation was modified to include the average gross value of the loan through its lifetime instead of gross value at the moment of calculation; forward looking information inclusion in PD calculation models principles were revised; LGD models were revised to include forward looking information on the recovery prices, estimated recovery costs and a possibility of unsuccessful recovery).

b) Impairment loss sensitivity

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

	2022		2021	
	Group	Bank	Group	Bank
<i>Scenario 1: GDP growth increases by 0.5 p.p.</i>	ECL decreases by EUR 624 thousand, equity increases by EUR 499 thousand	ECL decreases by EUR 623 thousand, equity increases by EUR 498 thousand	ECL decreases by EUR 323 thousand, equity increases by EUR 258 thousand	ECL decreases by EUR 323 thousand, equity increases by EUR 258 thousand
<i>Scenario 2: GDP growth decreases by 0.5 p.p.</i>	ECL increases by EUR 360 thousand, equity decreases by 288 thousand	ECL increases by EUR 358 thousand, equity decreases by EUR 286 thousand	ECL increases by EUR 323 thousand, equity decreases by 258 thousand	ECL increases by EUR 323 thousand, equity decreases by EUR 258 thousand
<i>Scenario 3: real estate prices increase by 5%</i>	ECL decreases by EUR 1,039 thousand, equity increases by EUR 831 thousand	ECL decreases by EUR 1,039 thousand, equity increases by EUR 831 thousand	ECL decreases by EUR 776 thousand, equity increases by EUR 621 thousand	ECL decreases by EUR 776 thousand, equity increases by EUR 621 thousand
<i>Scenario 4: real estate prices decrease by 5%</i>	ECL increases by EUR 1,171 thousand, equity decreases by EUR 937 thousand	ECL increases by EUR 1,171 thousand, equity decreases by EUR 937 thousand	ECL increases by EUR 679 thousand, equity decreases by EUR 543 thousand	ECL increases by EUR 679 thousand, equity decreases by EUR 543 thousand
<i>Scenario 5: consumer financing portfolio recoveries increase by 5 p.p.</i>	ECL decreases by EUR 820 thousand, equity increases by EUR 656 thousand	ECL decreases by EUR 11 thousand, equity increases by EUR 9 thousand	ECL decreases by EUR 776 thousand, equity increases by EUR 621 thousand	ECL decreases by EUR 14 thousand, equity increases by EUR 11 thousand
<i>Scenario 6: consumer financing portfolio recoveries decrease by 5 p.p.</i>	ECL increases by EUR 816 thousand, equity decreases by EUR 653 thousand	ECL increases by EUR 11 thousand, equity decreases by EUR 9 thousand	ECL increases by EUR 776 thousand, equity decreases by EUR 621 thousand	ECL increases by EUR 14 thousand, equity decreases by EUR 11 thousand

c) write-offs

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

	2022		2021	
	Group	Bank	Group	Bank
Total accumulated write-offs subject to enforcement	81,514	81,259	81,589	81,111
<i>of which: amounts written-off during the year subject to enforcement</i>	8,263	8,249	3,426	3,220

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2022		2021	
	Group	Bank	Group	Bank
Cash equivalents:	307,443	306,303	898,862	897,988
Balances in bank correspondent accounts	179,235	178,095	31,068	30,194
Placements with Central Bank	128,208	128,208	867,794	867,794
Loans and advances to banks	2,733	2,733	1,196	1,196
Loans and advances to customers:	2,391,629	2,370,762	1,908,681	1,889,629
Loans and advances to financial institutions	18,079	195,352	6,947	124,816
Loans to individuals (Retail):	1,113,969	915,829	690,008	553,087
Consumer loans	201,152	3,012	143,462	6,541
Mortgages	663,328	663,328	455,126	455,126
Other (reverse repurchase agreements, other loans backed by securities, other)	249,489	249,489	91,420	91,420
Loans to business customers:	1,259,581	1,259,581	1,211,726	1,211,726
Large corporates	103,647	103,647	127,772	127,772
SME	1,073,266	1,073,266	947,985	947,985
Central and local authorities, administrative bodies and other	82,668	82,668	135,969	135,969
Finance lease receivables	242,448	242,192	195,174	194,909
Individuals	27,458	27,458	26,630	26,630
Business customers	214,990	214,734	168,544	168,279
Securities in the trading book:				
Debt securities in the trading book	30,148	27,056	20,454	14,622
Derivative financial instruments	897	897	2,121	2,121
Investment securities at fair value				
Debt securities at fair value through other comprehensive income	85,271	85,271	78,126	78,126
Investment securities at amortized cost				
Debt securities at amortized cost	969,033	956,332	705,398	692,226
Other financial assets	5,815	5,620	16,398	16,271
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
Financial guarantees	52,655	52,716	52,931	52,992
Letters of credit	5,756	5,756	1,308	1,308
Loan commitments and other credit related liabilities	490,944	492,592	397,225	407,440
At 31 December	4,584,772	4,548,230	4,277,874	4,248,828

The table above represents a worst-case scenario of credit risk exposure at 31 December 2022 and 2021, without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures presented above are net carrying amount as reported in the balance sheet.

1.5. Loans to customers

Loans to customers are summarised as follows:

	2022		2021	
	Group	Bank	Group	Bank
Gross loans to customers	2,425,858	2,397,467	1,944,377	1,917,766
Allowance for loan impairment	(34,229)	(26,705)	(35,696)	(28,137)
Net loans to customers	2,391,629	2,370,762	1,908,681	1,889,629

During the year ended 31 December 2022, the Group's gross loans and advances increased by 25%. The Group's total impairment provision for loans and advances amounts to EUR 34,229 thousand (2021: EUR 35,696 thousand) and it accounts for 1.41% of the respective portfolio (2021: 1.84%).

FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit grades

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

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

	Group loans to customers							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	1,724,435	27,458	100	1,751,993	1,367,332	42,311	1,118	1,410,761
Watch	294,474	33,957	460	328,891	173,164	74,411	476	248,051
Substandard	164,085	114,386	5,139	283,610	101,949	118,552	5,088	225,589
Problem	-	-	61,368	61,368	6	335	59,636	59,977
Gross	2,182,994	175,801	67,067	2,425,862	1,642,451	235,609	66,318	1,944,378
Less: allowance for impairment	(13,539)	(2,412)	(18,282)	(34,233)	(12,468)	(3,911)	(19,318)	(35,697)
Net	2,169,455	173,389	48,785	2,391,629	1,629,983	231,698	47,000	1,908,681

	Bank loans to customers							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	1,710,732	204,615	-	1,915,347	1,354,300	159,981	1,034	1,515,315
Watch	266,409	33,615	-	300,024	148,178	73,902	177	222,257
Substandard	9,574	111,158	-	120,732	3,190	115,762	1,286	120,238
Problem	-	-	61,368	61,368	6	335	59,615	59,956
Gross	1,986,715	349,388	61,368	2,397,471	1,505,674	349,980	62,112	1,917,766
Less: allowance for impairment	(9,427)	(1,676)	(15,606)	(26,709)	(8,275)	(2,659)	(17,204)	(28,138)
Net	1,977,288	347,712	45,762	2,370,762	1,497,399	347,321	44,908	1,889,628

	Group loans to individuals (retail)							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	880,302	11,260	100	891,662	550,733	6,044	1,118	557,895
Watch	47,236	2,214	460	49,910	28,711	2,355	476	31,542
Substandard	164,103	4,661	5,139	173,903	99,364	4,721	5,088	109,173
Problem	-	-	10,022	10,022	-	-	1,217	1,217
Gross	1,091,641	18,135	15,721	1,125,497	678,808	13,120	7,899	699,827
Less: allowance for impairment	(5,964)	(814)	(4,750)	(11,528)	(5,575)	(1,357)	(2,887)	(9,819)
Net	1,085,677	17,321	10,971	1,113,969	673,233	11,763	5,012	690,008

	Bank loans to individuals (retail)							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	866,599	11,144	-	877,743	537,700	5,846	1,034	544,580
Watch	19,171	1,872	-	21,043	3,725	1,846	177	5,748
Substandard	9,592	1,433	-	11,025	605	1,931	1,286	3,822
Problem	-	-	10,022	10,022	-	-	1,196	1,196
Gross	895,362	14,449	10,022	919,833	542,030	9,623	3,693	555,346
Less: allowance for impairment	(1,852)	(78)	(2,074)	(4,004)	(1,382)	(105)	(773)	(2,260)
Net	893,510	14,371	7,948	915,829	540,648	9,518	2,920	553,086

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Group loans to individuals (retail): Consumer loans								
Standard	16,618	195	100	16,913	19,525	375	125	20,025
Watch	28,071	344	460	28,875	24,996	513	299	25,808
Substandard	154,513	3,228	5,140	162,881	98,764	2,790	3,809	105,363
Problem	-	-	186	186	-	-	71	71
Gross	199,202	3,767	5,886	208,855	143,285	3,678	4,304	151,267
Less: allowance for impairment	(4,169)	(739)	(2,795)	(7,703)	(4,336)	(1,288)	(2,181)	(7,805)
Net	195,033	3,028	3,091	201,152	138,949	2,390	2,123	143,462

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Bank loans to individuals (retail): Consumer loans								
Standard	2,915	79	-	2,994	6,494	176	40	6,710
Watch	6	2	-	8	10	4	-	14
Substandard	3	-	-	3	6	-	6	12
Problem	-	-	186	186	-	-	71	71
Gross	2,924	81	186	3,191	6,510	180	117	6,807
Less: allowance for impairment	(57)	(3)	(119)	(179)	(143)	(36)	(88)	(267)
Net	2,867	78	67	3,012	6,367	144	29	6,540

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Group loans to individuals (retail): Mortgages								
Standard	646,625	7,538	-	654,163	443,015	5,016	819	448,850
Watch	2,902	1,368	-	4,270	1,550	1,449	163	3,162
Substandard	133	922	-	1,055	527	1,760	781	3,068
Problem	-	-	5,762	5,762	-	-	996	996
Gross	649,660	9,828	5,762	665,250	445,092	8,225	2,759	456,076
Less: allowance for impairment	(759)	(37)	(1,126)	(1,922)	(448)	(59)	(443)	(950)
Net	648,901	9,791	4,636	663,328	444,644	8,166	2,316	455,126

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Bank loans to individuals (retail): Mortgages								
Standard	646,625	7,538	-	654,163	443,013	5,017	820	448,850
Watch	2,902	1,368	-	4,270	1,550	1,449	163	3,162
Substandard	133	922	-	1,055	527	1,760	781	3,068
Problem	-	-	5,762	5,762	-	-	996	996
Gross	649,660	9,828	5,762	665,250	445,090	8,226	2,760	456,076
Less: allowance for impairment	(759)	(37)	(1,126)	(1,922)	(448)	(59)	(443)	(950)
Net	648,901	9,791	4,636	663,328	444,642	8,167	2,317	455,126

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Group loans to individuals (retail): Other								
Standard	217,059	3,527	-	220,586	88,193	653	174	89,020
Watch	16,263	502	-	16,765	2,165	393	14	2,572
Substandard	9,457	511	(1)	9,967	73	171	498	742
Problem	-	-	4,074	4,074	-	-	150	150
Gross	242,779	4,540	4,073	251,392	90,431	1,217	836	92,484
Less: allowance for impairment	(1,036)	(38)	(829)	(1,903)	(791)	(10)	(263)	(1,064)
Net	241,743	4,502	3,244	249,489	89,640	1,207	573	91,420

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Bank loans to individuals (retail): Other								
Standard	217,059	3,527	-	220,586	88,193	653	174	89,020
Watch	16,263	502	-	16,765	2,165	393	14	2,572
Substandard	9,456	511	-	9,967	72	171	499	742
Problem	-	-	4,074	4,074	-	-	129	129
Gross	242,778	4,540	4,074	251,392	90,430	1,217	816	92,463
Less: allowance for impairment	(1,036)	(38)	(829)	(1,903)	(791)	(10)	(242)	(1,043)
Net	241,742	4,502	3,245	249,489	89,639	1,207	574	91,420

FINANCIAL RISK MANAGEMENT (CONTINUED)

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	17,771	-	-	17,771	3,210	3,819	-	7,029
<i>Watch</i>	317	-	-	317	-	-	-	-
<i>Substandard</i>	-	-	-	-	-	-	-	-
<i>Problem</i>	-	-	-	-	-	-	-	-
Gross	18,088	-	-	18,088	3,210	3,819	-	7,029
<i>Less: allowance for impairment</i>	(9)	-	-	(9)	(64)	(18)	-	(82)
Net	18,079	-	-	18,079	3,146	3,801	-	6,947

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	17,771	177,273	-	195,044	3,211	121,687	-	124,898
<i>Watch</i>	317	-	-	317	-	-	-	-
<i>Substandard</i>	-	-	-	-	-	-	-	-
<i>Problem</i>	-	-	-	-	-	-	-	-
Gross	18,088	177,273	-	195,361	3,211	121,687	-	124,898
<i>Less: allowance for impairment</i>	(9)	-	-	(9)	(64)	(18)	-	(82)
Net	18,079	177,273	-	195,352	3,147	121,669	-	124,816

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	826,362	16,198	-	842,560	813,389	32,448	-	845,837
<i>Watch</i>	246,921	31,743	-	278,664	144,453	72,056	-	216,509
<i>Substandard</i>	(18)	109,725	-	109,707	2,585	113,831	-	116,416
<i>Problem</i>	-	-	51,346	51,346	6	335	58,419	58,760
Gross	1,073,265	157,666	51,346	1,282,277	960,433	218,670	58,419	1,237,522
<i>Less: allowance for impairment</i>	(7,566)	(1,598)	(13,532)	(22,696)	(6,829)	(2,536)	(16,431)	(25,796)
Net	1,065,699	156,068	37,814	1,259,581	953,604	216,134	41,988	1,211,726

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	826,362	16,198	-	842,560	813,389	32,448	-	845,837
<i>Watch</i>	246,921	31,743	-	278,664	144,453	72,056	-	216,509
<i>Substandard</i>	(18)	109,725	-	109,707	2,585	113,831	-	116,416
<i>Problem</i>	-	-	51,346	51,346	6	335	58,419	58,760
Gross	1,073,265	157,666	51,346	1,282,277	960,433	218,670	58,419	1,237,522
<i>Less: allowance for impairment</i>	(7,566)	(1,598)	(13,532)	(22,696)	(6,829)	(2,536)	(16,431)	(25,796)
Net	1,065,699	156,068	37,814	1,259,581	953,604	216,134	41,988	1,211,726

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	72,453	455	-	72,908	89,073	4,392	-	93,465
<i>Watch</i>	1,822	8,005	-	9,827	(1)	16,987	-	16,986
<i>Substandard</i>	(18)	21,504	-	21,486	2,586	14,365	-	16,951
<i>Problem</i>	-	-	1,596	1,596	-	-	1,925	1,925
Gross	74,257	29,964	1,596	105,817	91,658	35,744	1,925	129,327
<i>Less: allowance for impairment</i>	(301)	(273)	(1,596)	(2,170)	(537)	(140)	(878)	(1,555)
Net	73,956	29,691	-	103,647	91,121	35,604	1,047	127,772

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	72,453	455	-	72,908	89,073	4,392	-	93,465
<i>Watch</i>	1,822	8,005	-	9,827	(1)	16,987	-	16,986
<i>Substandard</i>	(18)	21,504	-	21,486	2,586	14,365	-	16,951
<i>Problem</i>	-	-	1,596	1,596	-	-	1,925	1,925
Gross	74,257	29,964	1,596	105,817	91,658	35,744	1,925	129,327
<i>Less: allowance for impairment</i>	(301)	(273)	(1,596)	(2,170)	(537)	(140)	(878)	(1,555)
Net	73,956	29,691	-	103,647	91,121	35,604	1,047	127,772

FINANCIAL RISK MANAGEMENT (CONTINUED)

	Group loans to business customers: SME							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	673,520	15,175	-	688,695	592,410	26,465	-	618,875
Watch	245,088	23,738	-	268,826	144,359	55,052	-	199,411
Substandard	-	86,866	-	86,866	(1)	97,371	-	97,370
Problem	-	-	48,308	48,308	6	335	55,029	55,370
Gross	918,608	125,779	48,308	1,092,695	736,774	179,223	55,029	971,026
Less: allowance for impairment	(7,200)	(1,312)	(10,917)	(19,429)	(5,866)	(2,321)	(14,854)	(23,041)
Net	911,408	124,467	37,391	1,073,266	730,908	176,902	40,175	947,985

	Bank loans to business customers: SME							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	673,520	15,175	-	688,695	592,410	26,465	-	618,875
Watch	245,088	23,738	-	268,826	144,359	55,052	-	199,411
Substandard	-	86,866	-	86,866	(1)	97,371	-	97,370
Problem	-	-	48,308	48,308	6	335	55,029	55,370
Gross	918,608	125,779	48,308	1,092,695	736,774	179,223	55,029	971,026
Less: allowance for impairment	(7,200)	(1,312)	(10,917)	(19,429)	(5,866)	(2,321)	(14,854)	(23,041)
Net	911,408	124,467	37,391	1,073,266	730,908	176,902	40,175	947,985

	Group loans to business customers: Central and local authorities and other							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	80,389	568	-	80,957	131,906	1,591	-	133,497
Watch	11	-	-	11	95	17	-	112
Substandard	-	1,355	-	1,355	-	2,095	-	2,095
Problem	-	-	1,442	1,442	-	-	1,465	1,465
Gross	80,400	1,923	1,442	83,765	132,001	3,703	1,465	137,169
Less: allowance for impairment	(65)	(13)	(1,019)	(1,097)	(426)	(75)	(699)	(1,200)
Net	80,335	1,910	423	82,668	131,575	3,628	766	135,969

	Bank loans to business customers: Central and local authorities and other							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	80,389	568	-	80,957	131,906	1,591	-	133,497
Watch	11	-	-	11	95	17	-	112
Substandard	-	1,355	-	1,355	-	2,095	-	2,095
Problem	-	-	1,442	1,442	-	-	1,465	1,465
Gross	80,400	1,923	1,442	83,765	132,001	3,703	1,465	137,169
Less: allowance for impairment	(65)	(13)	(1,019)	(1,097)	(426)	(75)	(699)	(1,200)
Net	80,335	1,910	423	82,668	131,575	3,628	766	135,969

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

b) Payment delays

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

	Group loans to customers							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	2,146,375	155,834	31,904	2,334,113	1,598,066	220,436	28,330	1,846,832
Past due up to 30 days	36,399	9,680	10,932	57,011	43,495	8,966	17,334	69,795
Past due 31-90 days	218	10,283	1,527	12,028	888	6,208	2,936	10,032
Past due more than 90 days	-	-	22,707	22,707	-	-	17,718	17,718
Gross	2,182,992	175,797	67,070	2,425,859	1,642,449	235,610	66,318	1,944,377
Less: allowance for impairment	(13,538)	(2,410)	(18,282)	(34,230)	(12,467)	(3,911)	(19,318)	(35,696)
Net	2,169,454	173,387	48,788	2,391,629	1,629,982	231,699	47,000	1,908,681

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

	Bank loans to customers							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Not past due</i>	1,961,096	332,429	30,030	2,323,555	1,474,265	338,305	27,006	1,839,576
<i>Past due up to 30 days</i>	25,618	9,340	9,992	44,950	30,785	8,966	16,557	56,308
<i>Past due 31-90 days</i>	-	7,615	875	8,490	623	2,710	1,471	4,804
<i>Past due more than 90 days</i>	-	-	20,472	20,472	-	-	17,078	17,078
Gross	1,986,714	349,384	61,369	2,397,467	1,505,673	349,981	62,112	1,917,766
<i>Less: allowance for impairment</i>	(9,426)	(1,674)	(15,605)	(26,705)	(8,274)	(2,659)	(17,204)	(28,137)
Net	1,977,288	347,710	45,764	2,370,762	1,497,399	347,322	44,908	1,889,629

	Group loans to individuals (retail)							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Not past due</i>	1,070,574	9,237	4,570	1,084,381	650,343	6,797	2,719	659,859
<i>Past due up to 30 days</i>	20,847	1,100	1,501	23,448	27,891	804	1,282	29,977
<i>Past due 31-90 days</i>	218	7,796	1,196	9,210	571	5,521	2,139	8,231
<i>Past due more than 90 days</i>	-	-	8,456	8,456	-	-	1,759	1,759
Gross	1,091,639	18,133	15,723	1,125,495	678,805	13,122	7,899	699,826
<i>Less: allowance for impairment</i>	(5,963)	(813)	(4,750)	(11,526)	(5,574)	(1,357)	(2,887)	(9,818)
Net	1,085,676	17,320	10,973	1,113,969	673,231	11,765	5,012	690,008

	Bank loans to individuals (retail)							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Not past due</i>	885,295	8,559	2,696	896,550	526,542	6,797	1,395	534,734
<i>Past due up to 30 days</i>	10,066	760	561	11,387	15,181	804	505	16,490
<i>Past due 31-90 days</i>	-	5,128	544	5,672	306	2,023	674	3,003
<i>Past due more than 90 days</i>	-	-	6,221	6,221	-	-	1,119	1,119
Gross	895,361	14,447	10,022	919,830	542,029	9,624	3,693	555,346
<i>Less: allowance for impairment</i>	(1,851)	(77)	(2,073)	(4,001)	(1,381)	(105)	(773)	(2,259)
Net	893,510	14,370	7,949	915,829	540,648	9,519	2,920	553,087

	Group loans to financial institutions							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Not past due</i>	18,088	-	-	18,088	3,211	3,818	-	7,029
<i>Past due up to 30 days</i>	-	-	-	-	-	-	-	-
<i>Past due 31-90 days</i>	-	-	-	-	-	-	-	-
<i>Past due more than 90 days</i>	-	-	-	-	-	-	-	-
Gross	18,088	-	-	18,088	3,211	3,818	-	7,029
<i>Less: allowance for impairment</i>	(9)	-	-	(9)	(64)	(18)	-	(82)
Net	18,079	-	-	18,079	3,147	3,800	-	6,947

	Bank loans to financial institutions							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Not past due</i>	18,088	177,273	-	195,361	3,211	121,687	-	124,898
<i>Past due up to 30 days</i>	-	-	-	-	-	-	-	-
<i>Past due 31-90 days</i>	-	-	-	-	-	-	-	-
<i>Past due more than 90 days</i>	-	-	-	-	-	-	-	-
Gross	18,088	177,273	-	195,361	3,211	121,687	-	124,898
<i>Less: allowance for impairment</i>	(9)	-	-	(9)	(64)	(18)	-	(82)
Net	18,079	177,273	-	195,352	3,147	121,669	-	124,816

	Group loans to business customers							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Not past due</i>	1,057,713	146,597	27,334	1,231,644	944,512	209,821	25,611	1,179,944
<i>Past due up to 30 days</i>	15,552	8,580	9,431	33,563	15,604	8,162	16,052	39,818
<i>Past due 31-90 days</i>	-	2,487	331	2,818	317	687	797	1,801
<i>Past due more than 90 days</i>	-	-	14,251	14,251	-	-	15,959	15,959
Gross	1,073,265	157,664	51,347	1,282,276	960,433	218,670	58,419	1,237,522
<i>Less: allowance for impairment</i>	(7,566)	(1,597)	(13,532)	(22,695)	(6,829)	(2,536)	(16,431)	(25,796)
Net	1,065,699	156,067	37,815	1,259,581	953,604	216,134	41,988	1,211,726

FINANCIAL RISK MANAGEMENT (CONTINUED)

					Bank loans to business customers			
	Stage 1	Stage 2	Stage 3	2022 Total	Stage 1	Stage 2	Stage 3	2021 Total
<i>Not past due</i>	1,057,713	146,597	27,334	1,231,644	944,512	209,821	25,611	1,179,944
<i>Past due up to 30 days</i>	15,552	8,580	9,431	33,563	15,604	8,162	16,052	39,818
<i>Past due 31-90 days</i>	-	2,487	331	2,818	317	687	797	1,801
<i>Past due more than 90 days</i>	-	-	14,251	14,251	-	-	15,959	15,959
Gross	1,073,265	157,664	51,347	1,282,276	960,433	218,670	58,419	1,237,522
<i>Less: allowance for impairment</i>	(7,566)	(1,597)	(13,532)	(22,695)	(6,829)	(2,536)	(16,431)	(25,796)
Net	1,065,699	156,067	37,815	1,259,581	953,604	216,134	41,988	1,211,726

c) Stage 3 loans and advances to customers

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

31 December 2022

	Group				Bank			
	Gross value	Allowance for impairment	Net value	Fair value of collateral	Gross value	Allowance for impairment	Net value	Fair value of collateral
<i>Loans and advances to financial institutions</i>	-	-	-	-	-	-	-	-
<i>Loans to individuals (Retail):</i>	15,723	(4,750)	10,973	8,932	10,022	(2,074)	7,948	8,932
<i>Consumer loans</i>	5,887	(2,795)	3,092	34	186	(119)	67	34
<i>Mortgages</i>	5,762	(1,126)	4,636	5,684	5,762	(1,126)	4,636	5,684
<i>Other</i>	4,074	(829)	3,245	3,214	4,074	(829)	3,245	3,214
<i>Loans to business customers:</i>	51,346	(13,532)	37,814	50,213	51,346	(13,532)	37,814	50,213
<i>Large corporates</i>	1,596	(1,596)	-	1,596	1,596	(1,596)	-	1,596
<i>SME</i>	48,308	(10,917)	37,391	47,436	48,308	(10,917)	37,391	47,436
<i>Central and local authorities, administrative bodies and other</i>	1,442	(1,019)	423	1,181	1,442	(1,019)	423	1,181
Total loans to customers	67,069	(18,282)	48,787	59,145	61,368	(15,606)	45,762	59,145

31 December 2021

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

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Information about loan collateral

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

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

Unsecured loans also include loans secured by other types of collateral (e.g. future inflow of funds into the borrowers' Bank accounts (controlled by the Bank), third party warrantees, bills of exchange, etc.). The total amount of loans to individuals and business customers secured by the above security measure but disclosed as unsecured as at 31 December 2022 amounted to EUR 33 million (2021: EUR 39 million). Totally unsecured loans comprise only consumer loans and loans issued by the Bank to its subsidiaries.

31 December 2022

	Group loans to individuals (retail)			
	Consumer loans	Mortgages	Other	Total
<i>Unsecured loans</i>	208,855	-	115,789	324,644
Loans collateralised by:	-	665,250	135,603	800,853
<i>residential real estate -</i>	-	639,916	2,547	642,463
<i>other real estate -</i>	-	25,334	2,062	27,396
<i>securities -</i>	-	-	-	-
<i>guarantees -</i>	-	-	130,961	130,961
<i>cash deposits -</i>	-	-	-	-
<i>other assets -</i>	-	-	33	33
Total	208,855	665,250	251,392	1,125,497

	Group loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
<i>Unsecured loans</i>	-	-	-	64,141	64,141
Loans collateralised by:	1,092,695	105,817	18,088	19,624	1,236,224
<i>residential real estate -</i>	90,876	1,048	-	523	92,447
<i>other real estate -</i>	1,001,819	104,769	18,088	18,781	1,143,457
<i>securities -</i>	-	-	-	-	-
<i>guarantees -</i>	-	-	-	228	228
<i>cash deposits -</i>	-	-	-	92	92
<i>other assets -</i>	-	-	-	-	-
Total	1,092,695	105,817	18,088	83,765	1,300,365

	Bank loans to individuals (retail)			
	Consumer loans	Mortgages	Other	Total
<i>Unsecured loans</i>	3,191	-	115,789	118,980
Loans collateralised by:	-	665,250	135,603	800,853
<i>residential real estate -</i>	-	639,916	2,547	642,463
<i>other real estate -</i>	-	25,334	2,062	27,396
<i>securities -</i>	-	-	-	-
<i>guarantees -</i>	-	-	130,961	130,961
<i>cash deposits -</i>	-	-	-	-
<i>other assets -</i>	-	-	33	33
Total	3,191	665,250	251,392	919,833

FINANCIAL RISK MANAGEMENT (CONTINUED)

	Bank loans to business customers					Total
	SME	Large corporates	Financial institutions	Central and local authorities and other		
<i>Unsecured loans</i>	-	-	177,273	64,141		241,414
Loans collateralised by:	1,092,695	105,817	18,088	19,624		1,236,224
<i>residential real estate -</i>	90,876	1,048	-	523		92,447
<i>other real estate -</i>	1,001,819	104,769	18,088	18,781		1,143,457
<i>securities -</i>	-	-	-	-		-
<i>guarantees -</i>	-	-	-	228		228
<i>cash deposits -</i>	-	-	-	92		92
<i>other assets -</i>	-	-	-	-		-
Total	1,092,695	105,817	195,361	83,765		1,477,638

31 December 2021

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

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

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

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Group loans to customers – LTV distribution								
LTV ratio:	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	1,100,547	154,771	53,158	1,308,476	510,681	147,653	39,690	698,024
50% to 60%	135,814	3,817	1,773	141,404	233,293	54,457	3,838	291,588
60% to 70%	118,142	2,019	514	120,675	174,198	8,951	1,636	184,785
70% to 80%	150,547	2,379	268	153,194	103,670	10,926	1,279	115,875
80% to 90%	141,316	1,585	546	143,447	87,644	2,210	3,646	93,500
90% to 100%	13,084	529	53	13,666	20,162	1,881	618	22,661
higher than 100%	171,091	6,126	4,494	181,711	179,515	3,169	10,968	193,652
no collateral	352,451	4,571	6,264	363,286	333,286	6,363	4,643	344,292
Total gross loans	2,182,992	175,797	67,070	2,425,859	1,642,449	235,610	66,318	1,944,377

Bank loans to customers – LTV distribution								
LTV ratio:	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	1,100,547	154,771	53,158	1,308,476	510,681	147,653	39,690	698,024
50% to 60%	135,814	3,817	1,773	141,404	233,293	54,457	3,838	291,588
60% to 70%	118,142	2,019	514	120,675	174,198	8,951	1,636	184,785
70% to 80%	150,547	2,379	268	153,194	103,670	10,926	1,279	115,875
80% to 90%	141,316	1,585	546	143,447	87,644	2,210	3,646	93,500
90% to 100%	13,085	529	53	13,667	20,163	1,881	618	22,662
higher than 100%	171,091	6,126	4,494	181,711	179,515	3,168	10,970	193,653
no collateral	156,172	178,158	563	334,893	196,509	120,735	435	317,679
Total gross loans	1,986,714	349,384	61,369	2,397,467	1,505,673	349,981	62,112	1,917,766

Group loans to individuals (Retail) – LTV distribution								
LTV ratio:	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	197,868	6,304	4,152	208,324	170,879	6,698	1,344	178,921
50% to 60%	66,256	371	1,068	67,695	48,992	1,111	674	50,777
60% to 70%	98,483	934	514	99,931	69,661	980	406	71,047
70% to 80%	148,017	2,043	190	150,250	80,405	220	338	80,963
80% to 90%	138,719	668	546	139,933	79,272	89	70	79,431
90% to 100%	2,302	6	53	2,361	2,606	25	145	2,776
higher than 100%	162,202	3,904	3,124	169,230	2,188	370	593	3,151
no collateral	277,792	3,903	6,076	287,771	224,802	3,629	4,329	232,760
Total gross loans	1,091,639	18,133	15,723	1,125,495	678,805	13,122	7,899	699,826

Bank loans to individuals (Retail) – LTV distribution								
LTV ratio:	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	197,868	6,304	4,152	208,324	170,879	6,698	1,344	178,921
50% to 60%	66,256	371	1,068	67,695	48,992	1,111	674	50,777
60% to 70%	98,483	934	514	99,931	69,661	980	406	71,047
70% to 80%	148,017	2,043	190	150,250	80,405	220	338	80,963
80% to 90%	138,719	668	546	139,933	79,272	89	70	79,431
90% to 100%	2,303	6	53	2,362	2,607	25	145	2,777
higher than 100%	162,202	3,904	3,124	169,230	2,188	369	595	3,152
no collateral	81,513	217	375	82,105	88,025	132	121	88,278
Total gross loans	895,361	14,447	10,022	919,830	542,029	9,624	3,693	555,346

FINANCIAL RISK MANAGEMENT (CONTINUED)

Group loans to individuals (Retail) : Consumer loans – LTV distribution								
	2022				2021			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	-	-	-	-	-	-	-	-
50% to 60%	-	-	-	-	-	-	-	-
60% to 70%	-	-	-	-	-	-	-	-
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	-	-	-
90% to 100%	580	6	11	597	2,001	24	6	2,031
higher than 100%	85	15	23	123	146	41	9	196
no collateral	198,537	3,746	5,852	208,135	141,138	3,613	4,289	149,040
Total gross loans	199,202	3,767	5,886	208,855	143,285	3,678	4,304	151,267

Bank loans to individuals (Retail) : Consumer loans – LTV distribution								
	2022				2021			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	-	-	-	-	-	-	-	-
50% to 60%	-	-	-	-	-	-	-	-
60% to 70%	-	-	-	-	-	-	-	-
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	-	-	-
90% to 100%	580	6	11	597	2,001	24	6	2,031
higher than 100%	84	15	23	122	145	41	9	195
no collateral	2,260	60	152	2,472	4,364	115	102	4,581
Total gross loans	2,924	81	186	3,191	6,510	180	117	6,807

Group loans to individuals (Retail) : Mortgages – LTV distribution								
	2022				2021			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	193,191	5,752	3,684	202,627	165,172	6,420	1,220	172,812
50% to 60%	66,007	367	901	67,275	48,304	920	615	49,839
60% to 70%	98,141	922	404	99,467	69,239	536	302	70,077
70% to 80%	148,002	2,043	135	150,180	80,351	218	9	80,578
80% to 90%	138,719	668	527	139,914	79,261	89	68	79,418
90% to 100%	1,713	-	19	1,732	571	-	-	571
higher than 100%	1,837	13	92	1,942	1,233	31	545	1,809
no collateral	2,050	63	-	2,113	961	11	-	972
Total gross loans	649,660	9,828	5,762	665,250	445,092	8,225	2,759	456,076

Bank loans to individuals (Retail) : Mortgages – LTV distribution								
	2022				2021			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	193,191	5,752	3,684	202,627	165,172	6,420	1,220	172,812
50% to 60%	66,007	367	901	67,275	48,304	920	615	49,839
60% to 70%	98,141	922	404	99,467	69,239	536	302	70,077
70% to 80%	148,002	2,043	135	150,180	80,351	218	9	80,578
80% to 90%	138,719	668	527	139,914	79,261	89	68	79,418
90% to 100%	1,713	-	19	1,732	571	-	-	571
higher than 100%	1,837	13	92	1,942	1,233	31	546	1,810
no collateral	2,050	63	-	2,113	959	12	-	971
Total gross loans	649,660	9,828	5,762	665,250	445,090	8,226	2,760	456,076

Group loans to individuals (Retail) : Other – LTV distribution								
	2022				2021			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	4,677	552	468	5,697	5,707	278	124	6,109
50% to 60%	249	4	167	420	688	191	59	938
60% to 70%	342	12	110	464	422	444	104	970
70% to 80%	15	-	55	70	54	2	329	385
80% to 90%	-	-	19	19	11	-	2	13
90% to 100%	10	-	23	33	35	1	139	175
higher than 100%	160,281	3,877	3,008	167,166	810	297	39	1,146
no collateral	77,205	95	223	77,523	82,704	4	40	82,748
Total gross loans	242,779	4,540	4,073	251,392	90,431	1,217	836	92,484

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

Bank loans to individuals (Retail) : Other – LTV distribution								
	2022				2021			
<i>LTV ratio:</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>lower than 50%</i>	4,677	552	468	5,697	5,707	278	124	6,109
<i>50% to 60%</i>	249	4	167	420	688	191	59	938
<i>60% to 70%</i>	342	12	110	464	422	444	104	970
<i>70% to 80%</i>	15	-	55	70	54	2	329	385
<i>80% to 90%</i>	-	-	19	19	11	-	2	13
<i>90% to 100%</i>	10	-	23	33	35	1	139	175
<i>higher than 100%</i>	160,281	3,877	3,009	167,167	810	297	40	1,147
<i>no collateral</i>	77,204	95	223	77,522	82,703	4	19	82,726
Total gross loans	242,778	4,540	4,074	251,392	90,430	1,217	816	92,463

Group loans to financial institutions – LTV distribution								
	2022				2021			
<i>LTV ratio:</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>lower than 50%</i>	17,756	-	-	17,756	1,553	3,432	-	4,985
<i>50% to 60%</i>	317	-	-	317	-	-	-	-
<i>60% to 70%</i>	-	-	-	-	-	-	-	-
<i>70% to 80%</i>	-	-	-	-	-	-	-	-
<i>80% to 90%</i>	-	-	-	-	-	-	-	-
<i>90% to 100%</i>	-	-	-	-	-	-	-	-
<i>higher than 100%</i>	-	-	-	-	-	-	-	-
<i>no collateral</i>	15	-	-	15	1,657	387	-	2,044
Total gross loans	18,088	-	-	18,088	3,210	3,819	-	7,029

Bank loans to financial institutions – LTV distribution								
	2022				2021			
<i>LTV ratio:</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>lower than 50%</i>	17,756	-	-	17,756	1,553	3,432	-	4,985
<i>50% to 60%</i>	317	-	-	317	-	-	-	-
<i>60% to 70%</i>	-	-	-	-	-	-	-	-
<i>70% to 80%</i>	-	-	-	-	-	-	-	-
<i>80% to 90%</i>	-	-	-	-	-	-	-	-
<i>90% to 100%</i>	-	-	-	-	-	-	-	-
<i>higher than 100%</i>	-	-	-	-	-	-	-	-
<i>no collateral</i>	15	177,273	-	177,288	1,658	118,255	-	119,913
Total gross loans	18,088	177,273	-	195,361	3,211	121,687	-	124,898

Group loans to business customers – LTV distribution								
	2022				2021			
<i>LTV ratio:</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>lower than 50%</i>	884,923	148,467	49,006	1,082,396	338,249	137,523	38,346	514,118
<i>50% to 60%</i>	69,241	3,446	705	73,392	184,301	53,346	3,164	240,811
<i>60% to 70%</i>	19,659	1,085	-	20,744	104,537	7,971	1,230	113,738
<i>70% to 80%</i>	2,530	336	78	2,944	23,265	10,706	941	34,912
<i>80% to 90%</i>	2,597	917	-	3,514	8,372	2,121	3,576	14,069
<i>90% to 100%</i>	10,782	523	-	11,305	17,556	1,856	473	19,885
<i>higher than 100%</i>	8,889	2,223	1,370	12,482	177,327	2,799	10,375	190,501
<i>no collateral</i>	74,644	669	187	75,500	106,826	2,348	314	109,488
Total gross loans	1,073,265	157,666	51,346	1,282,277	960,433	218,670	58,419	1,237,522

Bank loans to business customers – LTV distribution								
	2022				2021			
<i>LTV ratio:</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>lower than 50%</i>	884,923	148,467	49,006	1,082,396	338,249	137,523	38,346	514,118
<i>50% to 60%</i>	69,241	3,446	705	73,392	184,301	53,346	3,164	240,811
<i>60% to 70%</i>	19,659	1,085	-	20,744	104,537	7,971	1,230	113,738
<i>70% to 80%</i>	2,530	336	78	2,944	23,265	10,706	941	34,912
<i>80% to 90%</i>	2,597	917	-	3,514	8,372	2,121	3,576	14,069
<i>90% to 100%</i>	10,782	523	-	11,305	17,556	1,856	473	19,885
<i>higher than 100%</i>	8,889	2,223	1,370	12,482	177,327	2,799	10,375	190,501
<i>no collateral</i>	74,644	669	187	75,500	106,826	2,348	314	109,488
Total gross loans	1,073,265	157,666	51,346	1,282,277	960,433	218,670	58,419	1,237,522

FINANCIAL RISK MANAGEMENT (CONTINUED)

Group loans to business customers: Large corporates – LTV distribution

LTV ratio:	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	57,160	29,508	1,596	88,264	38,505	20,065	347	58,917
50% to 60%	6,518	-	-	6,518	16,541	9,367	1,578	27,486
60% to 70%	-	-	-	-	3,340	1,588	-	4,928
70% to 80%	-	1	-	1	91	4,724	-	4,815
80% to 90%	-	455	-	455	-	-	-	-
90% to 100%	9,754	-	-	9,754	10,275	-	-	10,275
higher than 100%	133	-	-	133	21,590	-	-	21,590
no collateral	692	-	-	692	1,316	-	-	1,316
Total gross loans	74,257	29,964	1,596	105,817	91,658	35,744	1,925	129,327

Bank loans to business customers: Large corporates – LTV distribution

LTV ratio:	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	57,160	29,508	1,596	88,264	38,505	20,065	347	58,917
50% to 60%	6,518	-	-	6,518	16,541	9,367	1,578	27,486
60% to 70%	-	-	-	-	3,340	1,588	-	4,928
70% to 80%	-	1	-	1	91	4,724	-	4,815
80% to 90%	-	455	-	455	-	-	-	-
90% to 100%	9,754	-	-	9,754	10,275	-	-	10,275
higher than 100%	133	-	-	133	21,590	-	-	21,590
no collateral	692	-	-	692	1,316	-	-	1,316
Total gross loans	74,257	29,964	1,596	105,817	91,658	35,744	1,925	129,327

Group loans to business customers: SME – LTV distribution

LTV ratio:	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	819,362	118,359	45,968	983,689	296,683	117,350	37,999	452,032
50% to 60%	62,723	3,446	705	66,874	167,713	43,403	1,586	212,702
60% to 70%	19,659	326	-	19,985	101,153	6,383	1,230	108,766
70% to 80%	2,530	335	78	2,943	23,174	5,982	941	30,097
80% to 90%	2,597	462	-	3,059	8,372	1,254	2,111	11,737
90% to 100%	1,028	523	-	1,551	7,281	1,856	473	9,610
higher than 100%	8,756	2,223	1,370	12,349	123,316	2,741	10,375	136,432
no collateral	1,953	105	187	2,245	9,082	254	314	9,650
Total gross loans	918,608	125,779	48,308	1,092,695	736,774	179,223	55,029	971,026

Bank loans to business customers: SME – LTV distribution

LTV ratio:	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	819,362	118,359	45,968	983,689	296,683	117,350	37,999	452,032
50% to 60%	62,723	3,446	705	66,874	167,713	43,403	1,586	212,702
60% to 70%	19,659	326	-	19,985	101,153	6,383	1,230	108,766
70% to 80%	2,530	335	78	2,943	23,174	5,982	941	30,097
80% to 90%	2,597	462	-	3,059	8,372	1,254	2,111	11,737
90% to 100%	1,028	523	-	1,551	7,281	1,856	473	9,610
higher than 100%	8,756	2,223	1,370	12,349	123,316	2,741	10,375	136,432
no collateral	1,953	105	187	2,245	9,082	254	314	9,650
Total gross loans	918,608	125,779	48,308	1,092,695	736,774	179,223	55,029	971,026

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

LTV ratio:	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	8,401	600	1,442	10,443	3,061	108	-	3,169
50% to 60%	-	-	-	-	47	576	-	623
60% to 70%	-	759	-	759	44	-	-	44
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	867	1,465	2,332
90% to 100%	-	-	-	-	-	-	-	-
higher than 100%	-	-	-	-	32,421	58	-	32,479
no collateral	71,999	564	-	72,563	96,428	2,094	-	98,522
Total gross loans	80,400	1,923	1,442	83,765	132,001	3,703	1,465	137,169

FINANCIAL RISK MANAGEMENT (CONTINUED)

Bank loans to business customers: Central and local authorities, administrative bodies and other – LTV distribution								
LTV ratio:	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	8,401	600	1,442	10,443	3,061	108	-	3,169
50% to 60%	-	-	-	-	47	576	-	623
60% to 70%	-	759	-	759	44	-	-	44
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	867	1,465	2,332
90% to 100%	-	-	-	-	-	-	-	-
higher than 100%	-	-	-	-	32,421	58	-	32,479
no collateral	71,999	564	-	72,563	96,428	2,094	-	98,522
Total gross loans	80,400	1,923	1,442	83,765	132,001	3,703	1,465	137,169

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

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

Group, as at 31 December 2022				Gross value		LTV
	Stage 1	Stage 2	Stage 3	Total		
Loans to financial institutions	15	-	-	15	0%	
Loans to individuals:	1,063	2	1	1,066	13%	
Mortgages -	3	-	-	3	0%	
Other-	1,060	2	1	1,063	17%	
Loans to business customers:	10	11,589	120	11,719	0%	
Central and local authorities, administrative bodies and other -	10	-	-	10	0%	
Large corporates -	-	-	-	-	0%	
SME -	-	11,589	120	11,709	0%	
Total	1,088	11,591	121	12,800	6%	

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

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

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

	As at 31 December 2022			As at 31 December 2021		
	Gross value	Impairment	Carrying value	Gross value	Impairment	Carrying value
Loans to financial institutions	-	-	-	-	-	-
Loans to individuals:	98	(9)	89	112	(3)	108
Consumer loans -	-	-	-	-	-	-
Mortgages -	91	(7)	84	99	(1)	98
Other-	8	(2)	5	13	(3)	10
Loans to business customers:	1,494	(82)	1,412	1,790	(84)	1,705
Central and local authorities, administrative bodies and other -	-	-	-	-	-	-
Large corporates -	-	-	-	-	-	-
SME -	1,494	(82)	1,412	1,790	(84)	1,705
Total	1,592	(91)	1,502	1,902	(88)	1,814

FINANCIAL RISK MANAGEMENT (CONTINUED)

g) Modifications of loans to customers

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

The amortized cost before modification of loans with lifetime ECL whose cash flows were modified during 2022 as part of Group's restructuring activities was EUR 87,667 thousand, these modifications resulted in a net gain of EUR 16 thousand. The amortized cost before modification of loans with lifetime ECL whose cash flows were modified during 2021 as part of Group's restructuring activities was EUR 91,824 thousand, these modifications resulted in a net loss of EUR 12 thousand.

1.6. Finance lease receivables

Finance lease receivables are summarised as follows:

	2022		2021	
	Group	Bank	Group	Bank
<i>Business customers</i>	220,088	219,026	172,215	171,202
<i>Individuals</i>	27,660	27,660	26,746	26,746
Gross	247,748	246,686	198,961	197,948
<i>Subtract: Allowance for impairment</i>	(5,300)	(4,494)	(3,787)	(3,039)
Net	242,448	242,192	195,174	194,909

During the year ended 31 December 2022, finance lease receivables portfolio of the Group increased by 24.2% (2021: increased by 25.5 %). Total impairment provisions for finance lease receivables of the Group amount to EUR 5,300 thousand (2021: EUR 3,787 thousand) and account for 2.1% of the respective portfolio (2021: 1.9%).

a) Credit grades of finance lease receivables

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

	Group finance lease receivables							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	193,762	2,104	-	195,866	138,756	2,323	154	141,233
<i>Watch</i>	33,555	4,096	-	37,651	31,880	10,580	-	42,460
<i>Substandard</i>	130	6,463	-	6,593	267	7,613	134	8,014
<i>Problem</i>	-	-	7,638	7,638	57	29	7,167	7,253
Gross	227,447	12,663	7,638	247,748	170,960	20,545	7,455	198,960
<i>Less: allowance for impairment</i>	(1,881)	(285)	(3,134)	(5,300)	(966)	(239)	(2,581)	(3,786)
Net	225,566	12,378	4,504	242,448	169,994	20,306	4,874	195,174

	Bank finance lease receivables							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	193,762	1,844	-	195,606	138,544	2,323	154	141,021
<i>Watch</i>	33,555	4,096	-	37,651	31,880	10,580	-	42,460
<i>Substandard</i>	130	6,463	-	6,593	267	7,613	134	8,014
<i>Problem</i>	-	-	6,836	6,836	57	29	6,366	6,452
Gross	227,447	12,403	6,836	246,686	170,748	20,545	6,654	197,947
<i>Less: allowance for impairment</i>	(1,881)	(280)	(2,333)	(4,494)	(965)	(239)	(1,834)	(3,038)
Net	225,566	12,123	4,503	242,192	169,783	20,306	4,820	194,909

	Group finance lease receivables – business customers							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	169,026	1,642	-	170,668	114,404	1,074	-	115,478
<i>Watch</i>	33,288	2,502	-	35,790	31,492	10,432	-	41,924
<i>Substandard</i>	-	6,452	-	6,452	-	7,595	-	7,595
<i>Problem</i>	-	-	7,178	7,178	57	29	7,132	7,218
Gross	202,314	10,596	7,178	220,088	145,953	19,130	7,132	172,215
<i>Less: allowance for impairment</i>	(1,799)	(263)	(3,036)	(5,098)	(911)	(225)	(2,535)	(3,671)
Net	200,515	10,333	4,142	214,990	145,042	18,905	4,597	168,544

FINANCIAL RISK MANAGEMENT (CONTINUED)

	Bank finance lease receivables – business customers							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	169,026	1,382	-	170,408	114,192	1,074	-	115,266
Watch	33,288	2,502	-	35,790	31,492	10,432	-	41,924
Substandard	-	6,452	-	6,452	-	7,595	-	7,595
Problem	-	-	6,376	6,376	57	29	6,331	6,417
Gross	202,314	10,336	6,376	219,026	145,741	19,130	6,331	171,202
Less: allowance for impairment	(1,799)	(258)	(2,235)	(4,292)	(910)	(225)	(1,788)	(2,923)
Net	200,515	10,078	4,141	214,734	144,831	18,905	4,543	168,279

	Group finance lease receivables – individuals							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	24,736	462	-	25,198	24,352	1,249	154	25,755
Watch	267	1,594	-	1,861	388	148	-	536
Substandard	130	11	-	141	267	18	134	419
Problem	-	-	460	460	-	-	35	35
Gross	25,133	2,067	460	27,660	25,007	1,415	323	26,745
Less: allowance for impairment	(82)	(22)	(98)	(202)	(55)	(14)	(46)	(115)
Net	25,051	2,045	362	27,458	24,952	1,401	277	26,630

	Bank finance lease receivables – individuals							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	24,736	462	-	25,198	24,352	1,249	154	25,755
Watch	267	1,594	-	1,861	388	148	-	536
Substandard	130	11	-	141	267	18	134	419
Problem	-	-	460	460	-	-	35	35
Gross	25,133	2,067	460	27,660	25,007	1,415	323	26,745
Less: allowance for impairment	(82)	(22)	(98)	(202)	(55)	(14)	(46)	(115)
Net	25,051	2,045	362	27,458	24,952	1,401	277	26,630

b) Payment delays of finance lease receivables

	Group finance lease receivables							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	216,514	10,866	5,053	232,433	163,802	18,890	5,590	188,282
Past due up to 30 days	10,933	597	719	12,249	7,159	1,044	336	8,539
Past due 31-90 days	-	1,201	322	1,523	-	609	111	720
Past due more than 90 days	-	-	1,543	1,543	-	-	1,419	1,419
Gross	227,447	12,664	7,637	247,748	170,961	20,543	7,456	198,960
Less: allowance for impairment	(1,881)	(285)	(3,134)	(5,300)	(966)	(239)	(2,581)	(3,786)
Net	225,566	12,379	4,503	242,448	169,995	20,304	4,875	195,174

	Bank finance lease receivables							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	216,513	10,606	5,053	232,172	163,590	18,890	5,590	188,070
Past due up to 30 days	10,933	597	719	12,249	7,159	1,044	336	8,539
Past due 31-90 days	-	1,201	322	1,523	-	609	111	720
Past due more than 90 days	-	-	742	742	-	-	618	618
Gross	227,446	12,404	6,836	246,686	170,749	20,543	6,655	197,947
Less: allowance for impairment	(1,881)	(280)	(2,333)	(4,494)	(965)	(239)	(1,834)	(3,038)
Net	225,565	12,124	4,503	242,192	169,784	20,304	4,821	194,909

	Group finance lease receivables – business customers							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	191,904	9,053	4,751	205,708	140,831	17,783	5,328	163,942
Past due up to 30 days	10,410	519	718	11,647	5,123	998	321	6,442
Past due 31-90 days	-	1,025	322	1,347	-	348	99	447
Past due more than 90 days	-	-	1,386	1,386	-	-	1,384	1,384
Gross	202,314	10,597	7,177	220,088	145,954	19,129	7,132	172,215
Less: allowance for impairment	(1,799)	(263)	(3,036)	(5,098)	(911)	(225)	(2,535)	(3,671)
Net	200,515	10,334	4,141	214,990	145,043	18,904	4,597	168,544

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

	Bank finance lease receivables – business customers							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Not past due</i>	191,903	8,793	4,751	205,447	140,619	17,783	5,328	163,730
<i>Past due up to 30 days</i>	10,410	519	718	11,647	5,123	998	321	6,442
<i>Past due 31-90 days</i>	-	1,025	322	1,347	-	348	99	447
<i>Past due more than 90 days</i>	-	-	585	585	-	-	583	583
Gross	202,313	10,337	6,376	219,026	145,742	19,129	6,331	171,202
<i>Less: allowance for impairment</i>	(1,799)	(258)	(2,235)	(4,292)	(910)	(225)	(1,788)	(2,923)
Net	200,514	10,079	4,141	214,734	144,832	18,904	4,543	168,279

	Group finance lease receivables – individuals							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Not past due</i>	24,610	1,813	302	26,725	22,971	1,107	262	24,340
<i>Past due up to 30 days</i>	523	78	1	602	2,036	46	15	2,097
<i>Past due 31-90 days</i>	-	176	-	176	-	261	12	273
<i>Past due more than 90 days</i>	-	-	157	157	-	-	35	35
Gross	25,133	2,067	460	27,660	25,007	1,414	324	26,745
<i>Less: allowance for impairment</i>	(82)	(22)	(98)	(202)	(55)	(14)	(46)	(115)
Net	25,051	2,045	362	27,458	24,952	1,400	278	26,630

	Bank finance lease receivables – individuals							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Not past due</i>	24,610	1,813	302	26,725	22,971	1,107	262	24,340
<i>Past due up to 30 days</i>	523	78	1	602	2,036	46	15	2,097
<i>Past due 31-90 days</i>	-	176	-	176	-	261	12	273
<i>Past due more than 90 days</i>	-	-	157	157	-	-	35	35
Gross	25,133	2,067	460	27,660	25,007	1,414	324	26,745
<i>Less: allowance for impairment</i>	(82)	(22)	(98)	(202)	(55)	(14)	(46)	(115)
Net	25,051	2,045	362	27,458	24,952	1,400	278	26,630

c) Stage 3 Finance lease receivables

31 December 2022

	Group				Bank			
	Gross value	Allowance for impairment	Net value	Fair value of collateral	Gross value	Allowance for impairment	Net value	Fair value of collateral
31 December 2022:								
<i>Business customers</i>	7,178	(3,036)	4,142	460	6,376	(2,235)	4,141	460
<i>Individuals</i>	460	(98)	362	6,288	460	(98)	362	6,288
Total finance lease receivables	7,638	(3,134)	4,504	6,748	6,836	(2,333)	4,503	6,748

31 December 2021

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Information about risk mitigation measures for finance lease receivables

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

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

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

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

	2022			The Group 2021		
	Individuals	Business customers	Total	Individuals	Business customers	Total
<i>Unsecured finance lease receivables</i>	571	4,735	5,306	440	3,116	3,556
<i>Finance lease receivables secured by:</i>						
<i>transport vehicles -</i>	26,966	167,408	194,374	25,849	122,970	148,819
<i>real estate -</i>	107	15,459	15,566	398	18,073	18,471
<i>equipment and other -</i>	16	32,486	32,502	59	28,056	28,115
Total	27,660	220,088	247,748	26,746	172,215	198,961

	2022			The Bank 2021		
	Individuals	Business customers	Total	Individuals	Business customers	Total
<i>Unsecured finance lease receivables</i>	571	4,735	5,306	440	3,116	3,556
<i>Finance lease receivables secured by:</i>						
<i>transport vehicles -</i>	26,966	167,408	194,374	25,849	122,970	148,819
<i>real estate -</i>	107	15,459	15,566	398	18,073	18,471
<i>equipment and other -</i>	16	31,424	31,440	59	27,043	27,102
Total	27,660	219,026	246,686	26,746	171,202	197,948

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

	2022				Group finance lease receivables – LTV distribution 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
LTV ratio:								
<i>lower than 50%</i>	113,182	7,154	5,861	126,197	86,169	15,874	6,026	108,069
<i>50% to 60%</i>	42,931	1,527	166	44,624	30,655	1,312	209	32,176
<i>60% to 70%</i>	25,190	1,490	402	27,082	20,594	1,425	56	22,075
<i>70% to 80%</i>	23,583	882	178	24,643	17,768	1,070	17	18,855
<i>80% to 90%</i>	15,289	1,018	44	16,351	9,395	432	83	9,910
<i>90% to 100%</i>	4,477	259	75	4,811	3,156	354	88	3,598
<i>higher than 100%</i>	2,671	74	23	2,768	2,749	43	957	3,749
<i>no collateral</i>	124	260	888	1,272	475	33	20	528
Total gross loans	227,447	12,664	7,637	247,748	170,961	20,543	7,456	198,960

	2022				Bank finance lease receivables – LTV distribution 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
LTV ratio:								
<i>lower than 50%</i>	113,182	7,154	5,861	126,197	86,169	15,874	6,026	108,069
<i>50% to 60%</i>	42,931	1,527	166	44,624	30,655	1,313	209	32,177
<i>60% to 70%</i>	25,190	1,490	402	27,082	20,594	1,425	56	22,075
<i>70% to 80%</i>	23,583	882	178	24,643	17,768	1,069	17	18,854
<i>80% to 90%</i>	15,289	1,018	44	16,351	9,395	432	83	9,910
<i>90% to 100%</i>	4,477	259	75	4,811	3,156	354	88	3,598
<i>higher than 100%</i>	2,671	74	23	2,768	2,749	43	157	2,949
<i>no collateral</i>	123	-	87	210	263	33	19	315
Total gross loans	227,446	12,404	6,836	246,686	170,749	20,543	6,655	197,947

FINANCIAL RISK MANAGEMENT (CONTINUED)

Group finance lease receivables: Individuals – LTV distribution								
	2022				2021			
<i>LTV ratio:</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>lower than 50%</i>	17,200	1,399	381	18,980	17,515	905	274	18,694
<i>50% to 60%</i>	1,542	192	40	1,774	1,701	243	14	1,958
<i>60% to 70%</i>	1,980	247	21	2,248	1,965	114	-	2,079
<i>70% to 80%</i>	2,348	95	18	2,461	1,810	79	-	1,889
<i>80% to 90%</i>	922	122	-	1,044	859	51	9	919
<i>90% to 100%</i>	689	12	-	701	523	13	-	536
<i>higher than 100%</i>	345	-	-	345	525	9	19	553
<i>no collateral</i>	107	-	-	107	109	-	8	117
Total gross loans	25,133	2,067	460	27,660	25,007	1,414	324	26,745

Bank finance lease receivables: Individuals – LTV distribution								
	2022				2021			
<i>LTV ratio:</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>lower than 50%</i>	17,200	1,399	381	18,980	17,515	905	274	18,694
<i>50% to 60%</i>	1,542	192	40	1,774	1,701	243	14	1,958
<i>60% to 70%</i>	1,980	247	21	2,248	1,965	114	-	2,079
<i>70% to 80%</i>	2,348	95	18	2,461	1,810	79	-	1,889
<i>80% to 90%</i>	922	122	-	1,044	859	51	9	919
<i>90% to 100%</i>	689	12	-	701	523	13	-	536
<i>higher than 100%</i>	345	-	-	345	525	9	20	554
<i>no collateral</i>	107	-	-	107	109	-	7	116
Total gross loans	25,133	2,067	460	27,660	25,007	1,414	324	26,745

Group finance lease receivables: Business customers – LTV distribution								
	2022				2021			
<i>LTV ratio:</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>lower than 50%</i>	95,982	5,755	5,480	107,217	68,654	14,969	5,752	89,375
<i>50% to 60%</i>	41,389	1,335	126	42,850	28,954	1,069	195	30,218
<i>60% to 70%</i>	23,210	1,243	381	24,834	18,629	1,311	56	19,996
<i>70% to 80%</i>	21,235	787	160	22,182	15,958	991	17	16,966
<i>80% to 90%</i>	14,367	896	44	15,307	8,536	381	74	8,991
<i>90% to 100%</i>	3,788	247	75	4,110	2,633	341	88	3,062
<i>higher than 100%</i>	2,326	74	23	2,423	2,224	34	938	3,196
<i>no collateral</i>	17	260	888	1,165	366	33	12	411
Total gross loans	202,314	10,597	7,177	220,088	145,954	19,129	7,132	172,215

Bank finance lease receivables: Business customers – LTV distribution								
	2022				2021			
<i>LTV ratio:</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>lower than 50%</i>	95,982	5,755	5,480	107,217	68,654	14,969	5,752	89,375
<i>50% to 60%</i>	41,389	1,335	126	42,850	28,954	1,070	195	30,219
<i>60% to 70%</i>	23,210	1,243	381	24,834	18,629	1,311	56	19,996
<i>70% to 80%</i>	21,235	787	160	22,182	15,958	990	17	16,965
<i>80% to 90%</i>	14,367	896	44	15,307	8,536	381	74	8,991
<i>90% to 100%</i>	3,788	247	75	4,110	2,633	341	88	3,062
<i>higher than 100%</i>	2,326	74	23	2,423	2,224	34	137	2,395
<i>no collateral</i>	16	-	87	103	154	33	12	199
Total gross loans	202,313	10,337	6,376	219,026	145,742	19,129	6,331	171,202

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

<i>At 31 December 2022:</i>				Gross value	
	Stage 1	Stage 2	Stage 3	Total	LTV
<i>Business customers</i>	2,351	-	-	2,351	32%
<i>Individuals</i>	372	-	-	372	15%
Total	2,723	-	-	2,723	41%

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

1.7. Other financial assets

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

	2022			The Group 2021		
	Individuals	Business customers	Total	Individuals	Business customers	Total
<i>Stage 1</i>	500	5,791	6,291	400	16,219	16,619
<i>Stage 2</i>	-	21	21	-	-	-
<i>Stage 3</i>	-	10	10	5	34	39
Gross	500	5,822	6,322	405	16,253	16,658
<i>Less: allowance for impairment</i>	-	(507)	(507)	(5)	(255)	(260)
Net	500	5,315	5,815	400	15,998	16,398

	2022			The Bank 2021		
	Individuals	Business customers	Total	Individuals	Business customers	Total
<i>Stage 1</i>	490	5,586	6,076	400	16,065	16,465
<i>Stage 2</i>	-	21	21	-	-	-
<i>Stage 3</i>	-	10	10	-	34	34
Gross	490	5,617	6,107	400	16,099	16,499
<i>Less: allowance for impairment</i>	-	(487)	(487)	-	(228)	(228)
Net	490	5,130	5,620	400	15,871	16,271

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Industry sectors

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

Group	Financial intermediation	Wholesale and retail	Manufacturing	Real estate and rent	Construction	Agriculture, hunting and forestry	Public administration and defence, compulsory social security	Transport, storage and communication	Health and social work	Loans to individuals	Other	Total
At 31 December 2022:												
Cash equivalents	179,235	-	-	-	-	-	128,208	-	-	-	-	307,443
Loans and advances to banks	2,733	-	-	-	-	-	-	-	-	-	-	2,733
Loans and advances to customers:	28,127	157,785	164,053	343,459	105,693	88,377	72,270	63,380	30,279	1,037,919	300,287	2,391,629
Loans and advances to financial institutions	18,079	-	-	-	-	-	-	-	-	-	-	18,079
Loans to individuals (Retail):	-	16	-	-	29	-	-	-	-	1,037,919	76,005	1,113,969
Consumer loans -	-	-	-	-	-	-	-	-	-	201,133	19	201,152
Mortgages -	-	16	-	-	29	-	-	-	-	655,949	7,334	663,328
Other -	-	-	-	-	-	-	-	-	-	180,837	68,652	249,489
Loans to business customers:	10,048	157,769	164,053	343,459	105,664	88,377	72,270	63,380	30,279	-	224,282	1,259,581
Large corporates -	-	-	70,679	2,434	3,333	-	-	2,959	11,375	-	12,867	103,647
SME -	10,048	157,758	93,373	335,830	102,331	88,377	-	60,421	15,596	-	209,532	1,073,266
Central and local authorities, administrative bodies and other -	-	11	1	5,195	-	-	72,270	-	3,308	-	1,883	82,668
Finance lease receivables:	1,524	20,702	13,022	10,829	11,596	14,006	-	49,126	2,527	27,458	91,658	242,448
Individuals -	-	-	-	-	-	-	-	-	-	27,458	-	27,458
Business customers -	1,524	20,702	13,022	10,829	11,596	14,006	-	49,126	2,527	-	91,658	214,990
Securities in the trading book:	45,406	792	33	4,246	751	69	2,602	23	-	-	4,379	58,301
Debt securities -	17,354	792	-	4,201	751	69	2,602	-	-	-	4,379	30,148
Equity securities -	28,052	-	33	45	-	-	-	23	-	-	-	28,153
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	897
Investment securities at fair value:	30,226	468	-	-	-	-	52,570	-	-	-	6,961	90,225
Equity securities -	4,903	-	-	-	-	-	-	-	-	-	51	4,954
Debt securities -	25,323	468	-	-	-	-	52,570	-	-	-	6,910	85,271
Investment securities at amortized cost:	43,853	1,406	36,433	1,215	-	-	821,781	3,011	3,213	201	57,920	969,033
Debt securities -	43,853	1,406	36,433	1,215	-	-	821,781	3,011	3,213	201	57,920	969,033
Other financial assets	3,286	107	65	28	52	10	6	12	2	181	2,066	5,815
Credit risk exposures relating to off-balance sheet items are as follows:												
Financial guarantees -	9,593	8,155	4,676	1,185	17,598	678	290	1,014	-	176	9,290	52,655
Letters of credit -	-	-	5,756	-	-	-	-	-	-	-	-	5,756
Loan commitments and other credit related liabilities -	62,109	49,441	53,684	62,454	78,385	7,946	5,073	21,627	2,636	80,214	67,375	490,944
Total at 31 December 2022	406,092	238,856	277,722	423,416	214,075	111,086	1,082,800	138,193	38,657	1,146,149	540,833	4,617,879
At 31 December 2021:												
Cash equivalents	31,068	-	-	-	-	-	867,794	-	-	-	-	898,862
Loans and advances to banks	1,196	-	-	-	-	-	-	-	-	-	-	1,196
Loans and advances to customers:	23,378	136,813	177,686	288,946	58,148	97,323	81,814	57,388	31,027	688,525	267,633	1,908,681
Loans and advances to financial institutions	6,947	-	-	-	-	-	-	-	-	-	-	6,947
Loans to individuals (Retail):	-	54	85	-	32	483	-	-	-	688,525	829	690,008
Consumer loans -	-	-	-	-	-	-	-	-	-	143,459	3	143,462
Mortgages -	-	-	-	-	-	-	-	-	-	455,126	-	455,126
Other -	-	54	85	-	32	483	-	-	-	89,940	826	91,420
Loans to business customers:	16,431	136,759	177,601	288,946	58,116	96,840	81,814	57,388	31,027	-	266,804	1,211,726
Large corporates -	-	-	87,358	-	13,783	-	-	3,491	12,571	-	10,569	127,772
SME -	16,431	136,740	90,240	288,917	44,321	96,839	(13,426)	53,897	14,813	-	219,213	947,985
Central and local authorities, administrative bodies and other -	-	19	3	29	12	1	95,240	-	3,643	-	37,022	135,969
Finance lease receivables:	1,641	16,479	12,923	7,811	11,054	10,226	15	36,404	2,440	26,630	69,551	195,174
Individuals -	-	-	-	-	-	-	-	-	-	26,630	-	26,630
Business customers -	1,641	16,479	12,923	7,811	11,054	10,226	15	36,404	2,440	-	69,551	168,544
Securities in the trading book:	29,938	829	27	1,659	-	-	4,062	16	25	-	11,625	48,181
Debt securities -	2,597	829	-	1,622	-	-	4,062	-	-	-	11,343	20,453
Equity securities -	27,341	-	27	37	-	-	-	16	25	-	282	27,728
Derivative financial instruments	1,111	42	-	-	-	-	-	-	-	-	-	968
Investment securities at fair value:	11,978	585	-	-	-	-	53,991	-	-	-	16,434	82,988
Equity securities -	4,530	-	-	-	-	-	-	-	-	-	332	4,862
Debt securities -	7,448	585	-	-	-	-	53,991	-	-	-	16,102	78,126
Investment securities at amortized cost:	58,260	1,614	36,290	1,010	-	-	535,006	3,012	3,006	-	67,200	705,398
Debt securities -	58,260	1,614	36,290	1,010	-	-	535,006	3,012	3,006	-	67,200	705,398
Other financial assets	2,755	51	79	13	17	13	77	13	17	539	12,824	16,398
Credit risk exposures relating to off-balance sheet items are as follows:												
Financial guarantees -	8,215	8,281	5,881	853	18,968	236	236	1,474	34	70	8,683	52,931
Letters of credit -	-	98	1,210	-	-	-	-	-	-	-	-	1,308
Loan commitments and other credit related liabilities -	8	34,435	50,764	48,567	67,124	10,765	5,075	30,159	4,928	32,261	113,139	397,225
Total at 31 December 2021	169,548	199,227	284,860	348,859	155,311	118,563	1,548,070	128,466	41,477	748,025	568,057	4,310,463

FINANCIAL RISK MANAGEMENT (CONTINUED)

Bank	Financial intermediation	Wholesale and retail	Manufacturing	Real estate and rent	Construction	Agriculture, hunting and forestry	Public administration and defence, compulsory social security	Transport, storage and communication	Health and social work	Loans to individuals	Other	Total
At 31 December 2022:												
Cash equivalents	178,095	-	-	-	-	-	128,208	-	-	-	-	306,303
Loans and advances to banks	2,733	-	-	-	-	-	-	-	-	-	-	2,733
Loans and advances to customers:	205,400	157,785	164,053	343,459	105,693	88,377	72,270	63,380	30,279	839,779	300,287	2,370,762
Loans and advances to financial institutions	195,352	-	-	-	-	-	-	-	-	-	-	195,352
Loans to individuals (Retail):	-	16	-	-	29	-	-	-	-	839,779	76,005	915,829
Consumer loans -	-	-	-	-	-	-	-	-	-	2,993	19	3,012
Mortgages -	-	16	-	-	29	-	-	-	-	655,949	7,334	663,328
Other -	-	-	-	-	-	-	-	-	-	180,837	68,652	249,489
Loans to business customers:	10,048	157,769	164,053	343,459	105,664	88,377	72,270	63,380	30,279	-	224,282	1,259,581
Large corporates -	-	-	70,679	2,434	3,333	-	-	2,959	11,375	-	12,867	103,647
SME -	10,048	157,758	93,373	335,830	102,331	88,377	-	60,421	15,596	-	209,532	1,073,266
Central and local authorities, administrative bodies and other -	-	11	1	5,195	-	-	72,270	-	3,308	-	1,883	82,668
Finance lease receivables:	1,524	20,702	13,022	10,829	11,596	14,006	-	49,126	2,527	27,458	91,402	242,192
Individuals -	-	-	-	-	-	-	-	-	-	27,458	-	27,458
Business customers -	1,524	20,702	13,022	10,829	11,596	14,006	-	49,126	2,527	-	91,402	214,734
Securities in the trading book:	16,789	-	33	4,246	497	-	2,602	23	-	-	3,097	27,287
Debt securities -	16,659	-	-	4,201	497	-	2,602	-	-	-	3,097	27,056
Equity securities -	130	-	33	45	-	-	-	23	-	-	-	231
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	897	897
Investment securities at fair value:	30,226	468	-	-	-	-	52,570	-	-	-	6,961	90,225
Equity securities -	4,903	-	-	-	-	-	-	-	-	-	51	4,954
Debt securities -	25,323	468	-	-	-	-	52,570	-	-	-	6,910	85,271
Investment securities at amortized cost:	41,271	1,004	34,953	1,011	-	-	821,781	3,011	3,005	-	50,296	956,332
debt securities -	41,271	1,004	34,953	1,011	-	-	821,781	3,011	3,005	-	50,296	956,332
Other financial assets	3,286	107	65	28	52	10	6	12	2	42	2,010	5,620
Credit risk exposures relating to off-balance sheet items are as follows:												
Financial guarantees -	9,654	8,155	4,676	1,185	17,598	678	290	1,014	-	176	9,290	52,716
Letters of credit -	-	-	5,756	-	-	-	-	-	-	-	-	5,756
Loan commitments and other credit related liabilities -	72,186	49,441	53,684	62,454	78,385	7,946	5,073	21,627	2,636	80,214	58,946	492,592
Total at 31 December 2022:	561,164	237,662	276,242	423,212	213,821	111,017	1,082,800	138,193	38,449	947,669	523,186	4,553,415
At 31 December 2021:												
Cash equivalents	30,194	-	-	-	-	-	867,794	-	-	-	-	897,988
Loans and advances to banks	1,196	-	-	-	-	-	-	-	-	-	-	1,196
Loans and advances to customers:	141,247	136,813	177,686	288,946	58,148	97,323	81,814	57,388	31,027	551,604	267,633	1,889,629
Loans and advances to financial institutions	124,816	-	-	-	-	-	-	-	-	-	-	124,816
Loans to individuals (Retail):	-	54	85	-	32	483	-	-	-	551,604	829	553,087
Consumer loans -	-	-	-	-	-	-	-	-	-	6,538	3	6,541
Mortgages -	-	-	-	-	-	-	-	-	-	455,126	-	455,126
Other -	-	54	85	-	32	483	-	-	-	89,940	826	91,420
Loans to business customers:	16,431	136,759	177,601	288,946	58,116	96,840	81,814	57,388	31,027	-	266,804	1,211,726
Large corporates -	-	-	87,358	-	13,783	-	-	3,491	12,571	-	10,569	127,772
SME -	16,431	136,740	90,240	288,917	44,321	96,839	(13,426)	53,897	14,813	-	219,213	947,985
Central and local authorities, administrative bodies and other -	-	19	3	29	12	1	95,240	-	3,643	-	37,022	135,969
Finance lease receivables:	1,641	16,479	12,868	7,811	11,054	10,226	15	36,404	2,440	26,630	69,341	194,909
Individuals -	-	-	-	-	-	-	-	-	-	26,630	-	26,630
Business customers -	1,641	16,479	12,868	7,811	11,054	10,226	15	36,404	2,440	-	69,341	168,279
Securities in the trading book:	1,869	-	27	1,659	-	-	4,062	16	25	-	7,441	15,099
Debt securities -	1,778	-	-	1,622	-	-	4,062	-	-	-	7,160	14,622
Equity securities -	91	-	27	37	-	-	-	16	25	-	281	477
Derivative financial instruments	1,111	42	-	-	-	-	-	-	-	-	968	2,121
Investment securities at fair value:	11,941	585	-	-	-	-	53,991	-	-	-	16,434	82,951
Equity securities -	4,493	-	-	-	-	-	-	-	-	-	332	4,825
Debt securities -	7,448	585	-	-	-	-	53,991	-	-	-	16,102	78,126
Investment securities at amortized cost:	55,675	1,003	34,797	1,010	-	-	535,006	3,012	3,006	-	58,717	692,226
debt securities -	55,675	1,003	34,797	1,010	-	-	535,006	3,012	3,006	-	58,717	692,226
Other financial assets	2,755	51	79	13	17	13	77	13	17	400	12,836	16,271
Credit risk exposures relating to off-balance sheet items are as follows:												
Financial guarantees -	8,279	8,281	5,881	853	18,968	236	236	1,474	34	70	8,680	52,992
Letters of credit -	-	98	1,210	-	-	-	-	-	-	-	-	1,308
Loan commitments and other credit related liabilities -	18,369	34,435	50,764	48,567	67,124	10,765	5,075	30,159	4,928	32,261	104,993	407,440
Total at 31 December 2021:	274,277	197,787	283,312	348,859	155,311	118,563	1,548,070	128,466	41,477	610,965	547,043	4,254,130

As at 31 December 2022 and 31 December 2021 the Group and the Bank were compliant with the internal limits.

FINANCIAL RISK MANAGEMENT (CONTINUED)

Concentration exposure

As at 31 December 2022, the largest single exposure comprising loans to several related borrowers treated as a single borrower amounted to EUR 52 million, i.e. 14.2% of the Bank's calculated capital (2021: EUR 43 million or 12.3% of the Bank's calculated capital).

2. MARKET RISK

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

2.1. Foreign exchange risk

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

The Group and the Bank monitors the foreign currency risk by calculating open currency position. Open currency position (OCP) is equal to assets in the balance sheet and off-balance sheet less balance sheet and off-balance sheet liabilities in a single currency. There are two types of OCP, i.e. long and short. Long position means that Group's assets exceed liabilities in given currency, whereas short position means that liabilities exceed assets. The Group also calculates Overall net open position (ONOP), which is the higher of the total short or total long positions. As at 31 December 2022 the Group's ONOP to capital ratio was 0.07% (2021: 0.08%), the Bank's ONOP to capital ratio was 0.07% (2021: 0.10%).

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

Open positions

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

	USD	Other currencies	Total currencies	EUR	Total
At 31 December 2022:					
Assets					
Cash and cash equivalents	14,755	8,121	22,876	361,882	384,758
Due from other banks	-	-	-	58,301	58,301
Securities in the trading book	111	-	111	2,622	2,733
Derivative financial instruments	-	-	-	897	897
Loans granted to customers, finance lease receivables	690	-	690	2,633,387	2,634,077
Investment securities at fair value	192	-	192	90,033	90,225
Investment securities at amortized cost	-	-	-	969,033	969,033
Investments in subsidiaries	-	-	-	100	100
Intangible assets	-	-	-	8,283	8,283
Property, plant and equipment and investment property	-	-	-	17,978	17,978
Other assets	5	9	14	18,132	18,146
Total assets	15,753	8,130	23,883	4,160,648	4,184,531
Liabilities and shareholders' equity					
Due to other banks and financial institutions	5,766	686	6,452	678,623	685,075
Derivative financial instruments	-	-	-	7,152	7,152
Due to customers	111,131	16,003	127,134	2,657,834	2,784,968
Debt securities in issue	-	-	-	171,231	171,231
Special and lending funds	-	-	-	14,184	14,184
Liabilities related to insurance activities	-	-	-	39,313	39,313
Other liabilities	1,010	24	1,034	39,878	40,912
Shareholders' equity	-	-	-	441,696	441,696
Total liabilities and shareholders' equity	117,907	16,713	134,620	4,049,911	4,184,531
Net balance sheet position	(102,154)	(8,583)	(110,737)	110,737	-
Open currency exchange transactions	102,180	8,782	110,962	(116,949)	(5,987)
Net open position	26	199	225	(6,212)	(5,987)
At 31 December 2021:					
Assets					
Cash and cash equivalents	18,959	11,235	30,194	935,529	965,723
Due from other banks	1,218	158	1,376	46,805	48,181
Securities in the trading book	595	-	595	601	1,196
Derivative financial instruments	-	-	-	2,121	2,121
Loans granted to customers, finance lease receivables	10,194	34	10,228	2,093,627	2,103,855
Investment securities at fair value	412	-	412	82,576	82,988
Investment securities at amortized cost	1,333	-	1,333	704,065	705,398
Intangible assets	-	-	-	4,834	4,834
Property, plant and equipment and investment property	-	-	-	16,989	16,989
Other assets	278	14	292	30,905	31,197
Total assets	32,989	11,441	44,430	3,918,052	3,962,482
Liabilities and shareholders' equity					
Due to other banks and financial institutions	2,941	-	2,941	694,797	697,738
Derivative financial instruments	-	-	-	96	96
Due to customers	123,479	15,701	139,180	2,540,003	2,679,183
Debt securities in issue	-	-	-	95,212	95,212
Special and lending funds	-	-	-	6,667	6,667
Liabilities related to insurance activities	1,405	158	1,563	39,846	41,409
Other liabilities	2,866	244	3,110	32,640	35,750
Shareholders' equity	-	-	-	406,427	406,427
Total liabilities and shareholders' equity	130,691	16,103	146,794	3,815,688	3,962,482
Net balance sheet position	(97,702)	(4,662)	(102,364)	102,364	-
Open currency exchange transactions	97,608	4,888	102,496	(100,312)	2,184
Net open position	(94)	226	132	2,052	2,184

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	USD	Other currencies	Total currencies	EUR	Total
At 31 December 2022:					
Assets					
Cash and cash equivalents	14,755	8,121	22,876	360,642	383,518
Due from other banks	-	-	-	27,287	27,287
Securities in the trading book	111	-	111	2,622	2,733
Derivative financial instruments	-	-	-	897	897
Loans granted to customers, finance lease receivables	690	-	690	2,612,264	2,612,954
Investment securities at fair value	192	-	192	90,033	90,225
Investment securities at amortized cost	-	-	-	956,332	956,332
Investments in subsidiaries	-	-	-	31,441	31,441
Intangible assets	-	-	-	6,450	6,450
Property, plant and equipment and investment property	-	-	-	15,525	15,525
Other assets	5	9	14	14,094	14,108
Total assets	15,753	8,130	23,883	4,117,587	4,141,470
Liabilities and shareholders' equity					
Due to other banks and financial institutions	5,766	686	6,452	680,107	686,559
Derivative financial instruments	-	-	-	7,152	7,152
Due to customers	111,131	16,003	127,134	2,662,214	2,789,348
Debt securities in issue	-	-	-	171,231	171,231
Special and lending funds	-	-	-	14,184	14,184
Other liabilities	1,010	24	1,034	29,178	30,212
Shareholders' equity	-	-	-	442,784	442,784
Total liabilities and shareholders' equity	117,907	16,713	134,620	4,006,850	4,141,470
Net balance sheet position	(102,154)	(8,583)	(110,737)	110,737	-
Open currency exchange transactions	102,180	8,782	110,962	(116,949)	(5,987)
Net open position	26	199	225	(6,212)	(5,987)
At 31 December 2021:					
Assets					
Cash and cash equivalents	18,959	11,235	30,194	934,655	964,849
Due from other banks	-	-	-	15,099	15,099
Securities in the trading book	595	-	595	601	1,196
Derivative financial instruments	-	-	-	2,121	2,121
Loans granted to customers, finance lease receivables	10,194	34	10,228	2,074,310	2,084,538
Investment securities at fair value	412	-	412	82,539	82,951
Investment securities at amortized cost	1,333	-	1,333	690,893	692,226
Investments in subsidiaries	-	-	-	31,668	31,668
Intangible assets	-	-	-	3,114	3,114
Property, plant and equipment and investment property	-	-	-	14,462	14,462
Other assets	278	14	292	26,958	27,250
Total assets	31,771	11,283	43,054	3,876,420	3,919,474
Liabilities and shareholders' equity					
Due to other banks and financial institutions	2,941	-	2,941	700,330	703,271
Derivative financial instruments	-	-	-	96	96
Due to customers	123,479	15,701	139,180	2,542,406	2,681,586
Debt securities in issue	-	-	-	95,212	95,212
Special and lending funds	-	-	-	6,667	6,667
Other liabilities	2,866	244	3,110	21,951	25,061
Shareholders' equity	-	-	-	407,581	407,581
Total liabilities and shareholders' equity	129,286	15,945	145,231	3,774,243	3,919,474
Net balance sheet position	(97,515)	(4,662)	(102,177)	102,177	-
Open currency exchange transactions	97,608	4,888	102,496	(100,312)	2,184
Net open position	93	226	319	1,865	2,184

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Sensitivity of foreign exchange risk

Foreign exchange (FX) risk is limited by amounts of open FX positions. For calculation of sensitivity to FX risk all exposures shall be converted into possible loss, i.e. open FX position is multiplied by possible FX rate change. The FX risk parameters for the Group (Bank) have been established in view of the maximum fluctuations of currency exchange rate in 2018 - 2022 and forecast that exchange rate fluctuations will have the same trends in 2023.

<i>Currency</i>	<i>Annual reasonable shift, 2023</i>	<i>Annual reasonable shift, 2022</i>
<i>GBP</i>	10.0%	5.5%
<i>USD</i>	5.5%	5.5%
<i>Other currencies</i>	6.0%	4.5%
<i>CIS countries currencies</i>	15.0%	8.5%

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

<i>Impact on profit or loss and equity</i>	<i>31 December 2022</i>		<i>31 December 2021</i>	
	<i>Group</i>	<i>Bank</i>	<i>Group</i>	<i>Bank</i>
<i>USD</i>	1	1	5	5
<i>GBP</i>	3	3	-	-
<i>Other currencies</i>	8	8	11	11
<i>CIS countries currencies</i>	15	15	7	7
<i>Pre-tax impact</i>	27	27	23	23
<i>Total</i>	27	27	23	23

2.2. Interest rate risk in the banking book

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

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

The risk management is regulated by the Procedures for Interest Rate Risk Management, which were updated in 2022. Bank uses a system of internal risk limits and indicators, which establish methods of risk measurement and set up measures for risk management. These procedures are approved by the Board of the Bank and define that:

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity of interest rate risk

The table below summarises Group's interest rates sensitive assets and liabilities based on reprising dates based on which cash flow interest rate risk is estimated.

<i>Group</i>	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non interest bearing or maturity undefined	Total
31 December 2022							
<i>Total interest rate sensitive assets</i>	233,184	581,664	850,464	182,035	1,863,294	414,692	4,125,333
<i>Total interest rate sensitive liabilities</i>	87,842	177,113	317,383	321,916	2,132,720	698,709	3,735,683
<i>Net interest sensitivity gap at 31 December 2022</i>	145,342	404,551	533,081	(139,881)	(269,426)	(284,017)	389,650
31 December 2021							
<i>Total interest rate sensitive assets</i>	210,832	461,299	1,304,350	131,474	1,427,677	376,548	3,912,180
<i>Total interest rate sensitive liabilities</i>	86,626	121,728	789,186	278,913	1,588,831	690,675	3,555,959
<i>Net interest sensitivity gap at 31 December 2021</i>	124,206	339,571	515,164	(147,439)	(161,154)	(314,127)	356,221

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

The table below summarizes the effect on the Group's profit and other components of equity of interest rate risk in the banking book as at 31 December 2022 and 31 December 2021.

	31 December 2022			31 December 2021		
	Pre-tax increase (decrease) in profit	Pre-tax increase (decrease) in other components of equity	Total impact on equity (post-tax)	Pre-tax increase (decrease) in profit	Pre-tax increase (decrease) in other components of equity	Total impact on equity (post-tax)
<i>Interest rate increase by 1 p.p.</i>	7,747	(2,249)	4,398	6,872	(3,170)	2,962
<i>Interest rate decrease by 1 p.p.</i>	(7,747)	2,375	(4,298)	(6,872)	3,380	(2,794)

The table below summarises the Bank's interest rates sensitive assets and liabilities based on reprising dates based on which cash flow interest rate risk is estimated.

<i>Bank</i>	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non interest bearing or maturity undefined	Total
31 December 2022							
<i>Total interest rate sensitive assets</i>	225,914	741,678	832,472	155,937	1,731,866	425,419	4,113,286
<i>Total interest rate sensitive liabilities</i>	87,842	177,113	317,423	321,937	2,133,220	653,999	3,691,534
<i>Net interest sensitivity gap at 31 December 2022</i>	138,072	564,565	515,049	(166,000)	(401,354)	(228,580)	421,752
31 December 2021							
<i>Total interest rate sensitive assets</i>	204,946	564,388	1,289,635	112,420	1,341,072	389,793	3,902,254
<i>Total interest rate sensitive liabilities</i>	86,626	121,728	789,226	279,313	1,589,352	645,552	3,511,797
<i>Net interest sensitivity gap at 31 December 2021</i>	118,320	442,660	500,409	(166,893)	(248,280)	(255,759)	390,457

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

The table below summarises the effect on the Bank's profit and other components of equity of interest rate risk in the banking book as at 31 December 2022 and 31 December 2021.

	31 December 2022			31 December 2021		
	Pre-tax increase (decrease) in profit	Pre-tax increase (decrease) in other components of equity	Total impact on equity (post-tax)	Pre-tax increase (decrease) in profit	Pre-tax increase (decrease) in other components of equity	Total impact on equity (post-tax)
<i>Interest rate increase by 1 p.p.</i>	8,833	(2,249)	5,267	7,534	(3,170)	3,491
<i>Interest rate decrease by 1 p.p.</i>	(8,833)	2,375	(5,166)	(7,534)	3,380	(3,323)

FINANCIAL RISK MANAGEMENT (CONTINUED)

2.3. Securities risk

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

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

Securities concentrations

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

Top 20 countries in which the Group has debt security exposures:								
2022				2021				
	Name of the country	Sovereign	Corporate	Total	Name of the country	Sovereign	Corporate	Total
1.	Lithuania	746,540	43,829	790,369	Lithuania	537,372	22,390	559,762
2.	Latvia	101,228	9,280	110,508	Netherlands	-	32,828	32,828
3.	Germany	-	25,225	25,225	Germany	-	28,435	28,435
4.	USA	-	20,370	20,370	USA	-	27,462	27,462
5.	Netherlands	-	20,359	20,359	Latvia	14,680	8,002	22,682
6.	France	-	17,037	17,037	Great Britain	215	14,717	14,932
7.	Estonia	-	15,219	15,219	Estonia	-	13,136	13,136
8.	Great Britain	213	12,321	12,534	France	-	11,921	11,921
9.	Italy	6,429	3,686	10,115	Italy	8,014	3,723	11,737
10.	Poland	9,477	208	9,685	Poland	9,695	207	9,902
11.	Sweden	3,164	4,429	7,593	Bulgaria	9,325	296	9,621
12.	Ireland	-	7,292	7,292	Sweden	3,240	4,430	7,670
13.	Luxembourg	-	5,243	5,243	Ireland	-	7,335	7,335
14.	Spain	4,852	-	4,852	Spain	5,170	1,512	6,682
15.	Austria	-	4,434	4,434	Czech Republic	214	5,534	5,748
16.	Finland	-	4,030	4,030	Luxembourg	-	5,443	5,443
17.	Romania	4,004	-	4,004	Finland	-	5,053	5,053
18.	Mexico	3,813	-	3,813	Austria	-	4,435	4,435
19.	Czech Republic	212	3,452	3,664	Mexico	4,001	-	4,001
20.	Slovenia	63	3,284	3,347	Slovenia	166	3,354	3,520
	Other countries	3,845	914	4,759	Other countries	9,603	2,069	11,672
	Total	883,840	200,612	1,084,452	Total	601,695	202,282	803,977

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

				Top 20 countries in which the Bank has debt security exposures:				
				2022				2021
Name of the country	Sovereign	Corporate	Total	Name of the country	Sovereign	Corporate	Total	
1. Lithuania	743,203	40,893	784,096	Lithuania	534,030	18,580	552,610	
2. Latvia	101,228	9,280	110,508	Netherlands	-	32,424	32,424	
3. Germany	-	24,712	24,712	Germany	-	27,917	27,917	
4. Netherlands	-	19,955	19,955	USA	-	26,612	26,612	
5. USA	-	19,735	19,735	Latvia	14,680	8,002	22,682	
6. France	-	16,215	16,215	Great Britain	-	14,516	14,516	
7. Estonia	-	15,031	15,031	Estonia	-	12,830	12,830	
8. Great Britain	-	12,120	12,120	France	-	11,082	11,082	
9. Italy	6,329	3,182	9,511	Italy	7,733	3,217	10,950	
10. Poland	9,477	-	9,477	Poland	9,695	-	9,695	
11. Ireland	3,164	4,025	7,189	Bulgaria	9,128	296	9,424	
12. Sweden	-	7,091	7,091	Ireland	3,240	4,027	7,267	
13. Luxembourg	-	4,993	4,993	Sweden	-	7,134	7,134	
14. Spain	4,357	-	4,357	Spain	4,507	1,512	6,019	
15. Austria	-	4,012	4,012	Czech Republic	-	5,329	5,329	
16. Finland	-	3,822	3,822	Luxembourg	-	4,991	4,991	
17. Slovenia	3,256	-	3,256	Finland	-	4,844	4,844	
18. Czech Republic	-	3,248	3,248	Austria	-	4,008	4,008	
19. Romania	3,112	-	3,112	Slovenia	3,322	-	3,322	
20. Mexico	-	3,081	3,081	Mexico	-	3,149	3,149	
Other countries	2,827	311	3,138	Other countries	6,724	1,445	8,169	
Total	876,953	191,706	1,068,659	Total	593,059	191,915	784,974	

Sensitivity of securities risk

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

	31 December 2022			31 December 2021		
	Pre-tax increase (decrease) in profit	Pre-tax increase (decrease) in other components of equity	Total impact on equity (post-tax)	Pre-tax increase (decrease) in profit	Pre-tax increase (decrease) in other components of equity	Total impact on equity (post-tax)
Group:						
Interest rate increase by 1 p.p.	(318)	(2,249)	(2,054)	(411)	(3,170)	(2,865)
Interest rate decrease by 1 p.p.	325	2,375	2,160	428	3,380	3,046
Bank:						
Interest rate increase by 1 p.p.	(309)	(2,249)	(2,046)	(365)	(3,170)	(2,828)
Interest rate decrease by 1 p.p.	316	2,375	2,153	379	3,380	3,007

FINANCIAL RISK MANAGEMENT (CONTINUED)

3. LIQUIDITY RISK

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

3.1. Liquidity risk management process

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

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

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

Starting from 2015, the Bank is subject to regulatory Liquidity coverage ratio (LCR). The Bank complied with this ratio with a substantial cushion (requirement for the LCR is set at 100%). As of 31 December 2022, Bank's LCR ratio (aggregate for all currencies) stood at 189% (31 December 2021: 242%).

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

3.2. Structure of assets and liabilities by maturity

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

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
At 31 December 2022:									
Assets									
Cash and cash equivalents	384,758	-	-	-	-	-	-	-	384,758
Due from other banks	-	113	2,520	-	-	9	91	-	2,733
Securities in the trading book	-	114	230	2,916	9,262	17,626	-	28,153	58,301
Derivative financial instruments	-	775	51	71	-	-	-	-	897
Loans to customers, finance lease receivables	-	58,039	105,825	132,248	252,654	715,203	1,359,570	10,538	2,634,077
Investment securities at fair value	-	15	9,884	121	1,750	39,277	34,224	4,954	90,225
Investment securities at amortized cost	-	1,851	6,189	203,407	63,728	459,279	234,579	-	969,033
Investments in subsidiaries	-	-	-	-	-	-	-	100	100
Intangible assets	-	-	-	-	-	-	-	8,283	8,283
Property, plant and equipment and investment property	-	-	-	-	-	-	-	17,978	17,978
Other assets	231	5,934	437	530	867	886	32	9,229	18,146
Total assets	384,989	66,841	125,136	339,293	328,261	1,232,280	1,628,496	79,235	4,184,531
Liabilities and equity									
Due to other banks and financial institutions	34,898	3,544	888	145,540	3,435	483,696	13,074	-	685,075
Due to customers	1,863,831	84,316	176,354	164,740	320,918	155,905	18,904	-	2,784,968
Special and lending funds	14,184	-	-	-	-	-	-	-	14,184
Debt securities in issue	-	-	-	-	-	151,204	20,027	-	171,231
Liabilities related to insurance activities	91	495	147	199	586	2,573	35,222	-	39,313
Other liabilities	7,879	12,777	2,794	2,264	4,930	7,836	9,584	-	48,064
Shareholders' equity	-	-	-	-	-	-	-	441,696	441,696
Total liabilities and shareholders' equity	1,920,883	101,132	180,183	312,743	329,869	801,214	96,811	441,696	4,184,531
Net liquidity gap	(1,535,894)	(34,291)	(55,047)	26,550	(1,608)	431,066	1,531,685	(362,461)	-
At 31 December 2021:									
Assets									
Cash and cash equivalents	965,723	-	-	-	-	-	-	-	965,723
Due from other banks	-	997	99	-	-	9	91	-	1,196
Securities in the trading book	-	36	125	299	1,167	13,128	5,699	27,727	48,181
Derivative financial instruments	-	769	1,039	313	-	-	-	-	2,121
Loans to customers, finance lease receivables	-	46,496	70,009	136,232	220,457	606,574	1,014,486	9,601	2,103,855
Investment securities at fair value	-	3	5,986	66	3,111	29,164	39,796	4,862	82,988
Investment securities at amortized cost	-	1,355	16,433	19,802	35,512	522,564	109,732	-	705,398
Intangible assets	-	-	-	-	-	-	-	4,834	4,834
Property, plant and equipment and investment property	-	-	-	-	-	-	-	16,989	16,989
Other assets	12,327	5,860	66	53	374	505	3	12,009	31,197
Total assets	978,050	55,516	93,757	156,765	260,621	1,171,944	1,169,807	76,022	3,962,482
Liabilities and equity									
Due to other banks and financial institutions	40,425	6,779	1,893	(30)	2,771	632,270	13,630	-	697,738
Due to customers	1,853,292	80,074	119,604	159,379	278,378	155,198	33,258	-	2,679,183
Special and lending funds	6,667	-	-	-	-	-	-	-	6,667
Debt securities in issue	-	-	-	-	-	-	95,212	-	95,212
Liabilities related to insurance activities	74	374	349	288	1,307	2,168	36,849	-	41,409
Other liabilities	16,074	6,905	1,076	1,039	2,608	4,378	3,766	-	35,846
Shareholders' equity	-	-	-	-	-	-	-	406,427	406,427
Total liabilities and shareholders' equity	1,916,532	94,132	122,922	160,676	285,064	794,014	182,715	406,427	3,962,482
Net liquidity gap	(938,482)	(38,616)	(29,165)	(3,911)	(24,443)	377,930	987,092	(330,405)	-

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
At 31 December 2022:									
Assets									
Cash and cash equivalents	383,518	-	-	-	-	-	-	-	383,518
Due from other banks	-	113	2,520	-	-	9	91	-	2,733
Securities in the trading book	-	109	13	2,814	7,689	16,431	-	231	27,287
Derivative financial instruments	-	775	51	71	-	-	-	-	897
Loans to customers, finance lease receivables	-	50,704	265,718	114,427	227,379	644,823	1,309,549	354	2,612,954
Investment securities at fair value	-	15	9,884	121	1,750	39,277	34,224	4,954	90,225
Investment securities at amortized cost	-	1,845	6,170	203,135	62,815	457,887	224,480	-	956,332
Investments in subsidiaries	-	-	-	-	-	-	-	31,441	31,441
Intangible assets	-	-	-	-	-	-	-	6,450	6,450
Property, plant and equipment and investment property	-	-	-	-	-	-	-	15,525	15,525
Other assets	231	5,670	421	489	720	456	26	6,095	14,108
Total assets	383,749	59,231	284,777	321,057	300,353	1,158,883	1,568,370	65,050	4,141,470
Liabilities and equity									
Due to other banks and financial institutions	36,342	3,544	888	145,580	3,435	483,696	13,074	-	686,559
Due to customers	1,867,690	84,316	176,354	164,740	320,939	156,405	18,904	-	2,789,348
Special and lending funds	14,184	-	-	-	-	-	-	-	14,184
Debt securities in issue	-	-	-	-	-	151,204	20,027	-	171,231
Other liabilities	7,490	5,973	2,643	2,194	2,666	7,152	9,246	-	37,364
Shareholders' equity	-	-	-	-	-	-	-	442,784	442,784
Total liabilities and shareholders' equity	1,925,706	93,833	179,885	312,514	327,040	798,457	61,251	442,784	4,141,470
Net liquidity gap	(1,541,957)	(34,602)	104,892	8,543	(26,687)	360,426	1,507,119	(377,734)	-
At 31 December 2021:									
Assets									
Cash and cash equivalents	964,849	-	-	-	-	-	-	-	964,849
Due from other banks	-	997	99	-	-	9	91	-	1,196
Securities in the trading book	-	28	16	284	93	10,225	3,976	477	15,099
Derivative financial instruments	-	769	1,039	313	-	-	-	-	2,121
Loans to customers, finance lease receivables	-	40,465	173,185	121,519	201,381	558,542	988,501	945	2,084,538
Investment securities at fair value	-	3	5,986	66	3,111	29,164	39,796	4,825	82,951
Investment securities at amortized cost	-	1,349	16,204	19,730	35,483	520,865	98,595	-	692,226
Investments in subsidiaries	-	-	-	-	-	-	-	31,668	31,668
Intangible assets	-	-	-	-	-	-	-	3,114	3,114
Property, plant and equipment and investment property	-	-	-	-	-	-	-	14,462	14,462
Other assets	12,327	5,804	2	-	-	42	-	9,075	27,250
Total assets	977,176	49,415	196,531	141,912	240,068	1,118,847	1,130,959	64,566	3,919,474
Liabilities and equity									
Due to other banks and financial institutions	45,018	6,779	1,893	10	3,171	632,770	13,630	-	703,271
Due to customers	1,855,674	80,074	119,604	159,379	278,378	155,219	33,258	-	2,681,586
Special and lending funds	6,667	-	-	-	-	-	-	-	6,667
Debt securities in issue	-	-	-	-	-	-	95,212	-	95,212
Other liabilities	15,615	773	953	501	845	3,404	3,066	-	25,157
Shareholders' equity	-	-	-	-	-	-	-	407,581	407,581
Total liabilities and shareholders' equity	1,922,974	87,626	122,450	159,890	282,394	791,393	145,166	407,581	3,919,474
Net liquidity gap	(945,798)	(38,211)	74,081	(17,978)	(42,326)	327,454	985,793	(343,015)	-

FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3. Non - derivative cash flows

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

Group	31 December 2022	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities								
Due to banks	-	38,514	905	164,559	494,652	9,770	708,400	
Due to customers	-	1,932,631	176,680	488,507	174,329	5,567	2,777,714	
Debt securities in issue	-	-	-	2,905	167,884	22,433	193,222	
Special and lending funds	-	14,184	-	-	-	-	14,184	
Liabilities related to insurance activities	-	586	147	785	6,552	31,243	39,313	
Total liabilities (contractual maturity dates)	-	1,985,915	177,732	656,756	843,417	69,013	3,732,833	

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

Bank	31 December 2022	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities								
Due to banks	-	39,998	905	164,620	495,152	9,770	710,445	
Due to customers	-	1,936,450	176,680	488,507	174,329	5,567	2,781,533	
Debt securities in issue	-	-	-	2,905	167,884	22,433	193,222	
Special and lending funds	-	14,184	-	-	-	-	14,184	
Total liabilities (contractual maturity dates)	-	1,990,632	177,585	656,032	837,365	37,770	3,699,384	

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4. Remaining contractual maturity off - balance sheet items

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

Group								
	<i>At 31 December 2022</i>	<i>Up to one month</i>	<i>From 1 to 3 months</i>	<i>From 3 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
	<i>Loan commitments</i>	149,368	30,992	46,338	90,702	173,424	120	490,944
	<i>Guarantees</i>	5,940	3,382	5,718	13,195	21,661	2,759	52,655
	<i>Other commitments</i>	5,696	-	60	-	-	-	5,756
	<i>Total</i>	161,004	34,374	52,116	103,897	195,085	2,879	549,355

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

Bank								
	<i>At 31 December 2022</i>	<i>Up to one month</i>	<i>From 1 to 3 months</i>	<i>From 3 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
	<i>Loan commitments</i>	151,016	30,992	46,338	90,702	173,424	120	492,592
	<i>Guarantees</i>	6,001	3,382	5,718	13,195	21,661	2,759	52,716
	<i>Other commitments</i>	5,696	-	60	-	-	-	5,756
	<i>Total</i>	162,713	34,374	52,116	103,897	195,085	2,879	551,064

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

4. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

4.1. Financial assets and liabilities not measured at fair value

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

a) Loans and advances to banks

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

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

b) Loans and advances to customers and finance lease receivables

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

c) Investment securities

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

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

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

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

e) Other financial assets and other financial liabilities

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

Group

	As of 31 December 2022		As of 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
<i>Due from other banks</i>	2,733	2,733	1,196	1,196
Loans	2,391,629	2,506,401	1,908,681	1,931,722
Loans to individuals:	1,113,969	1,177,560	690,008	711,833
Consumer loans -	201,152	209,224	143,462	154,630
Mortgages -	663,328	717,006	455,126	466,770
Other -	249,489	251,330	91,420	90,433
Loans to business customers	1,259,581	1,311,294	1,211,726	1,212,983
Central and other authorities -	82,668	82,936	135,969	131,994
Large corporates -	103,647	105,571	127,772	127,381
SME -	1,073,266	1,122,787	947,985	953,608
Loans and advances to financial institutions	18,079	17,547	6,947	6,906
Finance lease receivables	242,448	254,733	195,174	194,999
Investment securities at amortized cost	969,033	914,070	705,398	698,867
Government bonds -	827,765	785,192	541,026	539,611
Corporate bonds -	141,268	128,878	164,372	159,256
Other financial assets	5,815	5,815	16,398	16,398
Liabilities				
<i>Due to other banks and financial institutions</i>	685,075	673,102	697,738	697,736
Due to customers	2,784,968	2,784,796	2,679,183	2,683,626
Due to individuals	1,533,559	1,533,134	1,531,867	1,536,206
Due to private companies	950,874	951,163	860,965	861,003
Due to other enterprises	300,535	300,499	286,351	286,417
Debt securities in issue	171,231	180,405	95,212	95,201
Special and lending funds	14,184	14,184	6,667	6,667
Other financial liabilities	27,419	27,463	25,053	25,023

Bank

	As of 31 December 2022		As of 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
<i>Due from other banks</i>	2,733	2,733	1,196	1,196
Loans	2,370,762	2,478,019	1,889,629	1,901,449
Loans to individuals:	915,829	971,361	553,087	563,912
Consumer loans -	3,012	3,025	6,541	6,709
Mortgages -	663,328	717,006	455,126	466,770
Other -	249,489	251,330	91,420	90,433
Loans to business customers	1,259,581	1,311,294	1,211,726	1,212,978
Central and other authorities -	82,668	82,936	135,969	131,994
Large corporates -	103,647	105,571	127,772	127,381
SME -	1,073,266	1,122,787	947,985	953,603
Loans and advances to financial institutions	195,352	195,364	124,816	124,559
Finance lease receivables	242,192	254,466	194,909	194,727
Investment securities at amortized cost	956,332	915,508	692,226	698,408
Government bonds -	821,781	785,884	535,006	539,374
Corporate bonds -	134,551	129,624	157,220	159,034
Other financial assets	5,620	5,620	16,271	16,271
Liabilities				
<i>Due to other banks and financial institutions</i>	686,559	674,586	703,271	703,269
Due to customers	2,789,348	2,789,176	2,681,586	2,686,029
Due to individuals	1,533,559	1,533,134	1,531,867	1,536,206
Due to private companies	954,733	955,022	863,347	863,385
Other	301,056	301,020	286,372	286,438
Debt securities in issue	171,231	180,405	95,212	95,201
Special and lending funds	14,184	14,184	6,667	6,667
Other financial liabilities	24,491	24,549	21,775	21,748

FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2. Financial assets and liabilities measured at fair value

a) Fair value hierarchy

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

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

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

	2022		2021	
	Group	Bank	Group	Bank
LEVEL I				
Financial assets in the trading book				
Listed equity securities	213	213	449	449
Units of investment funds	27,922	-	27,250	-
Government bonds	2,880	2,602	6,071	4,062
Corporate bonds	9,380	6,566	7,465	3,642
Investment securities at fair value				
Government bonds	52,570	52,570	53,991	53,991
Corporate bonds	31,052	31,052	24,425	24,425
Investment fund units	-	-	-	-
Total Level I financial assets	124,017	93,003	119,651	86,569
LEVEL II				
Financial assets in the trading book				
Derivative financial instruments	897	897	2,121	2,121
Total Level II financial assets	897	897	2,121	2,121
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	7,152	7,152	96	96
Total Level II financial liabilities	7,152	7,152	96	96
LEVEL III				
Financial assets in the trading book				
Corporate bonds	17,888	17,888	6,918	6,918
Unlisted equity securities	18	18	28	28
Investment securities at fair value				
Corporate bonds	1,935	1,935	-	-
Unlisted equity securities	243	243	455	455
Investment fund units	4,425	4,425	4,117	4,080
Securitisation related financial assets (see Notes 13, 16)				
Unlisted equity securities	100	100	-	-
Loans granted	2,058	2,058	-	-
Total Level III financial assets	26,667	26,667	11,518	11,481

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table presents the changes in Level III instruments during 2022 and 2021:

The Group

	Financial assets in the trading book				Investment securities at fair value					
	Corporate bonds		Unlisted equities		Corporate bonds		Unlisted equities		Investment fund units	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Value as of 1 January	6,918	3,603	28	6	-	-	455	525	4,117	2,929
Additions / Recognition	45,172	20,288	7	46	2,000	-	-	-	31	1,148
Disposals	(33,979)	(15,157)	(6)	(23)	-	-	(212)	(127)	(98)	(378)
Conversion to shares	-	-	-	-	-	-	-	-	-	-
Derecognition	-	(1,892)	-	-	-	-	-	-	-	-
Changes due to interest accrued/paid	550	73	-	-	23	-	-	-	-	-
Revaluations through profit or loss	(773)	3	(11)	(1)	(88)	-	-	57	375	418
Value as of 31 December	17,888	6,918	18	28	1,935	-	243	455	4,425	4,117

The Bank

	Financial assets in the trading book				Investment securities at fair value					
	Corporate bonds		Unlisted equities		Corporate bonds		Unlisted equities		Investment fund units	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Value as of 1 January	6,918	2,249	28	6	-	-	455	398	4,080	2,929
Additions / Recognition	45,172	20,288	7	46	2,000	-	-	-	31	1,111
Disposals	(33,979)	(13,803)	(6)	(23)	-	-	(212)	-	(61)	(378)
Conversion to shares	-	-	-	-	-	-	-	-	-	-
Derecognition	-	(1,892)	-	-	-	-	-	-	-	-
Changes due to interest accrued/paid	550	73	-	-	23	-	-	-	-	-
Revaluations through profit or loss	(773)	3	(11)	(1)	(88)	-	-	57	375	418
Value as of 31 December	17,888	6,918	18	28	1,935	-	243	455	4,425	4,080

	2022		2021	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	(497)	(497)	476	476
from trading securities (corporate bonds)	(784)	(784)	2	2
from investment securities at fair value (corporate bonds)	(88)	(88)	-	-
from investment securities at fair value (unlisted equities)	-	-	56	56
from investment securities at fair value (investment fund units)	375	375	418	418

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

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

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3. Offsetting financial assets and financial liabilities

As of 31 December 2022 and 31 December 2021, only currency derivative instruments were subject to master netting arrangements and similar arrangements. As of 31 December 2022, derivative financial instruments classified as assets in amount of EUR 897 thousand and derivative financial instruments classified as liabilities in amount of EUR 7,152 thousand were subject to those agreements. As of 31 December 2021, derivative financial instruments classified as assets in amount of EUR 2,121 thousand and derivative financial instruments classified as liabilities in amount of EUR 96 thousand were subject to those agreements.

The Group receives collateral in the form of marketable securities in respect of reverse repurchase agreements, which are included in loans to customers. Gross amount of reverse repurchase agreements: 31 December 2022: EUR 18,846 thousand; 31 December 2021: EUR 10,308 thousand. Securities received as a collateral for reverse repurchase agreements can be pledged or sold during the term of transaction but have to be returned on maturity of the transaction. The Group did not pledge or sell any collateral received for reverse repurchase agreements during 2022 and 2021.

4.4. Classes of financial instruments

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

	31 December 2022		31 December 2021	
	Group	Bank	Group	Bank
FINANCIAL ASSETS				
Financial assets mandatorily measured at fair value through profit or loss:	66,210	35,196	55,164	22,045
Trading securities	27,646	27,287	18,198	15,099
trading debt securities: government bonds -	2,880	2,602	2,020	11
trading debt securities: corporate bonds -	24,535	24,454	15,701	14,611
trading equities -	231	231	477	477
Other trading book securities	30,655	-	29,983	-
other trading book debt securities: government bonds -	2,733	-	2,733	-
other trading book equities -	27,922	-	27,250	-
Investment securities at fair value	4,954	4,954	4,862	4,825
non-trading equities -	4,954	4,954	4,862	4,825
Derivative financial instruments	897	897	2,121	2,121
Investment securities at fair value	2,058	2,058	-	-
loans granted -	2,058	2,058	-	-
Financial assets measured at fair value through other comprehensive income:	85,271	85,271	78,126	78,126
Debt securities at fair value through other comprehensive income	85,271	85,271	78,126	78,126
government bonds -	52,570	52,570	53,991	53,991
corporate bonds -	32,701	32,701	24,135	24,135
Financial assets measured at amortized cost:	3,751,910	3,716,907	3,597,396	3,564,171
Cash and cash equivalents	384,758	383,518	965,723	964,849
Due from other banks	2,733	2,733	1,196	1,196
Loans to customers	2,389,571	2,368,704	1,908,681	1,889,629
loans to financial institutions -	16,021	193,294	6,947	124,816
loans to individuals (retail): consumer loans -	201,152	3,012	143,462	6,541
loans to individuals (retail): mortgages -	663,328	663,328	455,126	455,126
loans to individuals (retail): other -	249,489	249,489	91,420	91,420
loans to business customers: SME -	1,073,266	1,073,266	947,985	947,985
loans to business customers: large corporates -	103,647	103,647	127,772	127,772
loans to business customers: central and local authorities and other -	82,668	82,668	135,969	135,969
Investment securities at amortized cost	969,033	956,332	705,398	692,226
government bonds -	827,765	821,781	541,026	535,006
corporate bonds -	141,268	134,551	164,372	157,220
Other financial assets	5,815	5,620	16,398	16,271
Finance lease receivables:	242,448	242,192	195,174	194,909
Finance lease receivables	242,448	242,192	195,174	194,909
individuals -	27,458	27,458	26,630	26,630
business customers -	214,990	214,734	168,544	168,279
TOTAL FINANCIAL ASSETS	4,145,839	4,079,566	3,925,860	3,859,251
FINANCIAL LIABILITIES				
Financial liabilities mandatorily measured at fair value through profit or loss:	7,152	7,152	96	96
Derivative financial instruments	7,152	7,152	96	96
Financial liabilities measured at amortised cost:	3,682,877	3,685,813	3,503,853	3,508,511
Due to banks and financial institutions	685,075	686,559	697,738	703,271
Due to customers	2,784,968	2,789,348	2,679,183	2,681,586
due to individuals -	1,533,559	1,533,559	1,531,867	1,531,867
due to private companies -	950,874	954,733	860,965	863,347
other -	300,535	301,056	286,351	286,372
Special and lending funds	14,184	14,184	6,667	6,667
Debt securities in issue	171,231	171,231	95,212	95,212
Other financial liabilities	27,419	24,491	25,053	21,775
TOTAL FINANCIAL LIABILITIES	3,690,029	3,692,965	3,503,949	3,508,607

FINANCIAL RISK MANAGEMENT (CONTINUED)

5. THE RISK INHERENT IN INSURANCE ACTIVITIES

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

Insurance risk

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

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

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

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

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

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

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

	2022	2021
<i>Maturity</i>	2.03 %	2.56 %
<i>Death</i>	34.40 %	32.88 %
<i>Critical illness</i>	9.30 %	10.09 %
<i>Death in case of accident</i>	14.74 %	14.75 %
<i>Trauma</i>	39.53 %	39.71 %

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

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

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

Mortality, survival, casualty and morbidity risks

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

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

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

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

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

The company's sensitivity to the changes in key variables that have a material impact, as of 31 December 2022:

<i>Variable</i>	<i>Change in variable</i>	<i>Change in profit/loss</i>	<i>Change in insurance liability</i>
<i>Mortality</i>	10%	(407)	407
<i>Longevity</i>	10%	(13)	13
<i>Disability/Morbidity</i>	10%	(423)	423
<i>Lapse rate</i>	10%	(274)	274
<i>Expense rate</i>	10%	(1,359)	1,359
<i>Discount rate</i>	100bp	928	(928)
	(100bp)	(1,102)	1,102

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

<i>Variable</i>	<i>Change in variable</i>	<i>Change in profit/loss</i>	<i>Change in insurance liability</i>
<i>Mortality</i>	10%	(433)	433
<i>Longevity</i>	10%	(12)	12
<i>Disability/Morbidity</i>	10%	(432)	432
<i>Lapse rate</i>	10%	(314)	314
<i>Expense rate</i>	10%	(1,175)	1,175
<i>Discount rate</i>	100bp	1,311	(1,311)
	(100bp)	(1,566)	1,566

Loss rate according to insurance groups:

	2022 (%)	2021 (%)
<i>Life insurance</i>		
<i>Investment life insurance</i>	15.2	13.5
<i>Term life insurance</i>	21.7	12.0
<i>Endowment insurance</i>	36.2	17.5
<i>Annuities</i>	70.2	60.5
<i>Overall loss rate</i>	20.0	15.7

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

Claims lag risk

Claims lag risk occurs when the event is incurred but not yet reported to the Company. If the part of incurred but not reported claims would increase or decrease by 10% during the reporting year, the profit and the equity of the Company would decrease or increase by EUR 9 thousand (2021 – EUR 7 thousand).

FINANCIAL RISK MANAGEMENT (CONTINUED)

Cancellation risk

Cancellation risk is a risk, when the insurance contract is terminated on the initiative of the policyholder earlier than the contract expires. The surrender value, paid to the policyholder, in case of the contract cancellation, consisted of share from the total mathematical technical provision (2022: 6.65%, 2021: 4.9%), except unearned premium technical provision for the end of the reporting year. Due to the fact that technical provision for every contract is not less than the surrender amount in case of the contract cancellation, therefore, increased number of cancellations shall not affect the results of the Company in the long run. Immediate profits in the current year are netted by decrease in the future income of the Company.

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

Technical provisions inadequacy risk

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

6. OPERATIONAL RISK

Operational risk is the risk to incur losses due to inadequate internal control processes or failure to implement the process, errors and/or unlawful acts of employees, malfunctioning of information systems or external incidents. Operational risk, unlike other types of risk (credit, market, liquidity), is not taken on purposefully with the expectation of obtaining gain but arises spontaneously in the course of the Bank's business.

In 2022, the Bank continued to improve the operational and reputational risk management and event recording systems of the Bank and the Bank's subsidiaries and reviewed the indicators and limits of these risks. The Operational Risk Event Management Procedure, the Instructions for the Registration and Administration of OREs in the AIS, the Procedure for Investigation of Particularly Significant Operational Risk Events (OREs) have been updated, detailing the process of informing the Bank's Committees. In order to improve the process of purchasing outsourced services and the management and monitoring process of important outsourced services in the Bank, the procedure for managing outsourcing services has been updated.

In 2022, significant attention was also paid to the review of the Bank's Business Continuity Plan documentation and to the development and testing of a comprehensive test scenario for Business Continuity Plans.

In view of the current geopolitical situation, the Bank established a working group on the war in Ukraine.

This year, further significant attention will be paid to the management of the continuity of the Bank's activities, risk management and monitoring of important outsourced services, strengthening of the operational and reputational risk culture in the Bank.

FINANCIAL RISK MANAGEMENT (CONTINUED)

7. IT RISK

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

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

In 2022 Bank continued implementing IT risk decreasing measures. Updated Bank IT risk management procedure was prepared. IT continuity plan was updated, critical IT systems recovery plans was tested. All IT systems moved out from in house to external data center. Risky outdated and end-of-life technologies were removed from Bank's IT systems. Privileged access management system was implemented, significantly elevating level of Bank's IT security, IT systems user access management procedure was updated.

8. COMPLIANCE RISK

Compliance risk is the risk that the Bank's activities do not comply with the financial institution regulatory requirements set forth in the national legal acts, the EBA (European Banking Authority), the ESMA (European Security and Markets Authority), Financial Crime Investigation Service (FNIT) and Bank of Lithuania guidelines, positions and requirements. The Bank ensures compliance control and puts efforts to avoid breaches of legal acts which could impair interests of the Bank or its clients, damage reputation of the Bank, cause fines or other sanctions, generate financial or other losses to the Bank. The compliance function areas were established by the Bank taking into consideration the volume of operations, the complexity of the activities, transactions executed and their risk level. The compliance function performs compliance risk self-assessment using risk-based approach on a regular basis and informs Bank's management about the identified risks and their mitigation measures. During 2022 compliance function was continuously active in area of anti-money laundering (AML) and terrorist financing prevention, international financial sanctions implementation, personal data privacy, financial instruments market, anti-corruption, anti-market abuse related activities and other areas. With aim to strengthen compliance function on 15th November 2022 Legal and administration service was revoked within the Bank and new Legal, compliance and prevention service was established instead, which is managed by the Bank's Chief Compliance Officer. In 2022 changes in compliance function were continued by transferring compliance function from Risks management service structure to newly established Legal, compliance and prevention service structure, dividing compliance function into two departments: Compliance department and newly created Anti-monetary laundering prevention compliance department, which activities cover financial crime prevention, including second defence line compliance officers working in area of international financial sanctions implementation. Bank's Anti-monetary laundering prevention compliance department director is also appointed as the Bank's and the Group's AML Compliance Officer, to whom AML prevention employees of Group entities are functionally reportable. AML Compliance Officer provides independent reports and has ability directly or through management board member responsible for AML prevention raise questions and provided information to Bank's governing bodies.

9. MODEL RISK

The Bank defines model risk as the risk to incur a financial loss or to make incorrect business decisions, publish false reporting disclosures because of the usage of models. Setup of models risk management was reviewed and enhanced in 2022. Models risk is managed within the Bank using risk-based approach - the Bank maintains a list of its models and performs assessment of models importance based on which independent validation of the selected models is prioritized.

10. ESG RISK

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

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

Detailed information on ESG risk and its management is provided in Bank's Social Responsibility Report.

FINANCIAL RISK MANAGEMENT (CONTINUED)

11. STRESS TESTS

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

12. CAPITAL MANAGEMENT

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

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

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

During the years ended 31 December 2022 and 31 December 2021, the Bank and the Financial Group complied with capital requirements to which it was subject.

According to Solvency II directive Bank's subsidiary SB Draudimas GD UAB has to ensure that all the time its own funds must be higher than Solvency Capital Requirement and Minimum Capital Requirement, which enables the company to cover potential losses and reasonably assure policyholders that payables will be paid out. Solvency II ratio is being calculated and reported quarterly to supervisory authority, the Bank of Lithuania. During the years ended 31 December 2022 and 31 December 2021, Company complied with the Solvency II ratio requirements to which it was subject.

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

During the years ended 31 December 2022 and 31 December 2021, the Group and the Bank complied with prudential requirements to which it was subject.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Impairment losses on loans and finance lease receivables. The Bank and the Group review their loan and finance lease portfolios to assess impairment at least on a quarterly basis. In determining the impairment loss amount, the Group makes multiple judgements and estimates, including forward looking assumptions. When making expected credit loss estimate, the Bank and the Group analyse financial information received from a client and client's performance in servicing its loans. The methodology and assumptions used (the credit rating of the client; usage of low credit risk exemption for the loans that have 'standard' internal ratings; the recoverability ratio applied; discounted market value of pledged assets) for assessment of client's ability to service debt and estimating both the amount and timing of future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience. However due to inherent limitations of the methodology, the calculated impairment loss as at 31 December 2022 may be inadequate to reflect the losses of the loan portfolio. Please see section 1.3.b of Financial risk management disclosure for the impairment loss sensitivity analysis.

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Impairment of goodwill. Goodwill is tested for impairment annually. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated is valued using present value techniques, which are further described in Note 17. The Group's management applies judgement in estimating cash flows and discount rates used in impairment testing, changes in these judgements and estimates can significantly affect the assessed value of goodwill. Increase of discount rate used in impairment testing by 2% (other factors held constant) would decrease the net present value of cash generating unit by EUR 797 thousand and would not result in additional impairment of goodwill (2021: decrease the value by EUR 826 thousand and would not result in additional impairment of goodwill).

TLTRO-III borrowings. Based on the terms of the third series of the targeted longer-term refinancing operations (TLTRO-III) program of the European Central Bank in comparison to market pricing for other similar collateralized borrowings available, the Group's management concluded in 2021 that TLTRO-III borrowing (please see Note 20 for more details on the liability) contain a significant benefit relative to market pricing and accounted for part of financial liabilities relating to TLTRO-III as grants under IAS 20 on initial recognition. For subsequent measurement, IFRS 9 revision of estimates guidance applies, therefore the Group is no longer recognising grants element related to TLTRO-III borrowings in 2022.

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

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

Taxes. The tax authorities have carried out a full-scope tax audit at the Bank for the years 1998 to 2001 (income tax audit was done for the period from 1998 to 2000). There were no significant remarks or disputes. The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year and may impose additional tax assessments and penalties. The Bank's management is not aware of any circumstances which may give rise to a potential material liability in this respect. The deferred tax assets recognised at 31 December 2022 have been based on future profitability assumptions of the Bank over a five-year horizon. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

Non-consolidated entities. During year 2022 the Bank has established 100 % owned entity UAB SB modernizavimo fondas. This entity is not consolidated while performing consolidation of Group entities. Bank's management concluded that due to restrictions put on activities of UAB SB modernizavimo fondas in Operational Agreement signed between the Bank and European Investment Bank (EIB) and contracts signed with investors investing in UAB SB modernizavimo fondas activities there will be no exposure to variable returns attributable to the Bank in its role as equity shareholder. The Bank acts as an agent of EIB and other investors and is not principal in activities related to UAB SB modernizavimo fondas and should thus not consolidate the investee (UAB SB modernizavimo fondas). More information on activities related to UAB SB modernizavimo fondas and transactions with UAB SB modernizavimo fondas is disclosed in Notes 13, 16 and 30.

SEGMENT INFORMATION

Summary of major indicators for the main business segments of the Group included in the statement of financial position as at 31 December 2022 and in the income statement for the year then ended is presented in the table below.

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
Continuing operations						
Internal	(703)	-	(16)	10	709	-
External	106,361	11,063	1,890	369	-	119,683
Interest income	105,658	11,063	1,874	379	709	119,683
Internal	-	-	-	-	-	-
External	(8,251)	(4,630)	(21)	-	-	(12,902)
Interest expenses	(8,251)	(4,630)	(21)	-	-	(12,902)
Internal	(703)	-	(16)	10	709	-
External	98,110	6,433	1,869	369	-	106,781
Net interest income	97,407	6,433	1,853	379	709	106,781
Internal	801	-	-	51	(852)	-
External	18,912	-	-	(210)	-	18,702
Net fee and commission income	19,713	-	-	(159)	(852)	18,702
Internal	98	-	(16)	61	(143)	-
External	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
Internal	(208)	-	-	(144)	352	-
External	(46,494)	(4,487)	-	(5,333)	-	(56,314)
Operating expenses	(46,702)	(4,487)	-	(5,477)	352	(56,314)
Amortisation charges	(1,261)	(140)	-	(98)	-	(1,499)
Depreciation charges	(2,830)	(300)	-	(219)	-	(3,349)
Internal	-	-	-	-	-	-
External	(4,952)	-	(462)	469	-	(4,945)
Impairment expenses	(4,952)	-	(462)	469	-	(4,945)
Internal	5,543	-	134	(20)	(5,657)	-
External	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	82	(5,449)	76,530
Income tax	(11,771)	(1,170)	-	25	-	(12,916)
Profit (loss) per segment after tax from continuing operations	65,504	(203)	3,655	107	(5,449)	63,614
Profit or (loss) per segment after tax from discontinued operations	-	-	-	-	-	-
Profit (loss) per segment	65,504	(203)	3,655	107	(5,449)	63,614
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	65,504	(203)	3,655	107	(5,449)	63,614
Total segment assets	2,859,786	1,479,122	4,731	54,825	(213,933)	4,184,531
Total segment liabilities	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

SEGMENT INFORMATION (CONTINUED)

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

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

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

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

NOTE 1
NET INTEREST INCOME

	2022		2021	
	Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method (on financial assets at amortized cost and fair value through other comprehensive income):</i>	107,650	92,845	83,035	69,951
<i>on loans to other banks and financial institutions and placements with credit institutions</i>	3,491	7,373	2,135	4,922
<i>on loans to customers</i>	97,310	78,865	75,590	59,972
<i>on debt securities at amortized cost</i>	6,196	5,997	5,023	4,831
<i>on debt securities at fair value through other comprehensive income</i>	653	610	287	226
<i>Other similar income:</i>	12,041	11,878	8,861	8,719
<i>on debt securities at fair value through profit or loss</i>	1,521	1,388	498	372
<i>on finance leases</i>	9,702	9,672	7,656	7,633
<i>other interest income</i>	818	818	707	714
Total interest income	119,691	104,723	91,896	78,670
<i>Interest expense:</i>				
<i>on financial liabilities designated at fair value through profit or loss</i>	-	-	-	-
<i>on financial liabilities measured at amortised cost</i>	(10,871)	(10,885)	(8,682)	(8,682)
<i>on other liabilities</i>	(2,039)	(2,033)	(2,297)	(2,290)
Total interest expense	(12,910)	(12,918)	(10,979)	(10,972)
Net interest income	106,781	91,805	80,917	67,698

NOTE 2
NET FEE AND COMMISSION INCOME

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

NOTE 3
NET GAIN FROM TRADING ACTIVITIES

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

NET GAIN FROM OPERATIONS WITH SECURITIES

	2022		2021	
	Group	Bank	Group	Bank
Securities in the trading book:				
<i>Realised gain (loss) on equity securities</i>	(198)	(36)	287	36
<i>Unrealised gain (loss) on equity securities</i>	(4,280)	(50)	2,635	106
<i>Realised gain on debt securities</i>	(248)	(261)	71	78
<i>Unrealised gain (loss) on debt securities</i>	(1,207)	(837)	(157)	(56)
<i>Dividend and other income from equity securities in the trading book</i>	11	12	24	24
Net gain (loss) on securities in the trading book	(5,922)	(1,172)	2,860	188
Investment securities:				
<i>Realised gain (loss) on investment equities at fair value through profit or loss</i>	(43)	(43)	(102)	(102)
<i>Unrealised gain on investment equities at fair value through profit or loss</i>	363	363	224	224
<i>Realised gain on debt securities at fair value through other comprehensive income</i>	(179)	(179)	283	280
<i>Realised gain on debt securities at amortized cost</i>	480	480	1,315	1,315
<i>Dividend and other income from investment equities</i>	13	13	3	3
Net gain on investment securities	634	634	1,723	1,720
Total	(5,288)	(538)	4,583	1,908

Group's net gain on operations with securities in the trading book includes investment result of the insurance company assets under unit-linked contracts (see Note 5): net loss of EUR 4,674 thousand in 2022 and net gain of EUR 2,835 thousand in 2021.

Bank's internal policy allows frequent, but strictly limited in scale and infrequent but larger scale sales of debt securities at amortized cost.

NET GAIN FROM FOREIGN EXCHANGE AND RELATED DERIVATIVES

	2022		2021	
	Group	Bank	Group	Bank
<i>Net gain from foreign exchange</i>	(577)	(702)	(2,718)	(2,791)
<i>Net gain (loss) from derivatives related with foreign exchange</i>	10,219	10,213	10,071	10,071
Total	9,642	9,511	7,353	7,280

Group's net gain from foreign exchange includes investment result of the insurance company assets under unit-linked contracts (see Note 5): a net loss of EUR 2 thousand in 2022 and a net gain of EUR 4 thousand in 2021.

NOTE 4
OTHER OPERATING EXPENSES

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

NOTE 5
REVENUE AND EXPENSES RELATED TO INSURANCE ACTIVITIES

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

REVENUE RELATED TO INSURANCE ACTIVITIES

	2022		2021	
	Group	Bank	Group	Bank
<i>Revenue related to insurance activities</i>	9,298	-	8,137	-
Total	9,298	-	8,137	-

EXPENSES RELATED TO INSURANCE ACTIVITIES

	2022		2021	
	Group	Bank	Group	Bank
<i>Expenses related to insurance activities:</i>				
<i>change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts*</i>	4,501	-	(2,969)	-
<i>other changes of the technical insurance provisions</i>	(1,838)	-	(956)	-
<i>insurance benefits paid</i>	(4,230)	-	(3,035)	-
<i>commission expenses incurred and other</i>	(1,196)	-	(1,072)	-
Total	(2,763)	-	(8,032)	-

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

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

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

NOTE 6 OTHER INCOME

NET GAIN FROM DISPOSAL OF TANGIBLE ASSETS

In 2022 net gain on disposal of tangible assets (mostly real estate, accounted for as Property, plant and equipment, Investment property or Inventories in the statement of financial position) at the Group amounted to EUR 810 thousand (Bank: net gain of EUR 514 thousand). In 2021 net gain on disposal of tangible assets (mostly real estate, accounted for as Property, plant and equipment, Investment property or Inventories in the statement of financial position) at the Group amounted to EUR 3,736 thousand (Bank: net gain of EUR 66 thousand).

NET GAIN FROM DERECOGNITION OF FINANCIAL ASSETS

Net gain from derecognition of financial assets (for the year ended 31 December 2022: Group EUR 1,034 thousand, Bank EUR 254 thousand; for the year ended 31 December 2021: Group EUR 4,363 thousand, Bank EUR 2,729 thousand) is based on the difference of the carrying value of loans to customers (accounted at amortized cost) at the moment of sale and the proceeds from sale. Loans to customers facing credit difficulties sold as part of the Group's problem loan recovery activities comprise the major part of loans sold.

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

OTHER OPERATING INCOME

	2022		2021	
	Group	Bank	Group	Bank
<i>Income from rent of investment property and other income from investment property</i>	171	100	181	69
<i>Income from rent of other assets</i>	80	185	121	178
<i>Net gain (loss) from modification of financial assets</i>	33	(3)	(35)	(31)
<i>Portion of TLTRO III negative interest attributable to grant</i>	910	910	587	587
<i>Other income</i>	464	304	456	333
Total	1,658	1,496	1,310	1,136

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

NOTE 7 IMPAIRMENT LOSSES

	2022		2021	
	Group	Bank	Group	Bank
Impairment losses on loans:				
Impairment charge for the year, net (see Note 13)	3,839	2,010	5,832	2,176
Recoveries of loans previously written off	(395)	(230)	(849)	(542)
Total impairment losses (reversals) on loans	3,444	1,780	4,983	1,634
Impairment losses on finance lease receivables:				
Impairment charge for the year, net (see Note 14)	1,512	1,454	(797)	(802)
Recovered previously written-off finance lease receivables	-	-	-	-
Total impairment losses (reversals) on finance lease receivables	1,512	1,454	(797)	(802)
Total impairment losses (reversals) on loans and finance lease receivables	4,956	3,234	4,186	832
Impairment losses on financial assets other than loans and finance lease receivables:				
Due from other banks: impairment charge, net (see Note 10)	(68)	(68)	64	64
Debt securities: impairment charge, net (see Note 15)	268	268	(10)	(11)
Other financial assets: impairment charge, net (see Note 19)	253	257	114	88
Total impairment losses on financial assets other than loans and finance lease receivables:	453	457	168	141
Non-financial assets:				
Goodwill: impairment charge	-	-	-	-
Non-financial assets other than goodwill: impairment charge	1	1	7	7
Non-financial assets other than goodwill: reversal of impairment charge	-	-	(828)	(6)
Total impairment losses on non-financial assets:	1	1	(821)	1
Provisions (see Note 25):				
Provisions for pending legal issues: charge	-	-	-	-
Provisions for commitments and guarantees given: charge / (reversal)	(465)	-	544	-
Total provisions:	(465)	-	544	-
Total impairment losses on other assets	(11)	458	(109)	142
Impairment losses on subsidiaries (see Note 16):				
Investments in subsidiaries: impairment charge	-	-	-	-
Investments in subsidiaries: reversal of impairment charge	-	-	-	-
Total impairment losses on subsidiaries	-	-	-	-
Total	4,945	3,692	4,077	974

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

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

**NOTE 8
INCOME TAX**

	2022		2021	
	Group	Bank	Group	Bank
Current tax	15,203	13,919	11,032	9,981
Deferred taxes	(2,177)	(2,106)	930	684
Deferred tax adjustment due to change in tax rate	-	-	-	-
Adjustment of previous year income tax	(110)	(110)	77	77
Total	12,916	11,703	12,039	10,742

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

	2022		2021	
	Group	Bank	Group	Bank
Profit before income tax from continuing operations	76,531	75,282	67,262	66,747
Tax calculated at a tax rate of 15%	11,480	11,292	10,089	10,012
Tax calculated at a tax rate of 5%	2,748	2,748	2,427	2,427
Income not subject to tax	(4,133)	(2,042)	(4,144)	(2,687)
Expenses not deductible for tax purposes	4,086	970	3,618	941
Additional deduction of film, charity expenses	(1,155)	(1,155)	(28)	(28)
Adjustments of previous year income tax	(110)	(110)	77	77
Income tax charge	12,916	11,703	12,039	10,742

Deferred tax assets

	Group						Bank			
	Revaluation of financial instruments and other assets	Impairment of investment property and inventories	Accruals	Right of use	Carryforward of unused tax losses	Total	Accruals	Right of use	Revaluation of financial instruments and other assets	Total
At 1 January 2021	1,124	256	559	7	132	2,078	559	7	1,124	1,690
To be credited/(charged) to net profit	(740)	(46)	59	-	(2)	(729)	56	-	(740)	(684)
To be credited/ (charged) to other comprehensive income	244	-	-	-	-	244	-	-	244	244
At 31 December 2021	628	210	618	7	130	1,593	615	7	628	1,250
To be credited/(charged) to net profit	1,821	(2)	284	-	85	2,188	285	-	1,821	2,106
To be credited/ (charged) to other comprehensive income	1,878	-	-	-	-	1,878	-	-	1,878	1,878
At 31 December 2022	4,327	208	902	7	215	5,659	900	7	4,327	5,234

NOTE 8
INCOME TAX (CONTINUED)

Deferred tax liabilities

<i>Group</i>	Right of use assets	Revaluation of financial instruments and other assets	Total
At 1 January 2021	-	(1,251)	(1,251)
<i>To be credited/(charged) to net profit</i>	-	(201)	(201)
<i>To be credited/ (charged) to other comprehensive income</i>	-	-	-
At 31 December 2021	-	(1,452)	(1,452)
<i>To be credited/(charged) to net profit</i>	-	(11)	(11)
<i>To be credited/ (charged) to other comprehensive income</i>	-	-	-
At 31 December 2022	-	(1,463)	(1,463)

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

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

	2022		2021	
	Group	Bank	Group	Bank
<i>Up to 1 year</i>	841	2,184	(1,730)	(404)
<i>2-5 years</i>	3,355	3,050	1,871	1,654
Total	4,196	5,234	141	1,250

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

	2022		2021	
	Group	Bank	Group	Bank
<i>Deferred tax assets</i>	5,659	5,234	1,593	1,250
<i>Deferred tax liabilities</i>	(1,463)	-	(1,452)	-

NOTE 9
EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period. There were no potential ordinary shares at 31 December 2022 and 31 December 2021, therefore the Group had no dilutive potential ordinary shares and diluted earnings per share are equal to basic earnings per share.

The number of shares in issue for the year ended 31 December 2022 and 31 December 2021 was 600,726 thousand. Weighted average number of shares in issue for the year ended 31 December 2022 was 599,840 thousand (2021: 600,462 thousand).

Basic earnings per share

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

NOTE 10
CASH AND CASH EQUIVALENTS

	2022		2021	
	Group	Bank	Group	Bank
<i>Cash and other valuables</i>	77,315	77,215	66,861	66,861
<i>Balances in bank correspondent accounts:</i>				
<i>Gross value</i>	179,260	178,120	31,089	30,215
<i>Allowance for impairment</i>	(25)	(25)	(21)	(21)
<i>Total balances in bank correspondent accounts, net value</i>	179,235	178,095	31,068	30,194
<i>Placements with Central Bank:</i>				
<i>Correspondent account with Central Bank</i>	80,302	80,302	582,788	582,788
<i>Mandatory reserves in local currency, gross value</i>	47,919	47,919	285,091	285,091
<i>Mandatory reserves in local currency, allowance for impairment</i>	(13)	(13)	(85)	(85)
<i>Total placements with Central Bank, net value</i>	128,208	128,208	867,794	867,794
Total	384,758	383,518	965,723	964,849

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

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

Rating *

	2022		2021	
	Group	Bank	Group	Bank
<i>From AA- to AA+</i>	68,637	67,818	3,410	3,242
<i>From A- to A+</i>	87,292	86,980	6,755	6,484
<i>From BBB- to BBB+</i>	17,033	17,033	14,390	14,036
<i>Lower than BBB-</i>	386	386	2,433	2,433
<i>No external credit rating (Standard internal rating)</i>	179	179	321	321
<i>No external rating (Substandard internal rating)</i>	5,733	5,724	3,780	3,699
Total	179,260	178,120	31,089	30,215

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

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

	Group	Bank
<i>Allowance for impairment of cash equivalents and due from banks as of 1 January 2021:</i>	42	42
<i>Change in allowance for impairment</i>	64	64
<i>FX and other movements</i>	-	-
<i>Allowance for impairment of cash equivalents and due from banks as of 31 December 2021:</i>	106	106
<i>Change in allowance for impairment</i>	(68)	(68)
<i>FX and other movements</i>	-	-
<i>Allowance for impairment of cash equivalents and due from banks as of 31 December 2022:</i>	38	38

As of 31 December 2022, balances in correspondent accounts in amount of EUR 5,737 thousand (as of 31 December 2021 - EUR 3,778 thousand) were pledged for derivatives contracts.

NOTE 10
CASH AND CASH EQUIVALENTS (CONTINUED)

Liabilities from financing activities

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

	2022				2021			
	Dividends payable	Debt securities in issue	Lease liabilities	Total	Dividends payable	Debt securities in issue	Lease liabilities	Total
As at 1 January	50	95,212	6,093	101,355	45	20,027	7,314	27,386
<i>Dividends declared</i>	20,425	-	-	20,425	3,304	-	-	3,304
<i>Issuance in cash</i>	-	85,000	-	85,000	-	75,000	-	75,000
<i>Contract additions / terminations</i>	-	-	2,525	2,525	-	-	185	185
<i>Payment in cash</i>	(20,381)	-	(1,040)	(21,421)	(3,299)	-	(1,432)	(4,731)
<i>Redemption in cash</i>	-	-	-	-	-	-	-	-
<i>Accrued interest</i>	-	2,225	25	2,250	-	1,415	26	1,441
<i>Coupon payments in cash</i>	-	(2,015)	-	(2,015)	-	(1,230)	-	(1,230)
As at of 31 December	94	180,422	7,603	188,119	50	95,212	6,093	101,355

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

	2022				2021			
	Dividends payable	Debt securities in issue	Lease liabilities	Total	Dividends payable	Debt securities in issue	Lease liabilities	Total
As at 1 January	50	95,212	5,818	101,080	45	20,027	6,944	27,016
<i>Dividends declared</i>	20,425	-	-	20,425	3,304	-	-	3,304
<i>Issuance in cash</i>	-	85,000	-	85,000	-	75,000	-	75,000
<i>Contract additions / terminations</i>	-	-	2,578	2,578	-	-	136	136
<i>Payment in cash</i>	(20,381)	-	(1,089)	(21,470)	(3,299)	-	(1,281)	(4,580)
<i>Redemption in cash</i>	-	-	-	-	-	-	-	-
<i>Accrued interest</i>	-	2,225	21	2,246	-	1,415	19	1,434
<i>Coupon payments in cash</i>	-	(2,015)	-	(2,015)	-	(1,230)	-	(1,230)
As at of 31 December	94	180,422	7,328	187,844	50	95,212	5,818	101,080

NOTE 11
DUE FROM OTHER BANKS

	2022		2021	
	Group	Bank	Group	Bank
<i>Pledged deposits</i>	2,520	2,520	-	-
<i>Term deposits</i>	103	103	101	101
<i>Loans</i>	110	110	1,095	1,095
Gross value	2,733	2,733	1,196	1,196
<i>Allowance for impairment</i>	-	-	-	-
Net value	2,733	2,733	1,196	1,196
<i>Breakdown due from other banks by the maturity:</i>				
<i>Short-term (up to 1 year)</i>	2,633	2,633	1,096	1,096
<i>Long-term (over 1 year)</i>	100	100	100	100
Total	2,733	2,733	1,196	1,196

As of 31 December 2022 pledged deposits consisted of funds pledged for derivatives contracts. As of 31 December 2022, term deposits amounting to EUR 103 thousand were pledged for the guarantees or letters of credit issued for the Bank's clients. As of 31 December 2021, term deposits amounting to EUR 101 thousand were pledged for the guarantees or letters of credit issued for the Bank's clients.

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

Rating *

	2022		2021	
	Group	Bank	Group	Bank
<i>From AA- to AA+</i>	99	99	514	514
<i>From A- to A+</i>	110	110	680	680
<i>From BBB- to BBB+</i>	2,524	2,524	2	2
Total	2,733	2,733	1,196	1,196

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

NOTE 12
FINANCIAL ASSETS AND LIABILITIES IN THE TRADING BOOK

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

	2022		2021	
	Group	Bank	Group	Bank
Assets:				
<i>Derivatives:</i>	897	897	2,121	2,121
<i>currency derivatives</i>	897	897	2,121	2,121
<i>derivatives related to prices of financial instruments</i>	-	-	-	-
<i>Securities in the trading book</i>	58,301	27,287	48,181	15,099
Liabilities:				
<i>Derivatives:</i>	(7,152)	(7,152)	(96)	(96)
<i>currency derivatives</i>	(7,152)	(7,152)	(96)	(96)
<i>derivatives related to prices of financial instruments</i>	-	-	-	-

NOTE 12

FINANCIAL ASSETS AND LIABILITIES IN THE TRADING BOOK (CONTINUED)

Derivative Financial Instruments – Currency Derivatives

As of 31 December 2022 and 31 December 2021, the Group and the Bank had exposure to currency forwards, which represent commitments to purchase and/or sell foreign and local currency in the future at a fixed price.

	2022		2021	
	Group	Bank	Group	Bank
Currency forwards:				
Assets	897	897	2,121	2,121
Liabilities	(7,152)	(7,152)	(96)	(96)
Notional amount	193,915	193,915	151,452	151,452
<i>Net gain (loss) from currency derivatives in profit or loss</i>	10,219	10,213	10,071	10,071

Securities in the Trading Book

	2022		2021	
	Group	Bank	Group	Bank
Trading debt securities:				
Government bonds	2,880	2,602	2,020	11
Corporate bonds	24,535	24,454	15,701	14,611
Other trading book debt securities:				
Government bonds	2,733	-	2,733	-
Total debt securities	30,148	27,056	20,454	14,622
Trading equity securities	231	231	477	477
Other trading book equity securities	27,922	-	27,250	-
Total equity securities	28,153	231	27,727	477
Total securities in the trading book	58,301	27,287	48,181	15,099
<i>Breakdown of debt securities by time remaining to maturity:</i>				
Short-term (up to 1 year)	12,522	10,625	421	421
Long-term (over 1 year)	17,626	16,431	20,033	14,201
Total	30,148	27,056	20,454	14,622

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

Securities in the trading book have not been pledged as at 31 December 2022 and 2021.

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

NOTE 12

FINANCIAL ASSETS AND LIABILITIES IN THE TRADING BOOK (CONTINUED)

Breakdown of securities in the trading book as at 31 December 2022 and 2021:

	2022		2021	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	30,079	27,056	17,721	14,622
from AA- to AAA	-	-	-	-
from A- to A+	2,779	2,602	4,235	4,046
from BBB- to BBB+	588	-	830	207
from BB- to BB+	492	-	514	-
lower than BB-	-	-	-	-
no rating	26,220	24,454	12,142	10,369
Equity securities	231	231	477	477
listed	213	213	449	449
unlisted	18	18	28	28
units of investment funds	-	-	-	-
Total trading securities	30,310	27,287	18,198	15,099
Other trading book securities:				
Debt securities	69	-	2,733	-
from AA- to AAA	-	-	-	-
from A- to A+	-	-	199	-
from BBB- to BBB+	-	-	1,726	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	69	-	808	-
Equity securities	27,922	-	27,250	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	27,922	-	27,250	-
Total other trading book securities	27,991	-	29,983	-
TOTAL	58,301	27,287	48,181	15,099

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

	2022		2021	
	During the year	Cumulative	During the year	Cumulative
Change in fair value attributable to credit risk	4	-	33	(4)

NOTE 13
LOANS TO CUSTOMERS

	2022		2021	
	Group	Bank	Group	Bank
Gross loans to customers	2,423,800	2,395,409	1,944,377	1,917,766
Allowance for loan impairment	(34,229)	(26,705)	(35,696)	(28,137)
Net loans at amortized cost	2,389,571	2,368,704	1,908,681	1,889,629
Loans at fair value	2,058	2,058	-	-
NET LOANS TO CUSTOMERS	2,391,629	2,370,762	1,908,681	1,889,629
Breakdown of loans to customers according to maturity				
Short-term (up to 1 year)	466,285	576,003	396,728	460,294
Long-term (over 1 year)	1,925,344	1,794,759	1,511,953	1,429,335
Total	2,391,629	2,370,762	1,908,681	1,889,629

In 2022 the Group's loan portfolio grew in significant rates, especially due to high demand for retail consumer and mortgage loans. Loan portfolio quality remained improving – Stage 2 loans increased both in absolute number and relative size, and as inflows and outflows for Stage 3 loans were similar, Stage 3 loans share in loan portfolio decreased due to portfolio growth. As the stage composition of loan portfolio improved and portfolio structure changed (the share of mortgage loans, that have lower impairment coverage, increased), total impairment to loans ratio decreased.

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

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

	Group gross loans to customers							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	1,642,451	235,609	66,318	1,944,378	1,282,582	251,850	114,014	1,648,446
Transfer between stages:								
from Stage 1 to Stage 2	(57,904)	57,904	-	-	(133,971)	133,971	-	-
from Stage 1 to Stage 3	(8,730)	-	8,730	-	(3,936)	-	3,936	-
from Stage 2 to Stage 1	90,457	(90,457)	-	-	98,469	(98,469)	-	-
from Stage 2 to Stage 3	-	(12,589)	12,589	-	-	(4,403)	4,403	-
from Stage 3 to Stage 1	424	-	(424)	-	3,214	-	(3,214)	-
from Stage 3 to Stage 2	-	4,665	(4,665)	-	-	5,472	(5,472)	-
New loans originated or loan amounts increased	949,285	40,037	8,427	997,749	736,637	43,692	1,855	782,184
Loans derecognized during the period (other than write-offs)	(432,987)	(59,305)	(18,664)	(510,956)	(340,542)	(96,396)	(36,390)	(473,328)
Loans written-off during the period	(1)	(61)	(5,244)	(5,306)	(2)	(106)	(12,818)	(12,926)
Reclassifications, FX and other movements	(1)	(2)	-	(3)	-	(2)	4	2
Gross carrying amount as at 31 December	2,182,994	175,801	67,067	2,425,862	1,642,451	235,609	66,318	1,944,378

	Bank gross loans to customers							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	1,505,673	349,980	62,112	1,917,765	1,267,972	247,570	114,642	1,630,184
Transfer between stages:								
from Stage 1 to Stage 2	(55,860)	55,860	-	-	(234,322)	234,322	-	-
from Stage 1 to Stage 3	(6,077)	-	6,077	-	(2,364)	-	2,364	-
from Stage 2 to Stage 1	89,275	(89,275)	-	-	97,089	(97,089)	-	-
from Stage 2 to Stage 3	-	(11,846)	11,846	-	-	(3,744)	3,744	-
from Stage 3 to Stage 1	401	-	(401)	-	3,190	-	(3,190)	-
from Stage 3 to Stage 2	-	4,663	(4,663)	-	-	5,462	(5,462)	-
New loans originated or loan amounts increased	819,808	97,451	6,999	924,258	653,643	57,857	1,358	712,858
Loans derecognized during the period (other than write-offs)	(366,503)	(57,442)	(17,162)	(441,107)	(279,533)	(94,395)	(39,482)	(413,410)
Loans written-off during the period	-	(3)	(3,439)	(3,442)	-	(1)	(11,867)	(11,868)
Reclassifications, FX and other movements	(2)	-	(1)	(3)	(1)	(2)	5	2
Gross carrying amount as at 31 December	1,986,715	349,388	61,368	2,397,471	1,505,674	349,980	62,112	1,917,766

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

	<i>Group gross loans to individuals (retail)</i>							
				2022				2021
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	678,808	13,120	7,899	699,827	531,568	14,442	10,237	556,247
Transfer between stages:								
from Stage 1 to Stage 2	(8,772)	8,772	-	-	(6,707)	6,707	-	-
from Stage 1 to Stage 3	(5,895)	-	5,895	-	(1,901)	-	1,901	-
from Stage 2 to Stage 1	2,885	(2,885)	-	-	5,739	(5,739)	-	-
from Stage 2 to Stage 3	-	(2,880)	2,880	-	-	(1,401)	1,401	-
from Stage 3 to Stage 1	424	-	(424)	-	606	-	(606)	-
from Stage 3 to Stage 2	-	195	(195)	-	-	1,270	(1,270)	-
New loans originated or loan amounts increased	494,845	5,931	3,875	504,651	272,351	2,237	629	275,217
Loans derecognized during the period (other than write-offs)	(184,503)	(4,312)	(2,673)	(191,488)	(122,846)	(4,290)	(2,461)	(129,597)
Loans written-off during the period	(1)	(61)	(1,942)	(2,004)	(2)	(106)	(1,930)	(2,038)
Reclassifications, FX and other movements	113,850	255	406	114,511	-	-	(2)	(2)
Gross carrying amount as at 31 December	1,091,641	18,135	15,721	1,125,497	678,808	13,120	7,899	699,827
	<i>Bank gross loans to individuals (retail)</i>							
				2022				2021
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	542,030	9,623	3,693	555,346	412,013	10,162	5,690	427,865
Transfer between stages:								
from Stage 1 to Stage 2	(6,728)	6,728	-	-	(4,364)	4,364	-	-
from Stage 1 to Stage 3	(3,242)	-	3,242	-	(329)	-	329	-
from Stage 2 to Stage 1	1,703	(1,703)	-	-	4,359	(4,359)	-	-
from Stage 2 to Stage 3	-	(2,137)	2,137	-	-	(742)	742	-
from Stage 3 to Stage 1	401	-	(401)	-	582	-	(582)	-
from Stage 3 to Stage 2	-	193	(193)	-	-	1,260	(1,260)	-
New loans originated or loan amounts increased	365,367	3,940	2,447	371,754	189,356	839	132	190,327
Loans derecognized during the period (other than write-offs)	(118,018)	(2,449)	(1,171)	(121,638)	(59,586)	(1,900)	(1,032)	(62,518)
Loans written-off during the period	-	(3)	(137)	(140)	-	(1)	(325)	(326)
Reclassifications, FX and other movements	113,849	257	405	114,511	(1)	-	(1)	(2)
Gross carrying amount as at 31 December	895,362	14,449	10,022	919,833	542,030	9,623	3,693	555,346
	<i>Group gross loans to individuals (retail): Consumer loans</i>							
				2022				2021
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	143,285	3,678	4,304	151,267	132,328	4,565	4,716	141,609
Transfer between stages:								
from Stage 1 to Stage 2	(2,162)	2,162	-	-	(2,473)	2,473	-	-
from Stage 1 to Stage 3	(2,770)	-	2,770	-	(1,597)	-	1,597	-
from Stage 2 to Stage 1	1,234	(1,234)	-	-	1,484	(1,484)	-	-
from Stage 2 to Stage 3	-	(803)	803	-	-	(683)	683	-
from Stage 3 to Stage 1	24	-	(24)	-	49	-	(49)	-
from Stage 3 to Stage 2	-	8	(8)	-	-	44	(44)	-
New loans originated or loan amounts increased	130,287	2,006	1,457	133,750	83,633	1,402	552	85,587
Loans derecognized during the period (other than write-offs)	(70,696)	(1,987)	(1,616)	(74,299)	(70,135)	(2,533)	(1,495)	(74,163)
Loans written-off during the period	(1)	(61)	(1,801)	(1,863)	(2)	(106)	(1,657)	(1,765)
Reclassifications, FX and other movements	1	(2)	1	-	(2)	-	1	(1)
Gross carrying amount as at 31 December	199,202	3,767	5,886	208,855	143,285	3,678	4,304	151,267

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

	Bank gross loans to individuals (retail): Consumer loans							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	6,510	180	117	6,807	12,773	285	190	13,248
Transfer between stages:								
from Stage 1 to Stage 2	(118)	118	-	-	(130)	130	-	-
from Stage 1 to Stage 3	(117)	-	117	-	(25)	-	25	-
from Stage 2 to Stage 1	52	(52)	-	-	104	(104)	-	-
from Stage 2 to Stage 3	-	(60)	60	-	-	(24)	24	-
from Stage 3 to Stage 1	1	-	(1)	-	25	-	(25)	-
from Stage 3 to Stage 2	-	6	(6)	-	-	34	(34)	-
New loans originated or loan amounts increased	809	15	29	853	639	3	55	697
Loans derecognized during the period (other than write-offs)	(4,213)	(123)	(113)	(4,449)	(6,873)	(143)	(68)	(7,084)
Loans written-off during the period	-	(3)	(17)	(20)	-	(1)	(52)	(53)
Reclassifications, FX and other movements	-	-	-	-	(3)	-	2	(1)
Gross carrying amount as at 31 December	2,924	81	186	3,191	6,510	180	117	6,807

	Group gross loans to individuals (retail): Mortgages							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	445,092	8,225	2,759	456,076	287,749	6,923	3,892	298,564
Transfer between stages:								
from Stage 1 to Stage 2	(4,684)	4,684	-	-	(4,083)	4,083	-	-
from Stage 1 to Stage 3	(2,040)	-	2,040	-	(296)	-	296	-
from Stage 2 to Stage 1	1,546	(1,546)	-	-	2,125	(2,125)	-	-
from Stage 2 to Stage 3	-	(1,711)	1,711	-	-	(679)	679	-
from Stage 3 to Stage 1	-	-	-	-	482	-	(482)	-
from Stage 3 to Stage 2	-	177	(177)	-	-	1,010	(1,010)	-
New loans originated or loan amounts increased	252,717	1,228	233	254,178	187,213	378	61	187,652
Loans derecognized during the period (other than write-offs)	(42,971)	(1,229)	(737)	(44,937)	(28,099)	(1,365)	(637)	(30,101)
Loans written-off during the period	-	-	(67)	(67)	-	-	(37)	(37)
Reclassifications, FX and other movements	-	-	-	-	1	-	(3)	(2)
Gross carrying amount as at 31 December	649,660	9,828	5,762	665,250	445,092	8,225	2,759	456,076

	Bank gross loans to individuals (retail): Mortgages							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	445,092	8,225	2,759	456,076	287,749	6,923	3,892	298,564
Transfer between stages:								
from Stage 1 to Stage 2	(4,684)	4,684	-	-	(4,083)	4,083	-	-
from Stage 1 to Stage 3	(2,040)	-	2,040	-	(296)	-	296	-
from Stage 2 to Stage 1	1,546	(1,546)	-	-	2,125	(2,125)	-	-
from Stage 2 to Stage 3	-	(1,711)	1,711	-	-	(679)	679	-
from Stage 3 to Stage 1	-	-	-	-	482	-	(482)	-
from Stage 3 to Stage 2	-	177	(177)	-	-	1,010	(1,010)	-
New loans originated or loan amounts increased	252,717	1,228	233	254,178	187,212	379	61	187,652
Loans derecognized during the period (other than write-offs)	(42,971)	(1,229)	(737)	(44,937)	(28,100)	(1,365)	(636)	(30,101)
Loans written-off during the period	-	-	(67)	(67)	-	-	(37)	(37)
Reclassifications, FX and other movements	-	-	-	-	1	-	(3)	(2)
Gross carrying amount as at 31 December	649,660	9,828	5,762	665,250	445,090	8,226	2,760	456,076

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

	<i>Group gross loans to individuals (retail): Other</i>							
	Stage 1	Stage 2	Stage 3	2022 Total	Stage 1	Stage 2	Stage 3	2021 Total
Gross carrying amount as at 1 January	90,431	1,217	836	92,484	111,491	2,954	1,629	116,074
Transfer between stages:								
from Stage 1 to Stage 2	(1,926)	1,926	-	-	(151)	151	-	-
from Stage 1 to Stage 3	(1,085)	-	1,085	-	(8)	-	8	-
from Stage 2 to Stage 1	105	(105)	-	-	2,130	(2,130)	-	-
from Stage 2 to Stage 3	-	(366)	366	-	-	(39)	39	-
from Stage 3 to Stage 1	400	-	(400)	-	75	-	(75)	-
from Stage 3 to Stage 2	-	10	(10)	-	-	216	(216)	-
New loans originated or loan amounts increased	111,841	2,697	2,185	116,723	1,505	457	16	1,978
Loans derecognized during the period (other than write-offs)	(70,836)	(1,096)	(320)	(72,252)	(24,612)	(392)	(329)	(25,333)
Loans written-off during the period	-	-	(74)	(74)	-	-	(236)	(236)
Reclassifications, FX and other movements	113,849	257	405	114,511	1	-	-	1
Gross carrying amount as at 31 December	242,779	4,540	4,073	251,392	90,431	1,217	836	92,484

	<i>Bank gross loans to individuals (retail): Other</i>							
	Stage 1	Stage 2	Stage 3	2022 Total	Stage 1	Stage 2	Stage 3	2021 Total
Gross carrying amount as at 1 January	90,430	1,217	816	92,463	111,491	2,954	1,608	116,053
Transfer between stages:								
from Stage 1 to Stage 2	(1,926)	1,926	-	-	(151)	151	-	-
from Stage 1 to Stage 3	(1,085)	-	1,085	-	(8)	-	8	-
from Stage 2 to Stage 1	105	(105)	-	-	2,130	(2,130)	-	-
from Stage 2 to Stage 3	-	(366)	366	-	-	(39)	39	-
from Stage 3 to Stage 1	400	-	(400)	-	75	-	(75)	-
from Stage 3 to Stage 2	-	10	(10)	-	-	216	(216)	-
New loans originated or loan amounts increased	111,841	2,697	2,185	116,723	1,505	457	16	1,978
Loans derecognized during the period (other than write-offs)	(70,836)	(1,096)	(320)	(72,252)	(24,613)	(392)	(328)	(25,333)
Loans written-off during the period	-	-	(53)	(53)	-	-	(236)	(236)
Reclassifications, FX and other movements	113,849	257	405	114,511	1	-	-	1
Gross carrying amount as at 31 December	242,778	4,540	4,074	251,392	90,430	1,217	816	92,463

	<i>Group gross loans to financial institutions</i>							
	Stage 1	Stage 2	Stage 3	2022 Total	Stage 1	Stage 2	Stage 3	2021 Total
Gross carrying amount as at 1 January	3,210	3,819	-	7,029	14	4,827	-	4,841
Transfer between stages:								
from Stage 1 to Stage 2	-	-	-	-	-	-	-	-
from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
from Stage 2 to Stage 1	-	-	-	-	-	-	-	-
from Stage 2 to Stage 3	-	-	-	-	-	-	-	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	18,073	-	-	18,073	3,195	3,819	-	7,014
Loans derecognized during the period (other than write-offs)	(3,194)	(3,819)	-	(7,013)	-	(4,827)	-	(4,827)
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	(1)	-	-	(1)	1	-	-	1
Gross carrying amount as at 31 December	18,088	-	-	18,088	3,210	3,819	-	7,029

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

	<i>Bank gross loans to financial institutions</i>							
	Stage 1	Stage 2	Stage 3	2022 Total	Stage 1	Stage 2	Stage 3	2021 Total
Gross carrying amount as at 1 January	3,210	121,687	-	124,897	102,709	4,827	-	107,536
Transfer between stages:								
from Stage 1 to Stage 2	-	-	-	-	(102,694)	102,694	-	-
from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
from Stage 2 to Stage 1	-	-	-	-	-	-	-	-
from Stage 2 to Stage 3	-	-	-	-	-	-	-	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	18,073	59,405	-	77,478	3,195	19,382	-	22,577
Loans derecognized during the period (other than write-offs)	(3,194)	(3,819)	-	(7,013)	-	(5,216)	-	(5,216)
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	(1)	-	-	(1)	1	-	-	1
Gross carrying amount as at 31 December	18,088	177,273	-	195,361	3,211	121,687	-	124,898

	<i>Group gross loans to business customers</i>							
	Stage 1	Stage 2	Stage 3	2022 Total	Stage 1	Stage 2	Stage 3	2021 Total
Gross carrying amount as at 1 January	960,433	218,670	58,419	1,237,522	751,000	232,581	103,777	1,087,358
Transfer between stages:								
from Stage 1 to Stage 2	(49,132)	49,132	-	-	(127,264)	127,264	-	-
from Stage 1 to Stage 3	(2,835)	-	2,835	-	(2,035)	-	2,035	-
from Stage 2 to Stage 1	87,572	(87,572)	-	-	92,730	(92,730)	-	-
from Stage 2 to Stage 3	-	(9,709)	9,709	-	-	(3,002)	3,002	-
from Stage 3 to Stage 1	-	-	-	-	2,608	-	(2,608)	-
from Stage 3 to Stage 2	-	4,470	(4,470)	-	-	4,202	(4,202)	-
New loans originated or loan amounts increased	436,367	34,106	4,552	475,025	461,091	37,636	1,226	499,953
Loans derecognized during the period (other than write-offs)	(245,290)	(51,174)	(15,991)	(312,455)	(217,696)	(87,279)	(33,929)	(338,904)
Loans written-off during the period	-	-	(3,302)	(3,302)	-	-	(10,888)	(10,888)
Reclassifications, FX and other movements	(113,850)	(257)	(406)	(114,513)	(1)	(2)	6	3
Gross carrying amount as at 31 December	1,073,265	157,666	51,346	1,282,277	960,433	218,670	58,419	1,237,522

	<i>Bank gross loans to business customers</i>							
	Stage 1	Stage 2	Stage 3	2022 Total	Stage 1	Stage 2	Stage 3	2021 Total
Gross carrying amount as at 1 January	960,433	218,670	58,419	1,237,522	753,250	232,581	108,952	1,094,783
Transfer between stages:								
from Stage 1 to Stage 2	(49,132)	49,132	-	-	(127,264)	127,264	-	-
from Stage 1 to Stage 3	(2,835)	-	2,835	-	(2,035)	-	2,035	-
from Stage 2 to Stage 1	87,572	(87,572)	-	-	92,730	(92,730)	-	-
from Stage 2 to Stage 3	-	(9,709)	9,709	-	-	(3,002)	3,002	-
from Stage 3 to Stage 1	-	-	-	-	2,608	-	(2,608)	-
from Stage 3 to Stage 2	-	4,470	(4,470)	-	-	4,202	(4,202)	-
New loans originated or loan amounts increased	436,367	34,106	4,552	475,025	461,092	37,636	1,226	499,954
Loans derecognized during the period (other than write-offs)	(245,290)	(51,174)	(15,991)	(312,455)	(219,947)	(87,279)	(38,450)	(345,676)
Loans written-off during the period	-	-	(3,302)	(3,302)	-	-	(11,542)	(11,542)
Reclassifications, FX and other movements	(113,850)	(257)	(406)	(114,513)	(1)	(2)	6	3
Gross carrying amount as at 31 December	1,073,265	157,666	51,346	1,282,277	960,433	218,670	58,419	1,237,522

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

	<i>Group gross loans to business customers: Large corporates</i>							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	91,658	35,744	1,925	129,327	67,219	42,423	1,856	111,498
Transfer between stages:								
from Stage 1 to Stage 2	(9,612)	9,612	-	-	(18,739)	18,739	-	-
from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
from Stage 2 to Stage 1	9,079	(9,079)	-	-	23,108	(23,108)	-	-
from Stage 2 to Stage 3	-	-	-	-	-	-	-	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	10,820	1,732	18	12,570	30,823	7,117	396	38,336
Loans derecognized during the period (other than write-offs)	(24,941)	(8,045)	(347)	(33,333)	(10,755)	(9,425)	(327)	(20,507)
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	(2,747)	-	-	(2,747)	2	(2)	-	-
Gross carrying amount as at 31 December	74,257	29,964	1,596	105,817	91,658	35,744	1,925	129,327

	<i>Bank gross loans to business customers: Large corporates</i>							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	91,658	35,744	1,925	129,327	67,219	42,423	1,856	111,498
Transfer between stages:								
from Stage 1 to Stage 2	(9,612)	9,612	-	-	(18,739)	18,739	-	-
from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
from Stage 2 to Stage 1	9,079	(9,079)	-	-	23,108	(23,108)	-	-
from Stage 2 to Stage 3	-	-	-	-	-	-	-	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	10,820	1,732	18	12,570	30,823	7,117	396	38,336
Loans derecognized during the period (other than write-offs)	(24,941)	(8,045)	(347)	(33,333)	(10,755)	(9,425)	(327)	(20,507)
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	(2,747)	-	-	(2,747)	2	(2)	-	-
Gross carrying amount as at 31 December	74,257	29,964	1,596	105,817	91,658	35,744	1,925	129,327

	<i>Group gross loans to business customers: SME</i>							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	736,774	179,223	55,029	971,026	569,835	188,541	100,413	858,789
Transfer between stages:								
from Stage 1 to Stage 2	(39,508)	39,508	-	-	(106,671)	106,671	-	-
from Stage 1 to Stage 3	(2,835)	-	2,835	-	(2,035)	-	2,035	-
from Stage 2 to Stage 1	76,979	(76,979)	-	-	69,620	(69,620)	-	-
from Stage 2 to Stage 3	-	(9,709)	9,709	-	-	(3,002)	3,002	-
from Stage 3 to Stage 1	-	-	-	-	2,608	-	(2,608)	-
from Stage 3 to Stage 2	-	4,470	(4,470)	-	-	4,202	(4,202)	-
New loans originated or loan amounts increased	411,168	31,828	4,534	447,530	383,532	29,895	822	414,249
Loans derecognized during the period (other than write-offs)	(185,291)	(42,363)	(15,621)	(243,275)	(180,111)	(77,464)	(33,602)	(291,177)
Loans written-off during the period	-	-	(3,302)	(3,302)	-	-	(10,837)	(10,837)
Reclassifications, FX and other movements	(78,679)	(199)	(406)	(79,284)	(4)	-	6	2
Gross carrying amount as at 31 December	918,608	125,779	48,308	1,092,695	736,774	179,223	55,029	971,026

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

	Bank gross loans to business customers: SME							
	Stage 1	Stage 2	Stage 3	2022 Total	Stage 1	Stage 2	Stage 3	2021 Total
Gross carrying amount as at 1 January	736,774	179,223	55,029	971,026	572,085	188,541	105,588	866,214
Transfer between stages:								
from Stage 1 to Stage 2	(39,508)	39,508	-	-	(106,671)	106,671	-	-
from Stage 1 to Stage 3	(2,835)	-	2,835	-	(2,035)	-	2,035	-
from Stage 2 to Stage 1	76,979	(76,979)	-	-	69,620	(69,620)	-	-
from Stage 2 to Stage 3	-	(9,709)	9,709	-	-	(3,002)	3,002	-
from Stage 3 to Stage 1	-	-	-	-	2,608	-	(2,608)	-
from Stage 3 to Stage 2	-	4,470	(4,470)	-	-	4,202	(4,202)	-
New loans originated or loan amounts increased	411,168	31,828	4,534	447,530	383,532	29,895	822	414,249
Loans derecognized during the period (other than write-offs)	(185,291)	(42,363)	(15,621)	(243,275)	(182,361)	(77,464)	(38,123)	(297,948)
Loans written-off during the period	-	-	(3,302)	(3,302)	-	-	(11,491)	(11,491)
Reclassifications, FX and other movements	(78,679)	(199)	(406)	(79,284)	(4)	-	6	2
Gross carrying amount as at 31 December	918,608	125,779	48,308	1,092,695	736,774	179,223	55,029	971,026

	Group gross loans to business customers: Central and local authorities and other							
	Stage 1	Stage 2	Stage 3	2022 Total	Stage 1	Stage 2	Stage 3	2021 Total
Gross carrying amount as at 1 January	132,001	3,703	1,465	137,169	113,946	1,617	1,508	117,071
Transfer between stages:								
from Stage 1 to Stage 2	(12)	12	-	-	(1,854)	1,854	-	-
from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
from Stage 2 to Stage 1	1,514	(1,514)	-	-	2	(2)	-	-
from Stage 2 to Stage 3	-	-	-	-	-	-	-	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	14,379	546	-	14,925	46,737	624	8	47,369
Loans derecognized during the period (other than write-offs)	(35,058)	(766)	(23)	(35,847)	(26,831)	(390)	-	(27,221)
Loans written-off during the period	-	-	-	-	-	-	(51)	(51)
Reclassifications, FX and other movements	(32,424)	(58)	-	(32,482)	1	-	-	1
Gross carrying amount as at 31 December	80,400	1,923	1,442	83,765	132,001	3,703	1,465	137,169

	Bank gross loans to business customers: Central and local authorities and other							
	Stage 1	Stage 2	Stage 3	2022 Total	Stage 1	Stage 2	Stage 3	2021 Total
Gross carrying amount as at 1 January	132,001	3,703	1,465	137,169	113,946	1,617	1,508	117,071
Transfer between stages:								
from Stage 1 to Stage 2	(12)	12	-	-	(1,854)	1,854	-	-
from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
from Stage 2 to Stage 1	1,514	(1,514)	-	-	2	(2)	-	-
from Stage 2 to Stage 3	-	-	-	-	-	-	-	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	14,379	546	-	14,925	46,736	624	8	47,368
Loans derecognized during the period (other than write-offs)	(35,058)	(766)	(23)	(35,847)	(26,830)	(390)	-	(27,220)
Loans written-off during the period	-	-	-	-	-	-	(51)	(51)
Reclassifications, FX and other movements	(32,424)	(58)	-	(32,482)	1	-	-	1
Gross carrying amount as at 31 December	80,400	1,923	1,442	83,765	132,001	3,703	1,465	137,169

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

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

	<i>Group loss allowance against loans to customers</i>							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	12,468	3,911	19,318	35,697	7,574	6,989	28,220	42,783
Movements with impact to profit or loss:								
New loans originated	11,548	1,855	132	13,535	6,332	526	191	7,049
Loans derecognized during the period (other than write-offs)	(1,513)	(1,251)	(2,348)	(5,112)	(993)	(779)	(5,282)	(7,054)
Changes due to change in credit risk (net)	(6,649)	(745)	7,627	233	36	(3,118)	7,141	4,059
Update in the methodology for loss allowance estimation	(2,315)	(1,298)	(1,204)	(4,817)	(479)	399	1,866	1,786
Total movements with impact to profit or loss:	1,071	(1,439)	4,207	3,839	4,896	(2,972)	3,916	5,840
Movements without impact to profit or loss:								
Loans written-off during the period	(1)	(61)	(5,244)	(5,306)	(2)	(106)	(12,818)	(12,926)
Reclassifications, FX and other movements	1	1	1	3	-	-	-	-
Total movements without impact to profit or loss:	-	(60)	(5,243)	(5,303)	(2)	(106)	(12,818)	(12,926)
Amount as at 31 December	13,539	2,412	18,282	34,233	12,468	3,911	19,318	35,697
	<i>Bank loss allowance against loans to customers</i>							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	8,275	2,659	17,204	28,138	3,826	5,435	28,560	37,821
Movements with impact to profit or loss:								
New loans originated	7,939	1,543	10	9,492	3,579	382	151	4,112
Loans derecognized during the period (other than write-offs)	(821)	(623)	(938)	(2,382)	(378)	(272)	(3,951)	(4,601)
Changes due to change in credit risk (net)	(5,828)	(1,376)	3,996	(3,208)	1,367	(3,333)	2,373	407
Update in the methodology for loss allowance estimation	(138)	(525)	(1,227)	(1,890)	(119)	448	1,938	2,267
Total movements with impact to profit or loss:	1,152	(981)	1,841	2,012	4,449	(2,775)	511	2,185
Movements without impact to profit or loss:								
Loans written-off during the period	-	(3)	(3,439)	(3,442)	-	(1)	(11,867)	(11,868)
Reclassifications, FX and other movements	-	1	-	1	-	-	-	-
Total movements without impact to profit or loss:	-	(2)	(3,439)	(3,441)	-	(1)	(11,867)	(11,868)
Amount as at 31 December	9,427	1,676	15,606	26,709	8,275	2,659	17,204	28,138
	<i>Group loss allowance against loans to customers: Loans to individuals (Retail)</i>							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	5,575	1,357	2,887	9,819	5,690	1,847	3,522	11,059
Movements with impact to profit or loss:								
New loans originated	4,304	336	130	4,770	3,410	151	96	3,657
Loans derecognized during the period (other than write-offs)	(731)	(647)	(1,520)	(2,898)	(678)	(541)	(1,904)	(3,123)
Changes due to change in credit risk (net)	(1,636)	617	5,582	4,563	(2,100)	52	3,122	1,074
Update in the methodology for loss allowance estimation	(2,360)	(789)	(481)	(3,630)	(745)	(46)	(19)	(810)
Total movements with impact to profit or loss:	(423)	(483)	3,711	2,805	(113)	(384)	1,295	798
Movements without impact to profit or loss:								
Loans written-off during the period	(1)	(61)	(1,942)	(2,004)	(2)	(106)	(1,930)	(2,038)
Reclassifications, FX and other movements	813	1	94	908	-	-	-	-
Total movements without impact to profit or loss:	812	(60)	(1,848)	(1,096)	(2)	(106)	(1,930)	(2,038)
Amount as at 31 December	5,964	814	4,750	11,528	5,575	1,357	2,887	9,819

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

	<i>Bank loss allowance against loans to customers: Loans to individuals (Retail)</i>							
				2022				2021
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	1,382	105	773	2,260	1,961	294	1,191	3,446
Movements with impact to profit or loss:								
New loans originated	695	24	8	727	657	7	56	720
Loans derecognized during the period (other than write-offs)	(39)	(19)	(110)	(168)	(63)	(34)	(573)	(670)
Changes due to change in credit risk (net)	(815)	(14)	1,950	1,121	(789)	(164)	371	(582)
Update in the methodology for loss allowance estimation	(183)	(16)	(504)	(703)	(384)	3	53	(328)
Total movements with impact to profit or loss:	(342)	(25)	1,344	977	(579)	(188)	(93)	(860)
Movements without impact to profit or loss:								
Loans written-off during the period	-	(3)	(137)	(140)	-	(1)	(325)	(326)
Reclassifications, FX and other movements	812	1	94	907	-	-	-	-
Total movements without impact to profit or loss:	812	(2)	(43)	767	-	(1)	(325)	(326)
Amount as at 31 December	1,852	78	2,074	4,004	1,382	105	773	2,260

	<i>Group loss allowance against loans to customers: Loans to individuals (Retail) – Consumer loans</i>							
				2022				2021
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	4,336	1,288	2,181	7,805	4,047	1,621	2,424	8,092
Movements with impact to profit or loss:								
New loans originated	3,618	313	128	4,059	2,988	144	90	3,222
Loans derecognized during the period (other than write-offs)	(711)	(636)	(1,423)	(2,770)	(648)	(521)	(1,608)	(2,777)
Changes due to change in credit risk (net)	(865)	611	3,715	3,461	(1,658)	196	3,007	1,545
Update in the methodology for loss allowance estimation	(2,209)	(776)	(5)	(2,990)	(391)	(46)	(75)	(512)
Total movements with impact to profit or loss:	(167)	(488)	2,415	1,760	291	(227)	1,414	1,478
Movements without impact to profit or loss:								
Loans written-off during the period	(1)	(61)	(1,801)	(1,863)	(2)	(106)	(1,657)	(1,765)
Reclassifications, FX and other movements	1	-	-	1	-	-	-	-
Total movements without impact to profit or loss:	-	(61)	(1,801)	(1,862)	(2)	(106)	(1,657)	(1,765)
Amount as at 31 December	4,169	739	2,795	7,703	4,336	1,288	2,181	7,805

	<i>Bank loss allowance against loans to customers: Loans to individuals (Retail) – Consumer loans</i>							
				2022				2021
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	143	36	88	267	318	68	114	500
Movements with impact to profit or loss:								
New loans originated	9	1	6	16	235	-	50	285
Loans derecognized during the period (other than write-offs)	(19)	(8)	(34)	(61)	(33)	(14)	(277)	(324)
Changes due to change in credit risk (net)	(44)	(20)	104	40	(347)	(20)	256	(111)
Update in the methodology for loss allowance estimation	(32)	(3)	(28)	(63)	(30)	3	(3)	(30)
Total movements with impact to profit or loss:	(86)	(30)	48	(68)	(175)	(31)	26	(180)
Movements without impact to profit or loss:								
Loans written-off during the period	-	(3)	(17)	(20)	-	(1)	(52)	(53)
Reclassifications, FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	(3)	(17)	(20)	-	(1)	(52)	(53)
Amount as at 31 December	57	3	119	179	143	36	88	267

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

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

				2022				2021
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	448	59	443	950	578	181	665	1,424
Movements with impact to profit or loss:								
New loans originated	422	-	2	424	413	5	6	424
Loans derecognized during the period (other than write-offs)	(16)	(8)	(26)	(50)	(27)	(20)	(149)	(196)
Changes due to change in credit risk (net)	(111)	(22)	981	848	(177)	(115)	(82)	(374)
Update in the methodology for loss allowance estimation	16	8	(207)	(183)	(339)	8	40	(291)
Total movements with impact to profit or loss:	311	(22)	750	1,039	(130)	(122)	(185)	(437)
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(67)	(67)	-	-	(37)	(37)
Reclassifications, FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	(67)	(67)	-	-	(37)	(37)
Amount as at 31 December	759	37	1,126	1,922	448	59	443	950

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

				2022				2021
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	448	59	443	950	578	181	665	1,424
Movements with impact to profit or loss:								
New loans originated	422	-	2	424	413	5	6	424
Loans derecognized during the period (other than write-offs)	(16)	(8)	(26)	(50)	(27)	(20)	(149)	(196)
Changes due to change in credit risk (net)	(111)	(22)	981	848	(177)	(115)	(82)	(374)
Update in the methodology for loss allowance estimation	16	8	(207)	(183)	(339)	8	40	(291)
Total movements with impact to profit or loss:	311	(22)	750	1,039	(130)	(122)	(185)	(437)
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(67)	(67)	-	-	(37)	(37)
Reclassifications, FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	(67)	(67)	-	-	(37)	(37)
Amount as at 31 December	759	37	1,126	1,922	448	59	443	950

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

				2022				2021
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	791	10	263	1,064	1,065	45	433	1,543
Movements with impact to profit or loss:								
New loans originated	264	23	-	287	9	2	-	11
Loans derecognized during the period (other than write-offs)	(4)	(3)	(71)	(78)	(3)	-	(147)	(150)
Changes due to change in credit risk (net)	(660)	28	886	254	(265)	(29)	197	(97)
Update in the methodology for loss allowance estimation	(167)	(21)	(269)	(457)	(15)	(8)	16	(7)
Total movements with impact to profit or loss:	(567)	27	546	6	(274)	(35)	66	(243)
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(74)	(74)	-	-	(236)	(236)
Reclassifications, FX and other movements	812	1	94	907	-	-	-	-
Total movements without impact to profit or loss:	812	1	20	833	-	-	(236)	(236)
Amount as at 31 December	1,036	38	829	1,903	791	10	263	1,064

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

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

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	791	10	242	1,043	1,065	45	412	1,522
Movements with impact to profit or loss:								
New loans originated	264	23	-	287	9	2	-	11
Loans derecognized during the period (other than write-offs)	(4)	(3)	(50)	(57)	(3)	-	(147)	(150)
Changes due to change in credit risk (net)	(660)	28	865	233	(265)	(29)	197	(97)
Update in the methodology for loss allowance estimation	(167)	(21)	(269)	(457)	(15)	(8)	16	(7)
Total movements with impact to profit or loss:	(567)	27	546	6	(274)	(35)	66	(243)
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(53)	(53)	-	-	(236)	(236)
Reclassifications, FX and other movements	812	1	94	907	-	-	-	-
Total movements without impact to profit or loss:	812	1	41	854	-	-	(236)	(236)
Amount as at 31 December	1,036	38	829	1,903	791	10	242	1,043

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

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	64	18	-	82	-	94	-	94
Movements with impact to profit or loss:								
New loans originated	76	4	-	80	1	133	-	134
Loans derecognized during the period (other than write-offs)	(141)	-	-	(141)	-	(156)	-	(156)
Changes due to change in credit risk (net)	37	(22)	-	15	49	39	-	88
Update in the methodology for loss allowance estimation	(27)	-	-	(27)	14	(92)	-	(78)
Total movements with impact to profit or loss:	(55)	(18)	-	(73)	64	(76)	-	(12)
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	-	-	-	-	-	-
Amount as at 31 December	9	-	-	9	64	18	-	82

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

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	64	18	-	82	-	94	-	94
Movements with impact to profit or loss:								
New loans originated	76	4	-	80	1	133	-	134
Loans derecognized during the period (other than write-offs)	(141)	-	-	(141)	-	(156)	-	(156)
Changes due to change in credit risk (net)	37	(22)	-	15	49	39	-	88
Update in the methodology for loss allowance estimation	(27)	-	-	(27)	14	(92)	-	(78)
Total movements with impact to profit or loss:	(55)	(18)	-	(73)	64	(76)	-	(12)
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	-	-	-	-	-	-
Amount as at 31 December	9	-	-	9	64	18	-	82

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

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

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	6,829	2,536	16,431	25,796	1,884	5,048	24,698	31,630
Movements with impact to profit or loss:								
New loans originated	7,168	1,515	2	8,685	2,921	242	95	3,258
Loans derecognized during the period (other than write-offs)	(641)	(604)	(828)	(2,073)	(315)	(82)	(3,378)	(3,775)
Changes due to change in credit risk (net)	(5,050)	(1,340)	2,045	(4,345)	2,087	(3,209)	4,019	2,897
Update in the methodology for loss allowance estimation	72	(509)	(723)	(1,160)	252	537	1,885	2,674
Total movements with impact to profit or loss:	1,549	(938)	496	1,107	4,945	(2,512)	2,621	5,054
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(3,302)	(3,302)	-	-	(10,888)	(10,888)
Reclassifications, FX and other movements	(812)	-	(93)	(905)	-	-	-	-
Total movements without impact to profit or loss:	(812)	-	(3,395)	(4,207)	-	-	(10,888)	(10,888)
Amount as at 31 December	7,566	1,598	13,532	22,696	6,829	2,536	16,431	25,796

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

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	6,829	2,536	16,431	25,796	1,865	5,047	27,369	34,281
Movements with impact to profit or loss:								
New loans originated	7,168	1,515	2	8,685	2,921	242	95	3,258
Loans derecognized during the period (other than write-offs)	(641)	(604)	(828)	(2,073)	(315)	(82)	(3,378)	(3,775)
Changes due to change in credit risk (net)	(5,050)	(1,340)	2,045	(4,345)	2,107	(3,208)	2,002	901
Update in the methodology for loss allowance estimation	72	(509)	(723)	(1,160)	251	537	1,885	2,673
Total movements with impact to profit or loss:	1,549	(938)	496	1,107	4,964	(2,511)	604	3,057
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(3,302)	(3,302)	-	-	(11,542)	(11,542)
Reclassifications, FX and other movements	(812)	-	(93)	(905)	-	-	-	-
Total movements without impact to profit or loss:	(812)	-	(3,395)	(4,207)	-	-	(11,542)	(11,542)
Amount as at 31 December	7,566	1,598	13,532	22,696	6,829	2,536	16,431	25,796

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

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	537	140	878	1,555	627	885	291	1,803
Movements with impact to profit or loss:								
New loans originated	152	128	-	280	129	-	19	148
Loans derecognized during the period (other than write-offs)	(76)	(445)	(19)	(540)	(4)	(33)	-	(37)
Changes due to change in credit risk (net)	(334)	504	737	907	(295)	(649)	551	(393)
Update in the methodology for loss allowance estimation	50	(54)	-	(4)	80	(63)	17	34
Total movements with impact to profit or loss:	(208)	133	718	643	(90)	(745)	587	(248)
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	(28)	-	-	(28)	-	-	-	-
Total movements without impact to profit or loss:	(28)	-	-	(28)	-	-	-	-
Amount as at 31 December	301	273	1,596	2,170	537	140	878	1,555

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

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

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	537	140	878	1,555	627	885	291	1,803
Movements with impact to profit or loss:								
New loans originated	152	128	-	280	129	-	19	148
Loans derecognized during the period (other than write-offs)	(76)	(445)	(19)	(540)	(4)	(33)	-	(37)
Changes due to change in credit risk (net)	(334)	504	737	907	(295)	(649)	551	(393)
Update in the methodology for loss allowance estimation	50	(54)	-	(4)	80	(63)	17	34
Total movements with impact to profit or loss:	(208)	133	718	643	(90)	(745)	587	(248)
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	(28)	-	-	(28)	-	-	-	-
Total movements without impact to profit or loss:	(28)	-	-	(28)	-	-	-	-
Amount as at 31 December	301	273	1,596	2,170	537	140	878	1,555

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

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	5,866	2,321	14,854	23,041	1,155	4,136	23,739	29,030
Movements with impact to profit or loss:								
New loans originated	6,998	1,384	2	8,384	2,703	218	76	2,997
Loans derecognized during the period (other than write-offs)	(560)	(142)	(809)	(1,511)	(297)	(28)	(3,378)	(3,703)
Changes due to change in credit risk (net)	(4,609)	(1,819)	926	(5,502)	2,375	(2,712)	3,470	3,133
Update in the methodology for loss allowance estimation	59	(432)	(661)	(1,034)	(70)	707	1,784	2,421
Total movements with impact to profit or loss:	1,888	(1,009)	(542)	337	4,711	(1,815)	1,952	4,848
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(3,302)	(3,302)	-	-	(10,837)	(10,837)
Reclassifications, FX and other movements	(554)	-	(93)	(647)	-	-	-	-
Total movements without impact to profit or loss:	(554)	-	(3,395)	(3,949)	-	-	(10,837)	(10,837)
Amount as at 31 December	7,200	1,312	10,917	19,429	5,866	2,321	14,854	23,041

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

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	5,866	2,321	14,854	23,041	1,136	4,135	26,410	31,681
Movements with impact to profit or loss:								
New loans originated	6,998	1,384	2	8,384	2,703	218	76	2,997
Loans derecognized during the period (other than write-offs)	(560)	(142)	(809)	(1,511)	(297)	(28)	(3,378)	(3,703)
Changes due to change in credit risk (net)	(4,609)	(1,819)	926	(5,502)	2,395	(2,711)	1,453	1,137
Update in the methodology for loss allowance estimation	59	(432)	(661)	(1,034)	(71)	707	1,784	2,420
Total movements with impact to profit or loss:	1,888	(1,009)	(542)	337	4,730	(1,814)	(65)	2,851
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(3,302)	(3,302)	-	-	(11,491)	(11,491)
Reclassifications, FX and other movements	(554)	-	(93)	(647)	-	-	-	-
Total movements without impact to profit or loss:	(554)	-	(3,395)	(3,949)	-	-	(11,491)	(11,491)
Amount as at 31 December	7,200	1,312	10,917	19,429	5,866	2,321	14,854	23,041

NOTE 13
LOANS TO CUSTOMERS (CONTINUED)

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

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	426	75	699	1,200	102	27	668	797
Movements with impact to profit or loss:								
New loans originated	18	3	-	21	89	24	-	113
Loans derecognized during the period (other than write-offs)	(5)	(17)	-	(22)	(14)	(21)	-	(35)
Changes due to change in credit risk (net)	(107)	(25)	382	250	7	152	(2)	157
Update in the methodology for loss allowance estimation	(37)	(23)	(62)	(122)	242	(107)	84	219
Total movements with impact to profit or loss:	(131)	(62)	320	127	324	48	82	454
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	(51)	(51)
Reclassifications, FX and other movements	(230)	-	-	(230)	-	-	-	-
Total movements without impact to profit or loss:	(230)	-	-	(230)	-	-	(51)	(51)
Amount as at 31 December	65	13	1,019	1,097	426	75	699	1,200

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

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	426	75	699	1,200	102	27	668	797
Movements with impact to profit or loss:								
New loans originated	18	3	-	21	89	24	-	113
Loans derecognized during the period (other than write-offs)	(5)	(17)	-	(22)	(14)	(21)	-	(35)
Changes due to change in credit risk (net)	(107)	(25)	382	250	7	152	(2)	157
Update in the methodology for loss allowance estimation	(37)	(23)	(62)	(122)	242	(107)	84	219
Total movements with impact to profit or loss:	(131)	(62)	320	127	324	48	82	454
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	(51)	(51)
Reclassifications, FX and other movements	(230)	-	-	(230)	-	-	-	-
Total movements without impact to profit or loss:	(230)	-	-	(230)	-	-	(51)	(51)
Amount as at 31 December	65	13	1,019	1,097	426	75	699	1,200

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

NOTE 14

FINANCE LEASE RECEIVABLES

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

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

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

The Group

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Gross investments in leasing:							
<i>Balance at 31 December 2021</i>	84,707	51,129	35,584	23,909	15,546	842	211,717
<i>Change during 2022</i>	12,188	15,870	16,977	10,246	3,327	983	59,591
Balance at 31 December 2022	96,895	66,999	52,561	34,155	18,873	1,825	271,308
Unearned finance income on finance leases:							
<i>Balance at 31 December 2021</i>	(5,963)	(3,531)	(2,009)	(982)	(256)	(15)	(12,756)
<i>Change during 2022</i>	(4,597)	(3,154)	(1,942)	(817)	(242)	(52)	(10,804)
Balance at 31 December 2022	(10,560)	(6,685)	(3,951)	(1,799)	(498)	(67)	(23,560)
Net investments in leasing before provisions:							
<i>At 31 December 2021</i>	78,744	47,598	33,575	22,927	15,290	827	198,961
<i>At 31 December 2022</i>	86,335	60,314	48,610	32,356	18,375	1,758	247,748
Changes in provisions:							
Balance at 31 December 2021	(1,861)	(673)	(474)	(322)	(215)	(242)	(3,787)
<i>Provisions reversed / (additional provisions charged)</i>	(440)	(371)	(367)	(235)	(101)	(66)	(1,580)
<i>Provisions for finance lease debts written off</i>	-	-	-	-	-	67	67
Balance at 31 December 2022	(2,301)	(1,044)	(841)	(557)	(316)	(241)	(5,300)
Net investments in leasing after provisions:							
<i>At 31 December 2021</i>	76,883	46,925	33,101	22,605	15,075	585	195,174
<i>At 31 December 2022</i>	84,034	59,270	47,769	31,799	18,059	1,517	242,448

NOTE 14
FINANCE LEASE RECEIVABLES (CONTINUED)

The Bank

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Gross investments in leasing:							
Balance at 31 December 2021	83,688	51,129	35,584	23,909	15,546	842	210,698
Change during 2022	12,139	15,870	16,977	10,246	3,327	983	59,542
Balance at 31 December 2022	95,827	66,999	52,561	34,155	18,873	1,825	270,240
Unearned finance income on finance leases:							
Balance at 31 December 2021	(5,957)	(3,531)	(2,009)	(982)	(256)	(15)	(12,750)
Change during 2022	(4,597)	(3,154)	(1,942)	(817)	(242)	(52)	(10,804)
Balance at 31 December 2022	(10,554)	(6,685)	(3,951)	(1,799)	(498)	(67)	(23,554)
Net investments in leasing before provisions:							
At 31 December 2021	77,731	47,598	33,575	22,927	15,290	827	197,948
At 31 December 2022	85,273	60,314	48,610	32,356	18,375	1,758	246,686
Changes in provisions:							
Balance at 31 December 2021	(1,109)	(673)	(474)	(322)	(215)	(246)	(3,039)
Provisions reversed / (additional provisions charged)	(382)	(371)	(367)	(235)	(101)	(66)	(1,522)
Provisions for finance lease debts written off	-	-	-	-	-	67	67
Balance at 31 December 2022	(1,491)	(1,044)	(841)	(557)	(316)	(245)	(4,494)
Net investments in leasing after provisions:							
At 31 December 2021	76,622	46,925	33,101	22,605	15,075	581	194,909
At 31 December 2022	83,782	59,270	47,769	31,799	18,059	1,513	242,192

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

Group loss allowance against finance lease receivables

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	966	239	2,581	3,786	800	931	2,854	4,585
Movements with impact to profit or loss:								
New loans originated	1,081	66	-	1,147	711	330	64	1,105
Loans derecognized during the period (other than write-offs)	(188)	(78)	(275)	(541)	(110)	(129)	(763)	(1,002)
Changes due to change in credit risk (net)	(682)	(2)	1,319	635	(246)	(343)	122	(467)
Update in the methodology for loss allowance estimation	704	60	(491)	273	(189)	(550)	305	(434)
Total movements with impact to profit or loss:	915	46	553	1,514	166	(692)	(272)	(798)
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	-	-	-	-	-	-	(1)	(1)
Total movements without impact to profit or loss:	-	-	-	-	-	-	(1)	(1)
Loss allowance as at 31 December	1,881	285	3,134	5,300	966	239	2,581	3,786

NOTE 14
FINANCE LEASE RECEIVABLES (CONTINUED)

Bank loss allowance against finance lease receivables

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	965	239	1,834	3,038	799	931	2,112	3,842
Movements with impact to profit or loss:								
<i>New loans originated</i>	1,081	54	-	1,135	710	330	64	1,104
<i>Loans derecognized during the period (other than write-offs)</i>	(188)	(76)	(274)	(538)	(110)	(129)	(763)	(1,002)
<i>Changes due to change in credit risk (net)</i>	(681)	3	1,264	586	(245)	(343)	117	(471)
<i>Update in the methodology for loss allowance estimation</i>	704	60	(491)	273	(189)	(550)	305	(434)
Total movements with impact to profit or loss:	916	41	499	1,456	166	(692)	(277)	(803)
Movements without impact to profit or loss:								
<i>Loans written-off during the period</i>	-	-	-	-	-	-	-	-
<i>Reclassifications, FX and other movements</i>	-	-	-	-	-	-	(1)	(1)
Total movements without impact to profit or loss:	-	-	-	-	-	-	(1)	(1)
Loss allowance as at 31 December	1,881	280	2,333	4,494	965	239	1,834	3,038

Group loss allowance against finance lease receivables - individuals

	2022				2021			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Loss allowance as at 1 January	55	14	46	115	209	32	134	375
Movements with impact to profit or loss:								
<i>New loans originated</i>	36	18	-	54	52	58	-	110
<i>Loans derecognized during the period (other than write-offs)</i>	(7)	(1)	(19)	(27)	(15)	(2)	(48)	(65)
<i>Changes due to change in credit risk (net)</i>	(22)	3	100	81	(36)	21	(38)	(53)
<i>Update in the methodology for loss allowance estimation</i>	20	(12)	(29)	(21)	(155)	(95)	(2)	(252)
Total movements with impact to profit or loss:	27	8	52	87	(154)	(18)	(88)	(260)
Movements without impact to profit or loss:								
<i>Loans written-off during the period</i>	-	-	-	-	-	-	-	-
<i>Reclassifications, FX and other movements</i>	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	-	-	-	-	-	-
Loss allowance as at 31 December	82	22	98	202	55	14	46	115

Bank loss allowance against finance lease receivables – individuals

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	55	14	46	115	209	32	134	375
Movements with impact to profit or loss:								
<i>New loans originated</i>	36	18	-	54	52	58	-	110
<i>Loans derecognized during the period (other than write-offs)</i>	(7)	(1)	(19)	(27)	(15)	(2)	(48)	(65)
<i>Changes due to change in credit risk (net)</i>	(22)	3	100	81	(36)	21	(38)	(53)
<i>Update in the methodology for loss allowance estimation</i>	20	(12)	(29)	(21)	(155)	(95)	(2)	(252)
Total movements with impact to profit or loss:	27	8	52	87	(154)	(18)	(88)	(260)
Movements without impact to profit or loss:								
<i>Loans written-off during the period</i>	-	-	-	-	-	-	-	-
<i>Reclassifications, FX and other movements</i>	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	-	-	-	-	-	-
Loss allowance as at 31 December	82	22	98	202	55	14	46	115

NOTE 14
FINANCE LEASE RECEIVABLES (CONTINUED)

Group loss allowance against finance lease receivables – business customers

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	911	225	2,535	3,671	591	899	2,720	4,210
Movements with impact to profit or loss:								
<i>New loans originated</i>	1,045	48	-	1,093	659	272	64	995
<i>Loans derecognized during the period (other than write-offs)</i>	(181)	(77)	(256)	(514)	(95)	(127)	(715)	(937)
<i>Changes due to change in credit risk (net)</i>	(660)	(5)	1,219	554	(210)	(364)	160	(414)
<i>Update in the methodology for loss allowance estimation</i>	684	72	(462)	294	(34)	(455)	307	(182)
Total movements with impact to profit or loss:	888	38	501	1,427	320	(674)	(184)	(538)
Movements without impact to profit or loss:								
<i>Loans written-off during the period</i>	-	-	-	-	-	-	-	-
<i>Reclassifications, FX and other movements</i>	-	-	-	-	-	-	(1)	(1)
Total movements without impact to profit or loss:	-	-	-	-	-	-	(1)	(1)
Loss allowance as at 31 December	1,799	263	3,036	5,098	911	225	2,535	3,671

Bank loss allowance against finance lease receivables – business customers

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	910	225	1,788	2,923	590	899	1,978	3,467
Movements with impact to profit or loss:								
<i>New loans originated</i>	1,045	36	-	1,081	658	272	64	994
<i>Loans derecognized during the period (other than write-offs)</i>	(181)	(75)	(255)	(511)	(95)	(127)	(715)	(937)
<i>Changes due to change in credit risk (net)</i>	(659)	-	1,164	505	(209)	(364)	155	(418)
<i>Update in the methodology for loss allowance estimation</i>	684	72	(462)	294	(34)	(455)	307	(182)
Total movements with impact to profit or loss:	889	33	447	1,369	320	(674)	(189)	(543)
Movements without impact to profit or loss:								
<i>Loans written-off during the period</i>	-	-	-	-	-	-	-	-
<i>Reclassifications, FX and other movements</i>	-	-	-	-	-	-	(1)	(1)
Total movements without impact to profit or loss:	-	-	-	-	-	-	(1)	(1)
Loss allowance as at 31 December	1,799	258	2,235	4,292	910	225	1,788	2,923

NOTE 15
INVESTMENT SECURITIES

Investment securities are comprised of:

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

	2022		2021	
	Group	Bank	Group	Bank
INVESTMENT SECURITIES AT FAIR VALUE:				
Non-trading securities at fair value:				
Debt securities at fair value through other comprehensive income:	85,271	85,271	78,126	78,126
Government bonds	52,570	52,570	53,991	53,991
Corporate bonds	32,701	32,701	24,135	24,135
Non-trading equity securities at fair value through profit or loss	4,954	4,954	4,862	4,825
Total non-trading securities at fair value	90,225	90,225	82,988	82,951
TOTAL INVESTMENT SECURITIES AT FAIR VALUE	90,225	90,225	82,988	82,951
INVESTMENT SECURITIES AT AMORTIZED COST:				
Securities at amortized cost:				
Debt securities:	969,033	956,332	705,398	692,226
Government bonds	827,765	821,781	541,026	535,006
Corporate bonds	141,268	134,551	164,372	157,220
Total securities at amortized cost	969,033	956,332	705,398	692,226
TOTAL INVESTMENT SECURITIES AT AMORTIZED COST	969,033	956,332	705,398	692,226
Breakdown of debt securities by time remaining to maturity:				
Debt securities at fair value through other comprehensive income:				
Short-term (up to 1 year)	11,770	11,770	9,166	9,166
Long-term (over 1 year)	73,501	73,501	68,960	68,960
Total debt securities at fair value through other comprehensive income	85,271	85,271	78,126	78,126
Debt securities at amortized cost:				
Short-term (up to 1 year)	275,175	273,965	72,976	72,766
Long-term (over 1 year)	693,858	682,367	632,422	619,460
Total debt securities at amortized cost	969,033	956,332	705,398	692,226

As at 31 December 2022 government bonds at amortized cost with a carrying value of EUR 664,019 thousand were pledged for the borrowing under third series of the targeted longer-term refinancing operations (TLTRO-III) program of the European Central Bank (as at 31 December 2021 EUR 635,885 thousand; see Note 20).

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

<i>Group investment debt securities at fair value through other comprehensive income</i>									
	2022				2021				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Government bonds, gross	52,588	-	-	52,588	54,013	-	-	54,013	
Less: allowance for impairment	(18)	-	-	(18)	(22)	-	-	(22)	
Government bonds, net	52,570	-	-	52,570	53,991	-	-	53,991	
Corporate bonds, gross	32,948	-	-	32,948	24,169	-	-	24,169	
Less: allowance for impairment	(247)	-	-	(247)	(34)	-	-	(34)	
Corporate bonds, net	32,701	-	-	32,701	24,135	-	-	24,135	
Total, gross	85,536	-	-	85,536	78,182	-	-	78,182	
Less: allowance for impairment	(265)	-	-	(265)	(56)	-	-	(56)	
Total, net	85,271	-	-	85,271	78,126	-	-	78,126	

NOTE 15
INVESTMENT SECURITIES (CONTINUED)

Bank investment debt securities at fair value through other comprehensive income

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Government bonds, gross	52,588	-	-	52,588	54,013	-	-	54,013
Less: allowance for impairment	(18)	-	-	(18)	(22)	-	-	(22)
Government bonds, net	52,570	-	-	52,570	53,991	-	-	53,991
Corporate bonds, gross	32,948	-	-	32,948	24,169	-	-	24,169
Less: allowance for impairment	(247)	-	-	(247)	(34)	-	-	(34)
Corporate bonds, net	32,701	-	-	32,701	24,135	-	-	24,135
Total, gross	85,536	-	-	85,536	78,182	-	-	78,182
Less: allowance for impairment	(265)	-	-	(265)	(56)	-	-	(56)
Total, net	85,271	-	-	85,271	78,126	-	-	78,126

Group investment debt securities at amortized cost

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Government bonds, gross	828,002	-	-	828,002	541,191	-	-	541,191
Less: allowance for impairment	(237)	-	-	(237)	(165)	-	-	(165)
Government bonds, net	827,765	-	-	827,765	541,026	-	-	541,026
Corporate bonds, gross	141,378	-	1,020	142,398	164,297	199	1,020	165,516
Less: allowance for impairment	(110)	-	(1,020)	(1,130)	(121)	(3)	(1,020)	(1,144)
Corporate bonds, net	141,268	-	-	141,268	164,176	196	-	164,372
Total, gross	969,380	-	1,020	970,400	705,488	199	1,020	706,707
Less: allowance for impairment	(347)	-	(1,020)	(1,367)	(286)	(3)	(1,020)	(1,309)
Total, net	969,033	-	-	969,033	705,202	196	-	705,398

Bank investment debt securities at amortized cost

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Government bonds, gross	822,014	-	-	822,014	535,167	-	-	535,167
Less: allowance for impairment	(233)	-	-	(233)	(161)	-	-	(161)
Government bonds, net	821,781	-	-	821,781	535,006	-	-	535,006
Corporate bonds, gross	134,651	-	-	134,651	157,334	-	-	157,334
Less: allowance for impairment	(100)	-	-	(100)	(114)	-	-	(114)
Corporate bonds, net	134,551	-	-	134,551	157,220	-	-	157,220
Total, gross	956,665	-	-	956,665	692,501	-	-	692,501
Less: allowance for impairment	(333)	-	-	(333)	(275)	-	-	(275)
Total, net	956,332	-	-	956,332	692,226	-	-	692,226

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

	2022		2021	
	Group	Bank	Group	Bank
Allowance for impairment of investment debt securities as of 1 January:	1,352	332	1,370	343
Change in allowance for impairment	281	268	(11)	(11)
Update in the methodology for loss allowance estimation	-	-	-	-
Change in FX rates	(1)	(1)	(7)	-
Allowance for impairment of investment debt securities as of 31 December:	1,632	599	1,352	332

NOTE 15
INVESTMENT SECURITIES (CONTINUED)

Breakdown of the Group's/Bank's investment securities as at 31 December 2022 and 2021:

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

No material reclassifications between securities portfolios were performed during 2022 and 2021.

Movements in the financial instruments revaluation reserve:

	The Group			The Bank		
	Financial instruments revaluation reserve, before taxes	Deferred income tax asset (liabilities)	Financial instruments revaluation reserve, after taxes	Financial instruments revaluation reserve, before taxes	Deferred income tax asset (liabilities)	Financial instruments revaluation reserve, after taxes
1 January 2021	479	(91)	388	466	(91)	375
Revaluation	(1,026)	-	(1,026)	(1,027)	-	(1,027)
Sale or redemption of securities	(185)	-	(185)	(185)	-	(185)
Deferred income tax	-	240	240	-	240	240
31 December 2021	(732)	149	(583)	(746)	149	(597)
Revaluation	(9,554)	-	(9,554)	(9,554)	-	(9,554)
Sale or redemption of securities	161	-	161	161	-	161
Deferred income tax	-	1,879	1,879	-	1,879	1,879
31 December 2022	(10,125)	2,028	(8,097)	(10,139)	2,028	(8,111)

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

	2022		2021	
	Group	Bank	Group	Bank
As at 1 January	705,398	692,226	709,454	697,136
Acquisitions	396,788	396,538	100,202	99,382
Redemptions	(64,438)	(64,438)	(78,862)	(78,862)
Disposals	(66,271)	(65,806)	(21,177)	(21,177)
Accrued interest	6,235	6,058	5,128	4,951
Received coupon payment	(8,607)	(8,178)	(9,473)	(9,323)
Foreign currency exchange rate impact	-	-	105	105
Impairment	(62)	(58)	18	11
Reclassifications	(10)	(10)	3	3
As at 31 December	969,033	956,332	705,398	692,226

NOTE 16
INVESTMENTS IN SUBSIDIARIES

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

	Share in equity	31 December 2022			31 December 2021		
		Gross amount	Impairment	Net carrying amount	Gross amount	Impairment	Net carrying amount
Bank							
Investments in consolidated directly controlled subsidiaries:							
SB Draudimas GD UAB	100.00 %	11,732	-	11,732	11,788	-	11,788
SB Lizingas UAB	100.00 %	13,904	-	13,904	13,224	-	13,224
Šiaulių Banko Lizingas UAB	100.00 %	1,074	-	1,074	1,074	-	1,074
SB Turto Fondas UAB	100.00 %	4,631	-	4,631	5,582	-	5,582
Total investments in subsidiaries using equity method		31,341	-	31,341	31,668	-	31,668
Investment in non-consolidated subsidiaries							
SB Modernizavimo Fondas UAB	100.00 %	100	-	100	-	-	-
Total investments in subsidiaries at fair value		100	-	100	-	-	-
Total investments in subsidiaries		31,441	-	31,441	31,668	-	31,668

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

	2022	2021
Net book value at 1 January	31,668	29,135
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	5,373	8,830
Establishment of subsidiary	100	-
Dividends paid by the subsidiaries	(5,700)	(6,305)
Other changes (changes due constructive obligation to cover losses and rounding)	-	8
Net book value at 31 December	31,441	31,668

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

The table below represents maximum credit risk exposure of Bank at 31 December 2022 related to securitisation project for which implementation SB Modernizavimo Fondas UAB was established without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures presented above are net carrying amount as reported in the balance sheet. In addition to items disclosed in table below, SB Modernizavimo Fondas UAB held deposits in amount of EUR 324 thousand at Bank as Bank's liabilities disclosed in financial position statement line "Due to customers" at 31 December 2022. For more information on SB Modernizavimo Fondas UAB balances please see also Notes 13 and 30.

	Statement of financial position line	Carrying value
Shares in equity of subsidiary	Investments in subsidiaries and associates	100
Loans to subsidiary	Loans to customers	2,058
Off-balance commitments to grant loans to subsidiary	-	42,625
Off-balance commitments to grant loans to users of renovation loans	-	37,269

Following strategy to optimize Group's structure, in 2020, Group's management took a decision to sell its shares in Minera UAB and to liquidate Šiaulių Banko Investicijų Valdymas UAB in 2021. On 31 March 2021 shares in Minera UAB were sold for EUR 2,828 thousand to purchaser from outside of the Group generating net loss of EUR 348 thousand from disposal which was presented in Group's income statement line "Net gain (loss) from derecognition of financial assets" (disposal result in Bank's accounts is nil). On date of disposal Minera UAB held cash balances of EUR 171 thousand, its total assets (including cash balances) and total liabilities amounted to EUR 5,485 thousand and EUR 2,259 thousand, respectively.

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

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

NOTE 16

INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

After Group structure changes described above, at 31 December 2021 the Bank had indirectly controlled subsidiaries with 100% share in equity: Šiaulių Banko Investicijų Valdymas UAB (directly controlled by SB turto fondas UAB), Sandworks UAB (directly controlled by Šiaulių Banko Investicijų Valdymas UAB). Sandworks UAB was liquidated in first quarter of 2022, while Šiaulių Banko Investicijų Valdymas UAB at 31 December 2022 is under liquidation process.

Bank's subsidiary SB Draudimas GD UAB (previous name - Bonum Publicum GD UAB) was tested for impairment using embedded value approach as of 31 December 2022 and 31 December 2021. No impairment was determined at these dates. Embedded value equals to the value of in-force business plus the value of the free capital. Value of in-force business is calculated using management estimations of the cash flows from the insurance portfolio and the income from capital-in-lock discounted to net present value using the discount rate (2022: 9.30%, 2021: 7.42%) that reflects current market assessment of the time value of money and the related risks.

No impairment triggers were identified regarding other subsidiaries.

NOTE 17

INTANGIBLE ASSETS

	<i>Software and licences</i>		<i>Goodwill</i>			<i>Total</i>
	<i>Group</i>	<i>Bank</i>	<i>Group</i>	<i>Bank</i>	<i>Group</i>	
<u>As at 1 January 2021:</u>						
Cost	10,181	9,578	1,352	-	11,533	9,578
Accumulated amortisation	(5,804)	(5,348)	-	-	(5,804)	(5,348)
Net book value	4,377	4,230	1,352	-	5,729	4,230
<u>Year ended 31 December 2021:</u>						
Net book value at 1 January	4,377	4,230	1,352	-	5,729	4,230
Acquisitions	451	173	-	-	451	173
Write-offs	-	-	-	-	-	-
Amortisation charge	(1,346)	(1,289)	-	-	(1,346)	(1,289)
Net book value at 31 December	3,482	3,114	1,352	-	4,834	3,114
<u>As at 31 December 2021:</u>						
Cost	10,632	9,751	1,352	-	11,984	9,751
Accumulated amortisation	(7,150)	(6,637)	-	-	(7,150)	(6,637)
Net book value	3,482	3,114	1,352	-	4,834	3,114
<u>Year ended 31 December 2022:</u>						
Net book value at 1 January	3,482	3,114	1,352	-	4,834	3,114
Acquisitions	4,947	4,736	-	-	4,947	4,736
Write-offs	(127)	(127)	-	-	(127)	(127)
Amortisation charge	(1,371)	(1,273)	-	-	(1,371)	(1,273)
Net book value at 31 December	6,931	6,450	1,352	-	8,283	6,450
<u>As at 31 December 2022:</u>						
Cost	15,452	14,360	1,352	-	16,804	14,360
Accumulated amortisation	(8,521)	(7,910)	-	-	(8,521)	(7,910)
Net book value	6,931	6,450	1,352	-	8,283	6,450
Economic life (in years)	3-9	3-9				

Goodwill impairment test

For the purpose of impairment testing, goodwill is allocated to one cash generating unit - subsidiary of the Bank SB Draudimas (name changed from Bonum Publicum). The recoverable amount of cash generating unit is determined by applying the embedded value calculations. Embedded value equals to the value of in-force business plus the value of the free capital. Value of in-force business is calculated using management estimations of the cash flows from the insurance portfolio and the income from capital-in-lock discounted to net present value using the discount rate of 9.30% (2021: 7.42%) that reflects current market assessment of the time value of money and the risks related to cash generating unit.

No impairment loss for goodwill was identified in 2022 and 2021 as a result of the test.

NOTE 18
PROPERTY, PLANT AND EQUIPMENT

Group	Buildings, premises and land	Vehicles	Office equipment	Construction in progress	Total
<i>As at 1 January 2021:</i>					
Cost	7,040	2,939	6,395	76	16,450
Accumulated depreciation	(2,307)	(764)	(4,174)	-	(7,245)
Net book value	4,733	2,175	2,221	76	9,205
<i>Year ended 31 December 2021:</i>					
Net book value at 1 January	4,733	2,175	2,221	76	9,205
Acquisitions	-	152	620	-	772
Reclassifications	168	(179)	11	-	-
Disposals and write-offs	-	(1)	(1)	-	(2)
Depreciation charge	(147)	(438)	(732)	-	(1,317)
Net book value at 31 December	4,754	1,709	2,119	76	8,658
<i>As at 31 December 2021:</i>					
Cost	7,208	2,756	6,689	76	16,729
Accumulated depreciation	(2,454)	(1,047)	(4,570)	-	(8,071)
Net book value	4,754	1,709	2,119	76	8,658
<i>Year ended 31 December 2021:</i>					
Net book value at 1 January	4,754	1,709	2,119	76	8,658
Acquisitions	32	586	541	-	1,159
Reclassifications	344	-	43	-	387
Disposals and write-offs	(4)	(633)	(639)	-	(1,276)
Depreciation charge	(154)	(78)	(212)	-	(444)
Net book value at 31 December	4,972	1,584	1,852	76	8,484
<i>As at 31 December 2022:</i>					
Cost	7,580	2,709	6,634	76	16,999
Accumulated depreciation	(2,608)	(1,125)	(4,782)	-	(8,515)
Net book value	4,972	1,584	1,852	76	8,484
<i>Economic life (in years)</i>					
	15-50	5-12	3-20	-	-

Right-of-use assets and lease liabilities

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The Group leases various offices, equipment and vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Rental contracts are typically made for fixed periods of 4 months to 8 years but may have extension options. The terminations of agreements by lessee mostly from 3 to 6 months notice. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Group: right-of-use assets	Buildings, premises and land	Vehicles	Office equipment	Total
<i>As at 1 January 2022</i>				
Cost	11,437	186	-	11,623
Accumulated depreciation	(5,408)	(113)	-	(5,521)
Net book value	6,029	73	-	6,102
<i>Year ended 31 December 2022:</i>				
Net book value at 1 January	6,029	73	-	6,102
Contract additions	2,253	167	1,533	3,953
Contract terminations	(582)	(52)	-	(634)
Depreciation charge	(1,562)	(46)	(146)	(1,754)
Net book value at 31 December	6,138	142	1,387	7,667
<i>As at 31 December 2022:</i>				
Cost	13,009	301	1,533	14,843
Accumulated depreciation	(6,871)	(159)	(146)	(7,176)
Net book value	6,138	142	1,387	7,667
<i>Economic life (in years)</i>				
	2-20	2-7	3	-

NOTE 18
PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Amounts of lease liabilities recognized in Group's statement of financial position:

	31 December 2022	31 December 2021
<i>Lease liabilities before prepayments</i>	7,703	6,169
<i>Short-term (up to 1 year)</i>	2,383	1,433
<i>Long-term (2-5 years)</i>	4,335	3,359
<i>Long-term (over 5 years)</i>	985	1,377
<i>Prepayments paid</i>	(100)	(76)
<i>Lease liabilities, carrying value</i>	7,603	6,093

The Group recognized in its income statement for the year ended 31 December 2022 lease expense for the low value leases amounting to EUR 4 thousand (for the year ended 31 December 2021 – EUR 3 thousand).

Bank	Buildings and premises	Vehicles	Office equipment	Construction in progress	Total
<i>As at 1 January 2021:</i>					
Cost	7,208	2,362	6,120	76	15,766
Accumulated depreciation	(2,307)	(554)	(3,979)	-	(6,840)
Net book value	4,901	1,808	2,141	76	8,926
<i>Year ended 31 December 2021:</i>					
Net book value at 1 January	4,901	1,808	2,141	76	8,926
Acquisitions	-	129	564	-	693
Disposals and write-offs	-	(179)	(16)	-	(195)
Depreciation charge	-	-	-	-	-
Reclassification to assets held for sale	(147)	(346)	(682)	-	(1,175)
Net book value at 31 December	4,754	1,412	2,007	76	8,249
<i>As at 31 December 2021:</i>					
Cost	7,208	2,180	6,334	76	15,798
Accumulated depreciation	(2,454)	(768)	(4,327)	-	(7,549)
Net book value	4,754	1,412	2,007	76	8,249
<i>Year ended 31 December 2022:</i>					
Net book value at 1 January	4,754	1,412	2,007	76	8,249
Acquisitions	32	523	523	-	1,078
Disposals and write-offs	344	-	1	-	345
Depreciation charge	(4)	(624)	(638)	-	(1,266)
Reclassifications	(154)	(4)	(157)	-	(315)
Net book value at 31 December	4,972	1,307	1,736	76	8,091
<i>As at 31 December 2022:</i>					
Cost	7,580	2,699	6,701	76	17,056
Accumulated depreciation	(2,608)	(1,392)	(4,965)	-	(8,965)
Net book value	4,972	1,307	1,736	76	8,091
Economic life (in years)	15-50	5-12	3-20	-	-

Bank: right-of-use assets	Buildings, premises and land	Vehicles	Office equipment	Total
<i>As at 1 January 2022:</i>				
Cost	10,945	186	-	11,131
Accumulated depreciation	(5,149)	(113)	-	(5,262)
Net book value	5,796	73	-	5,869
<i>Year ended 31 December 2022:</i>				
Net book value at 1 January	5,796	73	-	5,869
Contract additions	1,785	167	1,533	3,485
Contract terminations	(213)	(52)	-	(265)
Depreciation charge	(1,463)	(46)	(146)	(1,655)
Net book value at 31 December	5,905	142	1,387	7,434
<i>As at 31 December 2022:</i>				
Cost	12,517	301	1,533	14,351
Accumulated depreciation	(6,612)	(159)	(146)	(6,917)
Net book value	5,905	142	1,387	7,434
Economic life (in years)	2-20	2-7	-	-

NOTE 18
PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Amounts of lease liabilities recognized in Bank's statement of financial position:

	31 December 2022	31 December 2021
<i>Lease liabilities before prepayments</i>	7,420	5,886
<i>Short-term (up to 1 year)</i>	2,233	1,283
<i>Long-term (2-5 years)</i>	4,202	3,226
<i>Long-term (over 5 years)</i>	985	1,377
<i>Prepayments received</i>	(92)	(68)
<i>Lease liabilities, carrying value</i>	7,328	5,818

Please see Note 10 for reconciliation of movements lease liabilities.

As at 31 December 2022 and 31 December 2021, there were no property, plant and equipment pledged to third parties.

Future minimum lease payments to be received under non-cancellable lease agreements for the Bank and the Group were as follows (this includes investment property disclosed in Note 26):

	2022			2021		
	<i>up to 1 year</i>	<i>1-5 years</i>	<i>over 5 years</i>	<i>up to 1 year</i>	<i>1-5 years</i>	<i>over 5 years</i>
<i>Group</i>	160	271	10	141	365	-
<i>Bank</i>	155	502	209	144	493	307

**NOTE 19
OTHER ASSETS**

	2022		2021	
	Group	Bank	Group	Bank
Financial assets:				
Amounts receivable	5,815	5,620	16,398	16,271
<i>Breakdown of financial assets according to maturity</i>				
Short-term (up to 1 year)	4,751	4,556	15,188	15,061
Long-term (over 1 year)	1,064	1,064	1,210	1,210
Non-financial assets:				
<i>Breakdown of non-financial assets according to maturity</i>				
Short-term (up to 1 year)	3,773	2,974	7,566	7,097
Long-term (over 1 year)	2,743	130	4,173	1,192
Inventories	146	-	538	-
Deferred charges	1,004	974	1,274	1,243
Assets under reinsurance and insurance contracts	2,767	-	1,773	-
Prepayments	928	405	3,957	2,820
Foreclosed assets	468	464	103	54
Other	1,203	1,261	4,094	4,172
TOTAL OTHER ASSETS	12,331	8,724	28,137	24,560

Balances of other financial assets include impairment. Reconciliation of allowance for impairment of other financial assets is presented in the table below:

	Group	Bank
Allowance for impairment of other financial assets as of 1 January 2021:	161	153
Change in allowance for impairment	114	88
Other financial assets written-off during the period	(15)	(13)
Reclassifications and other movements	-	-
Allowance for impairment of other financial assets as of 31 December 2021	260	228
Change in allowance for impairment	253	257
Other financial assets written-off during the period	(13)	(3)
Reclassifications and other movements	6	7
Allowance for impairment of other financial assets as of 31 December 2022:	506	489

Inventories relate to real estate projects under development and real estate held for sale by the Bank's subsidiary SB turto fondas UAB. All inventories are accounted at lower of cost and net realisable value. Inventories are not pledged.

Net impairment expense reversal of EUR 20 thousand related to repricing inventories and other non-financial assets down to realisable value was included in year 2022 income statement for the Group (the Bank – net expense reversal of EUR 7 thousand). In 2021, the Group included net impairment on inventories and other non-financial assets of EUR 1 thousand in its income statement (the Bank – net expense of EUR 1 thousand).

Assets held for sale and liabilities related to assets held for sale

Assets held for sale consist of:

	2022		2021	
	Group	Bank	Group	Bank
Assets related to subsidiaries classified as held for sale	-	-	-	-
Real estate classified as held for sale	150	150	620	620
Total assets classified as held for sale	150	150	620	620
Liabilities attributable to subsidiaries classified as held for sale	-	-	-	-

Real estate properties that are planned to be sold within one year are included in assets classified as held for sale. They are included in Traditional banking operations and lending segment. As of 31 December 2022, such real estate assets consisted of one property with a fair value of EUR 180 thousand (as of 31 December 2021: four properties with a fair value of EUR 653 thousand). No impairment expense related to the revaluation these properties down to the realisable value was recognized in 2022 (2021: no impairment expense was recognized). No income or expenses related to these properties were recorded in profit or loss of discontinued operations. Valuations performed by Group's employees are used to assess the realizable value of these properties. Comparative price methods, i.e. valuation techniques attributable to Level 3 are mostly used valuation techniques.

NOTE 20
DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	2022		2021	
	Group	Bank	Group	Bank
<i>Correspondent accounts and deposits of other banks and financial institutions:</i>				
<i>Correspondent accounts and demand deposits</i>	34,024	35,508	39,133	43,726
<i>Term deposits</i>	1,076	1,076	5,833	6,773
<i>Total correspondent accounts and deposits of other banks and financial institutions</i>	35,100	36,584	44,966	50,499
<i>Due to central bank</i>	624,986	624,986	625,167	625,167
<i>Loans received from:</i>				
<i>Other organisations</i>	4,256	4,256	6,660	6,660
<i>International organisations</i>	20,733	20,733	20,945	20,945
<i>Total loans received</i>	24,989	24,989	27,605	27,605
<i>Total</i>	685,075	686,559	697,738	703,271
<i>Breakdown of due to other banks and financial institutions according to maturity</i>				
<i>Short-term (up to 1 year)</i>	188,305	189,789	51,838	56,871
<i>Long-term (over 1 year)</i>	496,770	496,770	645,900	646,400
<i>Total</i>	685,075	686,559	697,738	703,271

As at 31 December 2022, the outstanding borrowing on the balance sheet under third series of the targeted longer-term refinancing operations (TLTRO-III) program of the European Central Bank amounted to EUR 629 million. This amount consist of EUR 150 million loan obtained in year 2020 with loan maturity date of 28 June 2023 with early repayment option starting on 29 September 2021 and EUR 479 million loan obtained on 29 September 2021 with maturity date of 25 September 2024 with early repayment option starting on 29 June 2022. The Bank does not intend to use the early repayment option. Interest rate on TLTRO III is positive since September 2022 and at the year-end is 2%. Interest rate on TLTRO III was -0.5% from June 2020 to June 2021 and for banks meeting the lending thresholds, the interest rate for special interest period from June 2021 to June 2022 was -1%. The Bank concluded that during special interest period, starting from June 2021, TLTRO III operations contain significant benefit in comparison to market pricing for other similarly-collateralised borrowings available to the Bank. Bank concluded that the benefit should be accounted for as government grant under IAS 20 because ECB is viewed as government agency or similar body and the benefit is conditional on compliance with certain conditions relating to Bank's operating activities. Government grant element recognised under TLTRO-III program in 2022 income statement line "Other operating income" amounts to EUR 915 thousand (in 2021 – EUR 587 thousand). Government grant element of future periods amounting to EUR 910 thousand as of 31 December 2021 is presented in Bank's financial position statement in line "Grants" (as of 31 December 2022 no grants were recognised). The TLTRO-III negative interest recorded in the 2022 income statement line "Interest income" amounts to EUR 3,327 thousand (in 2021 - EUR 1,795 thousand). Since 14th September 2022 interest rates for TLTRO-III borrowings are positive, TLTRO-III positive interest recorded in the 2022 income statement line "Interest expenses" amounts to EUR 2,310 thousand. Securities with a carrying value of EUR 664,019 thousand were placed as a collateral for these borrowings.

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

NOTE 21
DUE TO CUSTOMERS

	2022		2021	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	59,258	59,258	53,063	53,063
<i>Local government institutions</i>	139,054	139,054	127,692	127,692
<i>Governmental and municipal companies</i>	33,252	33,252	32,046	32,046
<i>Corporate entities</i>	763,766	767,625	803,905	806,287
<i>Non-profit organisations</i>	42,535	42,535	37,567	37,567
<i>Individuals</i>	811,586	811,586	773,999	773,999
<i>Unallocated amounts due to customers</i>	13,473	13,994	24,968	24,989
Total demand deposits	1,862,924	1,867,304	1,853,240	1,855,643
<i>Term deposits:</i>				
<i>National government institutions</i>	1,015	1,015	1,015	1,015
<i>Local government institutions</i>	3,803	3,803	3,077	3,077
<i>Governmental and municipality companies</i>	5,847	5,847	3,939	3,939
<i>Corporate entities</i>	187,108	187,108	57,060	57,060
<i>Non-profit organisations</i>	2,298	2,298	2,984	2,984
<i>Individuals</i>	721,973	721,973	757,868	757,868
Total term deposits	922,044	922,044	825,943	825,943
Total	2,784,968	2,789,348	2,679,183	2,681,586
<i>Breakdown of due to customers according to maturity</i>				
<i>Short-term (up to 1 year)</i>	2,610,159	2,614,039	2,490,727	2,493,109
<i>Long-term (over 1 year)</i>	174,809	175,309	188,456	188,477
Total	2,784,968	2,789,348	2,679,183	2,681,586

NOTE 22
SPECIAL AND LENDING FUNDS

	2022		2021	
	Group	Bank	Group	Bank
<i>Special funds</i>	14,184	14,184	6,667	6,667
<i>Lending funds</i>	-	-	-	-
Total	14,184	14,184	6,667	6,667
<i>Breakdown of special and lending funds according to maturity</i>				
<i>Short-term (up to 1 year)</i>	14,184	14,184	6,667	6,667
<i>Long-term (over 1 year)</i>	-	-	-	-
	14,184	14,184	6,667	6,667

The special funds consist of the funds from the mandatory social and health insurance funds. The special funds have to be returned to the institutions which have placed them upon the first requirement of the latter.

NOTE 23
DEBT SECURITIES IN ISSUE

At 31 December 2020 Bank subordinated debt securities issued, which consisted of a 10 year bond issue of EUR 20,000 thousand (ISIN code LT0000404287). The bonds were issued on 23 December 2019, annual interest rate is 6.15%. The Bank has a right to call the bonds after 5 years. From 29 April 2020 this issue was listed on Nasdaq Baltic Bond List.

On 29 September 2021 Bank has issued EUR 75,000 thousand subordinated debt securities which consisted subordinated bonds with maturity term of 4 years and annual interest rate of 1.05% (ISIN code LT0000405771). The Bank has a right to call the bonds after 3 years. From 8 October 2021 these bonds are listed on Nasdaq Baltic Bonds List.

On 29 November 2022 Bank has completed partial issue of EUR 85,000 thousand subordinated debt securities which consisted subordinated bonds with maturity term of 4 years and annual interest rate of 1.05% which were added to subordinated debt securities emission in 2021 (ISIN code LT0000405771). Partial issue was placed with yield to maturity of 6.4%. Bonds maturity date is 7th October 2025. From 9 December 2022 these bonds are listed on Nasdaq Baltic Bonds List.

Cash flows and other movements of issued debt securities:

	2022		2021	
	Group	Bank	Group	Bank
As at 1 January	95,212	95,212	20,027	20,027
Issuance	85,000	85,000	75,000	75,000
Redemptions	-	-	-	-
Accrued interest	2,225	2,225	1,415	1,415
Coupon payments	(2,015)	(2,015)	(1,230)	(1,230)
Discount	(9,191)	(9,191)	-	-
As at 31 December	171,231	171,231	95,212	95,212

NOTE 24
LIABILITIES RELATED TO INSURANCE ACTIVITIES

Technical insurance provisions:

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

	Unearned premiums	Claims outstanding	Mathematical	Unit-linked	Investment units	Total
Gross:						
At 1 January 2021	14	264	10,533	23,649	1,816	36,276
Change during period	-	(50)	(224)	4,192	1,215	5,133
At 31 December 2021	14	214	10,309	27,841	3,031	41,409
Change during period	2	135	472	(3,174)	469	(2,096)
At 31 December 2022	16	349	10,781	24,667	3,500	39,313
Reinsurance share:						
At 1 January 2021	(28)	(16)	(5)	-	-	(49)
Change during period	(7)	15	-	-	-	8
At 31 December 2021	(35)	(1)	(5)	-	-	(41)
Change during period	(11)	(118)	(2)	-	-	(131)
At 31 December 2022	(46)	(119)	(7)	-	-	(172)
Net value						
At 31 December 2021	(21)	213	10,304	27,841	3,031	41,368
At 31 December 2022	(30)	230	10,774	24,667	3,500	39,141

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

NOTE 25
OTHER LIABILITIES

	2022		2021	
	Group	Bank	Group	Bank
Financial liabilities:				
Trade payables	4,644	2,991	1,857	-
Accrued charges	15,172	14,172	17,103	15,957
Lease liabilities (see Note 18)	7,603	7,328	6,093	5,818
Total financial liabilities	27,419	24,491	25,053	21,775
<i>Breakdown of other financial liabilities according to maturity</i>				
Short-term (up to 1 year)	18,816	16,632	19,678	16,726
Long-term (over 1 year)	8,603	7,859	5,375	5,049
Non-financial liabilities:				
Advance amounts received from the buyers of assets	4,758	-	4,332	-
Deferred income	1,353	769	1,307	729
Provisions	469	-	935	-
Other liabilities	1,076	916	677	685
Total non-financial liabilities	7,656	1,685	7,251	1,414
<i>Breakdown of other non-financial liabilities according to maturity</i>				
Short-term (up to 1 year)	7,250	1,369	6,221	853
Long-term (over 1 year)	406	316	1,030	561
Total non-financial liabilities	7,656	1,685	7,251	1,414

Provisions are recognized as the Group's subsidiaries involved in the real estate activities grant service commitments for the properties they develop and sell or for pending legal issues against the Group companies. The movement of provisions is presented in the table below:

	2022		2021	
	Group	Bank	Group	Bank
Provisions at 1 January	935	-	390	-
Additions/(reversals), including increases (decreases) in existing provisions	(466)	-	545	-
Amounts used	-	-	-	-
Other movements (reclassifications)	-	-	-	-
Provisions at 31 December	469	-	935	-

NOTE 26

INVESTMENT PROPERTY

Investment property

	Group	Bank
Year ended 31 December 2021:		
Carrying amount at 1 January	5,552	362
Acquisitions	-	-
Reclassifications	(6)	(6)
Impairment	-	-
Depreciation charge	(70)	(12)
Disposals and write-offs	(3,247)	-
Carrying amount at 31 December 2021	2,229	344
As at 31 December 2021:		
Cost	3,669	532
Accumulated depreciation	(1,440)	(188)
Net carrying amount	2,229	344
Estimated fair value at 31 December 2021	2,976	490
Year ended 31 December 2022:		
Carrying amount at 1 January	2,229	344
Acquisitions	-	-
Reclassifications	(344)	(344)
Impairment	-	-
Depreciation charge	(58)	-
Disposals and write-offs	-	-
Carrying amount at 31 December 2022	1,827	-
As at 31 December 2022:		
Cost	3,325	-
Accumulated depreciation	(1,498)	-
Net carrying amount	1,827	-
Estimated fair value at 31 December 2022	2,486	-
Economic life (in years)	20-50	20-50

Income from rent of investment property is included in the income statement line "Other operating income" (see Note 6 "Other income"). Maintenance expenses related to investment property (Group: EUR 92 thousand in 2022, EUR 119 thousand in 2021; Bank: EUR 0 thousand in 2022, EUR 53 thousand in 2021) are included in the income statement line "Other operating expenses". Future minimum lease payments to be received under non-cancellable lease agreements disclosure in Note 18 includes the payments from the investment property leases.

The Group tests the investment property for impairment mainly using valuations from external independent certified appraisers or valuations performed by Group's employees (as of 31 December 2022, 100% of the carrying value of the investment property was tested for impairment using valuations from external independent certified appraisers; as of 31 December 2021 – 85%). Income or comparative price methods, i.e. valuation techniques attributable to Level 3 (income method or comparative price method) are mostly used valuation techniques to test the investment property for impairment both by external and internal valuers.

**NOTE 27
CAPITAL**

As of 31 December 2022 and 31 December 2021 the Banks's share capital amounted to EUR 174,210,616.27, it comprised 600,726,263 ordinary registered shares with par value of EUR 0.29 each.

At 31 December 2020 European Bank for Reconstruction and Development (EBRD) possessed 26.02% of the authorised capital and votes of the Bank. On 22 December 2021 EBRD announced that it has agreed to sell an 18 % stake in Bank. EBRD has signed 3 separate agreements with Invalda INVL, an asset management group, Nord Security, (part of the Tesonet group of companies and soon to be renamed Tesonet Global), and ME Investicija, a holding company that owns Girteka Logistics, to sell stakes of 5.87%, 5.87% and 6.29% in Bank, respectively. Acquisitions of shares will take place through a series of transactions until June 2024 and in some cases might be subject to regulatory approvals. On 29 December 2021 ME Investicija announced about acquisition of 5.71% of Bank's shares. After this transaction as of 31 December 2022 EBRD possessed 20.00% of the authorised capital and votes of the Bank.

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

As at 31 December 2022, the Bank had 18,524 shareholders (as at 31 December 2021: 16,573).

Share premium

The share premium represents the difference between the issue price and nominal value of the shares issued by the Bank. Share premium can be used to increase the Bank's authorised share capital. In 2018, the share premium of EUR 3,428 thousand was recognized in the subordinated loan conversion process.

Reserve capital

The reserve capital is formed from the Bank's profit and its purpose is to ensure the financial stability of the Bank. The shareholders may decide to use the reserve capital to cover losses incurred.

Statutory reserve

According to the Law of the Republic of Lithuania on Banks, allocations to the statutory reserve shall be compulsory and shall not be less than 1/20 of the profit available for appropriation. The statutory reserve may, by a decision of extraordinary general or annual meeting of the shareholders, be used only to cover losses of the activities.

Reserve for acquisition of own shares

On 28 March 2019 ordinary general meeting of shareholders made a decision to form a reserve for acquisition of own shares from retained earnings. On 30 March 2022 ordinary general meeting of shareholders made a decision to increase reserve for acquisition of own shares by EUR 10,000 thousand. The reserve can be used for two purposes – to preserve the market price of Bank's shares and to acquire the shares that will be granted to Group's employees as part of variable remuneration. As of 31 December 2022 carrying value of reserve for own shares acquisition amounts to EUR 20,000 thousand (as at 31 December 2021: EUR 10,000 thousand).

During twelve months period ended 31 December 2022 the Bank acquired 2,105 thousand units of own shares for EUR 1,557 thousand. The acquired shares were granted to the employees of the Bank and its subsidiaries as a deferred part of variable remuneration for 2018. As of 31 December 2022 the Bank held no own shares.

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

Other equity

Other equity consists of amount that corresponds to the obligation to present Bank's shares to Group's employees as part of variable remuneration.

The Group's remuneration policy prescribes two main elements of remuneration – fixed remuneration and variable remuneration, and various additional benefits. Employees whose professional activities and/or decisions might have a significant impact on the risk accepted by the Group, receive deferred variable remuneration. The remuneration amounts are accrued as staff expenses in income statement. Until 2018, Group's incentive scheme included deferred payments in shares and cash of not less than 40% of variable remuneration being paid in equal instalments during three-year period. From 2019 under the Group's incentive scheme employees whose professional activities and/or decisions may have a significant impact on the risk assumed by the Group receive 50% of the annual long term incentive program in cash and 50% in form of Bank's shares options executable after 3 years. The number of share options is based on the currency value of the achieved results divided by the weighted average price at which the Bank's shares are traded on Nasdaq Vilnius during the period of five months prior the approval of remuneration. Each option is convertible into one ordinary share.

NOTE 27
CAPITAL (CONTINUED)

The Group has assessed fair value of shares option by the Black-Scholes model which is attributable to Level 3 in fair value hierarchy. The model inputs include:

- For the option granted 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, expected price volatility of the bank's shares 25%, risk free interest rate - 0.1%;
- For the option granted 31 March 2020: grant date (31 March 2020), expiry day (15 April 2023), share price 0.510 on grant day, expected price volatility of the bank's shares 21%, risk free interest rate -0.1%.

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

	2022		2021	
	Group	Bank	Group	Bank
<i>Options</i>	2,355	1,917	3,288	2,870
<i>Shares distributable to the employees</i>	-	-	-	-
Total	2,355	1,917	3,288	2,870

No options were forfeited or expired during years ended 31 December 2022 and 31 December 2021. During 12 months period ended 31 December 2022 2,792 thousand units of share options were exercised for benefit of Group's defined employees (for benefit of Bank's defined employees – 2,468 thousand units) on exercise date at weighted average share price of 0.63 EUR. Weighted average option exercise price was 0 EUR.

NOTE 28
CONTINGENT LIABILITIES AND COMMITMENTS

Contingent tax liabilities

The Tax Authorities have not carried out a full-scope tax audit of the Bank for the period from 2018 to 2022. The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year carry out an inspection of the Bank's books and accounting records and impose additional taxes or fines. Management is not aware of any circumstances that might result in a potential material liability in this respect.

Guarantees issued, letters of credit, commitments to grant loans and other commitments

	2022		2021	
	Group	Bank	Group	Bank
<i>Financial guarantees issued</i>	52,655	52,716	52,931	52,992
<i>Letters of credit</i>	5,756	5,756	1,308	1,308
<i>Commitments to grant loans</i>	482,012	483,660	394,173	404,388
<i>Other commitments</i>	8,932	8,932	3,052	3,052
Total	549,355	551,064	451,464	461,740

Fair value of the guarantees amounts to EUR 425 thousand at 31 December 2022 (31 December 2021: EUR 638 thousand). It is estimated as the amount of the guarantee fee to be paid by the customers less amortization over the contract period.

Staging of guarantees issued, letters of credit, commitments to grant loans and other commitments:

	2022		2021	
	Group	Bank	Group	Bank
<i>Financial guarantees issued:</i>	52,655	52,716	52,931	52,992
<i>Stage 1</i>	52,655	52,716	52,931	52,992
<i>Letters of credit:</i>	5,756	5,756	1,308	1,308
<i>Stage 1</i>	5,756	5,756	1,308	1,308
<i>Commitments to grant loans:</i>	482,012	483,660	394,173	404,388
<i>Stage 1</i>	456,165	457,813	347,738	357,953
<i>Stage 2</i>	22,566	22,566	44,685	44,685
<i>Stage 3</i>	3,281	3,281	1,750	1,750
<i>Other commitments:</i>	8,932	8,932	3,052	3,052
<i>Stage 1</i>	8,932	8,932	3,052	3,052
Total	549,355	551,064	451,464	461,740

NOTE 28 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

As the guarantees and letters of credit are either 100% secured by cash collaterals pledged by the customers to the Bank, or are issued using the credit line that the Bank has granted to the customer (which has its own collaterals and impairment is calculated for the credit line), no ECL impairment provisions are formed against these obligations. Commitments to grant loans are included in the EAD model in loan ECL calculations and the impairment is calculated for the whole instrument that includes both on-balance and off-balance sheet amounts, therefore the impairment for commitments to grant loans is included in the loan impairment amount.

The Group's liabilities include provisions for other contingent liabilities that are recognized using IAS 37 approach. Such provisions are disclosed in Note 25.

NOTE 29 DIVIDENDS

Dividends are declared during the annual general meeting of shareholders of the Bank when appropriation of profit for the reporting period is performed.

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

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

The table below demonstrates movements in dividends for the years 2022 and 2021:

	2022	2021
Unpaid dividend amount at 1 January:	50	45
<i>Dividends declared</i>	20,425	3,304
<i>Dividends paid</i>	(20,382)	(3,299)
Unpaid dividend amount at 31 December:	94	50

NOTE 30 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, includes SB draudimas GD UAB, SB Lizingas UAB, Šiaulių Banko Investicijų Valdymas UAB, Šiaulių Banko Lizingas UAB, SB turto fondas UAB, SB modernizavimo fondas UAB;
- the shareholders holding over 20% of the Bank's share capital or being a part of a voting group acting in concert that holds over 20% of voting rights therefore presumed to have a significant influence over the Group.

During 2022 and 2021, a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions.

NOTE 30
RELATED-PARTY TRANSACTIONS (CONTINUED)

The year-end balances of loans (incl. off-balance sheet commitments) granted to and deposits accepted from the Bank's related parties, except for subsidiaries, and ranges of annual interest rates were as follows (data of the Bank):

	Deposits, at the year-end		Range of annual interest rates, %		Loans, at the year-end		Range of annual interest rates, %		Off-balance sheet commitments, at the year-end	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<i>Members of the Council and the Board</i>	508	1,555	0.00-0.50	0.00-0.05	-	53	-	2	26	31
<i>Other related parties (excluding subsidiaries of the Bank)</i>	142	6,319	0.00	0.00-0.15	60	16,167	0.69	0.69-2.25	1	5
Total	650	7,874	-	-	60	16,220	-	-	27	36
<i>% of regulatory capital</i>	0.18%	2.25%			0.00%	4.64%			0.00%	0.00%

In 2022 EUR 236 thousand interest income were generated from transactions with related parties (except for subsidiaries, in 2021 – EUR 423 thousand).

As at 31 December 2022 loans to related parties (except for subsidiaries) with gross value before impairment provisions of EUR 60 thousand (31 December 2021: EUR 16,220 thousand) had collaterals.

At 31 December 2022 and 2021 Bank's subsidiaries had no material transactions with the related parties except for the Bank and its subsidiaries.

As at 31 December 2022 balance of allowances for impairment losses that are related to balances of loans to related parties, except for subsidiaries, was equal to EUR 0 thousand. An impairment expense reversal of EUR 44 thousand related to these loans was recorded profit or loss in 2022. As at 31 December 2021, balance of allowances for impairment losses that are related to balances of loans to related parties, except for subsidiaries, was equal to EUR 44 thousand. An impairment expense reversal of EUR 7 thousand related to these loans was recorded profit or loss in 2021.

Transactions with subsidiaries:

Balances of Bank's transactions with the subsidiaries are given below:

	Deposits, at the year-end		Range of annual interest rates, %		Loans, at the year-end		Range of annual interest rates, %		Off-balance sheet commitments, at the year-end	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<i>Non-financial institutions</i>	5,069	6,806	0.00	0.00	1,875	-	14.05	2.6	42,625	-
<i>Financial institutions</i>	1,119	1,129	0.00-1.90	0.00-1.90	177,273	117,868	2.6	2.6	10,077	18,361

No collateral is obtained on loans to subsidiaries.

Increase of balances of loans and off-balance sheet commitments in non-financial institutions line in table above in 2022 if compared to 2021 is related with transactions with newly established UAB SB modernizavimo fondas which is not consolidated due to IFRS 10 requirements however considered as related party under IAS 24 requirements.

NOTE 30
RELATED-PARTY TRANSACTIONS (CONTINUED)

Bank's total balances with subsidiaries (see Note 16 for details on investment in subsidiaries):

	2022	2021
Assets		
Loans	179,148	117,868
Other assets	-	-
Bank's investment in subsidiaries	31,441	31,668
Liabilities		
Term deposits	561	1,710
Demand deposits	5,627	6,225
Other liabilities	-	-

Income and expenses arising from transactions with subsidiaries:

	2022	2021
Income		
Interest	3,949	2,697
Commission income	1,142	586
Income (losses) from foreign exchange operations	-	(13)
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	5,373	8,830
Other income	313	352
Expenses		
Interest	(16)	(17)
Operating expenses	25	-
Impairment (reversal of impairment) of loans	(258)	1,998
Impairment of an investment to subsidiaries	-	-

As at 31 December 2022 balance of allowances for impairment losses that are related to balances of loans to subsidiaries was EUR 271 thousand (as at 31 December 2021: EUR 13 thousand).

Remuneration of the management of the Group/Bank

According to the Bank's Remuneration Policy, the members of the management bodies are paid a fixed and annual variable remuneration. The annual variable remuneration fund is formed based on the Bank's performance, taking into account current and future risks. During 2022 the total amount of fixed and annual variable remuneration (total of payments in cash and in shares of the Bank) to the Bank's Board members amounted to EUR 3,595 thousand (2021: EUR 2,121 thousand).

	2022	2021
Fixed remuneration in cash	1,808	1,508
Variable remuneration in cash	1,128	560
Variable remuneration in shares of Bank	659	53
Total	3,595	2,121

No other post-employment benefit or long-term benefit were paid to members of Board (including management).

Liabilities related to long term benefits related to remuneration are presented in the table below:

	2022	2021
Short-term (up to 1 year)	294	511
Long-term (over 1 year)	1,041	995
Total	1,335	1,506

	Payment in cash due in:				Payment in shares due in:				Total
	up to 1 year	1 to 2 years	2 to 3 years	Total	up to 1 year	1 to 2 years	2 to 3 years	Total	
31 December 2021:									
for year 2018 salaries and bonuses	-	-	-	-	511	-	-	511	511
for year 2019 salaries and bonuses	-	-	-	-	-	502	-	502	502
for year 2020 salaries and bonuses	-	-	-	-	-	-	493	493	493
Total liability at 31 December 2021	-	-	-	-	511	502	493	1,506	1,506
31 December 2022:									
for year 2019 salaries and bonuses	-	-	-	-	294	-	-	294	294
for year 2020 salaries and bonuses	-	-	-	-	-	304	-	304	304
for year 2021 salaries and bonuses	-	-	-	-	-	-	737	737	737
Total liability at 31 December 2022	-	-	-	-	294	304	737	1,335	1,335

NOTE 31

FINANCIAL GROUP INFORMATION

According to local legislation the Bank is required to disclose certain information for the Financial group. As of 31 December 2022 and 31 December 2021 the Bank owned the following controlled subsidiaries included in the prudential scope of consolidation (the Bank and four subsidiaries comprised the Financial group, all of the entities attributable to Financial Group operate in Lithuania):

1. Šiaulių Banko Lizingas UAB (lease activities),
2. Šiaulių Banko Investicijų Valdymas UAB (investment management activities),
3. 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).

STATEMENT OF FINANCIAL POSITION

	31 December 2022		31 December 2021	
	Fin. Group	Bank	Fin. Group	Bank
ASSETS				
<i>Cash and cash equivalents</i>	383,834	383,518	965,160	964,849
<i>Securities in the trading book</i>	27,287	27,287	15,099	15,099
<i>Due from other banks</i>	2,733	2,733	1,196	1,196
<i>Derivative financial instruments</i>	897	897	2,121	2,121
<i>Loans to customers</i>	2,391,629	2,370,762	1,908,681	1,889,629
<i>Finance lease receivables</i>	242,448	242,192	195,174	194,909
<i>Investment securities at fair value</i>	90,225	90,225	82,988	82,951
<i>Investment securities at amortized cost</i>	956,332	956,332	692,226	692,226
<i>Investments in subsidiaries</i>	11,832	31,441	11,788	31,668
<i>Intangible assets</i>	6,450	6,450	3,115	3,114
<i>Property, plant and equipment</i>	15,777	15,525	14,453	14,118
<i>Investment property</i>	1,827	-	2,229	344
<i>Current income tax prepayment</i>	6	-	820	820
<i>Deferred income tax asset</i>	5,657	5,234	1,591	1,250
<i>Other financial assets</i>	5,815	5,620	16,402	16,271
<i>Other non-financial assets</i>	3,740	3,104	9,953	8,289
<i>Assets classified as held for sale</i>	150	150	620	620
Total assets	4,146,639	4,141,470	3,923,616	3,919,474
LIABILITIES				
<i>Due to other banks and financial institutions</i>	685,480	686,559	699,560	703,271
<i>Derivative financial instruments</i>	7,152	7,152	96	96
<i>Due to customers</i>	2,785,489	2,789,348	2,679,204	2,681,586
<i>Special and lending funds</i>	14,184	14,184	6,667	6,667
<i>Debt securities in issue</i>	171,231	171,231	95,212	95,212
<i>Current income tax liabilities</i>	4,336	4,036	1,084	962
<i>Deferred income tax liabilities</i>	1,463	-	1,452	-
<i>Other financial liabilities</i>	26,718	24,491	24,396	21,775
<i>Other non-financial liabilities</i>	7,548	1,685	7,234	1,414
<i>Grants</i>	-	-	910	910
Total liabilities	3,703,601	3,698,686	3,515,815	3,511,893
EQUITY				
Capital and reserves attributable to owners of the Bank				
<i>Share capital</i>	174,211	174,211	174,211	174,211
<i>Share premium</i>	3,428	3,428	3,428	3,428
<i>Treasury shares (-)</i>	-	-	(516)	(516)
<i>Reserve capital</i>	756	756	756	756
<i>Statutory reserve</i>	36,990	36,922	21,770	21,770
<i>Financial instruments revaluation reserve</i>	(8,111)	(8,111)	(597)	(597)
<i>Reserve for acquisition of own shares</i>	20,000	20,000	10,000	10,000
<i>Other equity</i>	2,287	1,917	3,242	2,870
<i>Retained earnings</i>	213,477	213,661	195,507	195,659
Total equity	443,038	442,784	407,801	407,581
Total liabilities and equity	4,146,639	4,141,470	3,923,616	3,919,474

NOTE 31
FINANCIAL GROUP INFORMATION (CONTINUED)

INCOME STATEMENT

	2022		2021	
	Fin. Group	Bank	Fin. Group	Bank
Continuing operations				
Interest revenue calculated using the effective interest method	107,487	92,845	82,867	69,951
Other similar income	11,908	11,878	8,744	8,719
Interest expense and similar charges	(12,922)	(12,918)	(10,975)	(10,972)
Net interest income	106,473	91,805	80,636	67,698
Fee and commission income	26,419	27,239	24,747	25,193
Fee and commission expense	(7,507)	(7,409)	(7,366)	(7,239)
Net fee and commission income	18,912	19,830	17,381	17,954
Net gain from trading activities	8,975	8,973	10,362	9,188
Net gain (loss) from derecognition of financial assets	1,034	254	4,735	2,729
Net gain (loss) from disposal of tangible assets	810	514	987	66
Other operating income	1,667	1,496	1,289	1,136
Salaries and related expenses	(30,405)	(27,773)	(25,889)	(23,640)
Depreciation and amortization expenses	(4,580)	(4,403)	(4,179)	(3,972)
Other operating expenses	(21,390)	(17,095)	(16,179)	(12,268)
Operating profit before impairment losses	81,496	73,601	69,143	58,891
Allowance for impairment losses on loans and other assets	(5,409)	(3,691)	(2,355)	(973)
(Allowance for)/ reversal of allowance for impairment losses on other assets	464	(1)	(545)	(1)
Allowance for impairment losses on investments in subsidiaries	-	-	-	-
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	(66)	5,373	1,242	8,830
Profit from continuing operations before income tax	76,485	75,282	67,485	66,747
Income tax expense	(12,870)	(11,703)	(11,879)	(10,742)
Net profit from continuing operations for the year	63,615	63,579	55,606	56,005
Profit (loss) from discontinued operations, net of tax	-	-	-	-
Net profit for the year	63,615	63,579	55,606	56,005
Net profit attributable to:				
Owners of the Bank	63,615	63,579	55,606	56,005
From continuing operations	63,615	63,579	55,606	56,005
From discontinued operations	-	-	-	-
Non-controlling interest	-	-	-	-

STATEMENT OF COMPREHENSIVE INCOME

	2022		2021	
	Fin. Group	Bank	Fin. Group	Bank
Profit for the year	63,615	63,579	55,606	56,005
Other comprehensive income (loss):				
Items that may be subsequently reclassified to profit or loss:				
Financial assets valuation gains taken to other comprehensive income	(9,554)	(9,554)	(1,027)	(1,027)
Financial assets valuation result transferred to profit or loss	161	161	(185)	(185)
Deferred income tax on gain (loss) from revaluation of financial asset	1,879	1,879	240	240
Items that may not be subsequently reclassified to profit or loss:				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-
Other comprehensive income (loss), net of deferred tax	(7,514)	(7,514)	(972)	(972)
Total comprehensive income	56,101	56,065	54,634	55,033
Total comprehensive income (loss) attributable to:				
Owners of the Bank	56,101	56,065	54,634	55,033
Non-controlling interest	-	-	-	-
	56,101	56,065	54,634	55,033

NOTE 31
FINANCIAL GROUP INFORMATION (CONTINUED)

STATEMENT OF CASH FLOWS

	31 December 2022		31 December 2021	
	Fin. Group	Bank	Fin. Group (restated)	Bank (restated)
Operating activities				
Interest received on loans and advances	105,950	91,308	80,797	68,699
Interest received on finance leases	9,573	9,543	8,218	8,195
Interest received on debt securities in the trading book	1,388	1,388	372	372
Interest paid	(10,502)	(10,434)	(11,520)	(11,498)
Fees and commissions received	26,419	27,239	24,747	25,193
Fees and commissions paid	(7,507)	(7,409)	(7,366)	(7,239)
Net cash inflows from trade in securities in the trading book	(11,840)	(11,842)	(7,171)	(7,040)
Net inflows from foreign exchange trading	9,511	9,511	4,439	4,439
Net inflows from derecognition of financial assets	1,034	254	4,735	2,729
Net inflows from disposal of tangible assets	810	514	987	66
Cash inflows related to other activities of Group companies	1,667	1,496	1,289	1,136
Recoveries on loans previously written off	402	237	(545)	541
Salaries and related payments to and on behalf of employees	(30,111)	(27,479)	(25,180)	(22,931)
Payments related to operating and other expenses	(21,452)	(17,095)	(20,213)	(17,678)
Income tax (paid)	(10,851)	(9,796)	(11,909)	(10,625)
Net cash flow from operating activities before change in operating assets and liabilities	64,491	57,435	41,680	34,359
Change in operating assets and liabilities:				
Decrease in due from other banks	(1,537)	(1,537)	402	402
Increase in loans to customers	(479,169)	(475,433)	(302,727)	(300,088)
Increase in finance lease receivable	(48,600)	(48,609)	(36,149)	(39,380)
Decrease (increase) in other financial assets	10,587	10,651	(11,730)	(11,993)
Decrease (increase) in other non-financial assets	8,649	2,089	4,354	5,207
Increase in due to banks and financial institutions	(16,244)	(18,876)	469,417	472,001
Increase in due to customers	106,253	107,730	332,067	333,110
Increase (decrease) in special and lending funds	7,517	7,517	918	918
Increase (decrease) in other financial liabilities	786	1,180	1,960	2,494
Increase (decrease) in other non-financial liabilities	(8,046)	(2,289)	(1,981)	(3,857)
Change	(419,804)	(417,577)	456,531	458,814
Net cash flow from operating activities	(355,313)	(360,142)	498,211	493,173
Investing activities				
(Acquisition) of property, plant and equipment, investment property and intangible assets	(3,184)	(3,132)	(892)	(866)
Disposal of property, plant and equipment, investment property and intangible assets	1,916	1,559	1,853	378
(Acquisition) of investment securities at amortized cost	(396,538)	(396,538)	(99,382)	(99,382)
Proceeds from redemption or sale of investment securities at amortized cost	130,244	130,244	100,039	100,039
Interest received on investment securities at amortized cost	8,178	8,178	9,323	9,323
Dividends received	24	5,724	1,306	5,000
(Acquisition) of investment securities at fair value	(36,665)	(37,275)	(89,123)	(89,161)
Sale or redemption of investment securities at fair value	8,986	8,986	40,148	40,425
Interest received on investment securities at fair value	1,208	1,208	403	403
Disposal of subsidiaries	-	-	2,828	5,428
Establishment of subsidiary	(100)	(100)	-	-
Net cash flow from (used in) investing activities	(285,931)	(281,146)	(33,497)	(28,413)
Financing activities				
Payment of dividends	(20,382)	(20,382)	(3,299)	(3,299)
Acquisition of own shares	(1,557)	(1,557)	(750)	(750)
Interest on debt securities in issue	(2,015)	(2,015)	(1,230)	(1,230)
Issue of debt securities	85,000	85,000	75,000	75,000
Redemption of debt securities issued	-	-	-	-
Principal elements of lease payments	(1,128)	(1,089)	(1,310)	(1,281)
Net cash flow (used in) from financing activities	59,918	59,957	68,411	68,440
Net increase (decrease) in cash and cash equivalent	(581,326)	(581,331)	533,125	533,200
Cash and cash equivalents at 1 January	965,160	964,849	432,035	431,649
Cash and cash equivalents at 31 December	383,834	383,518	965,160	964,849

NOTE 31

FINANCIAL GROUP INFORMATION (CONTINUED)

FINANCIAL GROUP'S STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Treasury shares (-)	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total
1 January 2021	174,211	3,428	-	756	375	14,304	10,000	2,325	150,670	356,069
Transfer to/from statutory reserve	-	-	-	-	-	7,466	-	-	(7,466)	-
Acquisition of own shares	-	-	(516)	-	-	-	-	-	-	(516)
Share-based payment	-	-	-	-	-	-	-	917	-	917
Payment of dividends	-	-	-	-	-	-	-	-	(3,304)	(3,304)
Total comprehensive income	-	-	-	-	(972)	-	-	-	55,606	54,634
Net profit	-	-	-	-	-	-	-	-	55,606	55,606
Other comprehensive income	-	-	-	-	(972)	-	-	-	-	(972)
31 December 2021	174,211	3,428	(516)	756	(597)	21,770	10,000	3,242	195,506	407,800
Transfer to statutory reserve	-	-	-	-	-	15,220	-	-	(15,220)	-
Transfer to reserve for acquisition of own shares	-	-	-	-	-	-	10,000	-	(10,000)	-
Acquisition of own shares	-	-	(1,557)	-	-	-	(234)	-	-	(1,791)
Share-based payment	-	-	2,073	-	-	-	234	(955)	1	1,353
Payment of dividends	-	-	-	-	-	-	-	-	(20,425)	(20,425)
Total comprehensive income	-	-	-	-	(7,514)	-	-	-	63,615	56,101
Net profit	-	-	-	-	-	-	-	-	63,615	63,615
Other comprehensive income	-	-	-	-	(7,514)	-	-	-	-	(7,514)
31 December 2022	174,211	3,428	-	756	(8,111)	36,990	20,000	2,287	213,477	443,038

COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

During the years ended 31 December 2022 and 31 December 2021, the Financial group and the Bank complied with prudential requirements to which it was subject.

NOTE 32

EVENTS AFTER BALANCE SHEET DATE

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

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

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

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

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

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

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

CONSOLIDATED ANNUAL REPORT FOR 2022

31 December 2022

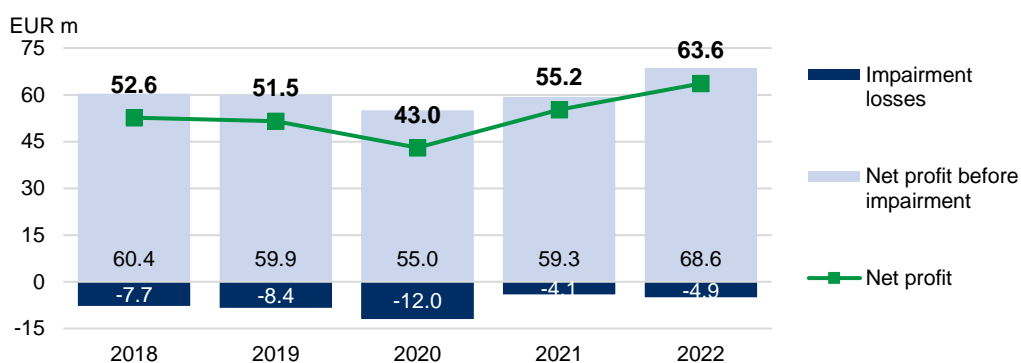
Tilžės 149, LT-76348 Šiauliai
Tel. (8 41) 595 607, faks. (8 41) 430 774
El. paštas info@sb.lt
www.sb.lt

The consolidated report of Šiaulių Bankas AB (hereinafter — the Bank) covers the period 01 January 2022 to 31 December 2022.

The description of alternative performance indicators is available on the Bank's website at: [Homepage > Bank Investors > Financial Information > Alternative Performance Measures](#).

ANNUAL ACTIVITY RESULTS

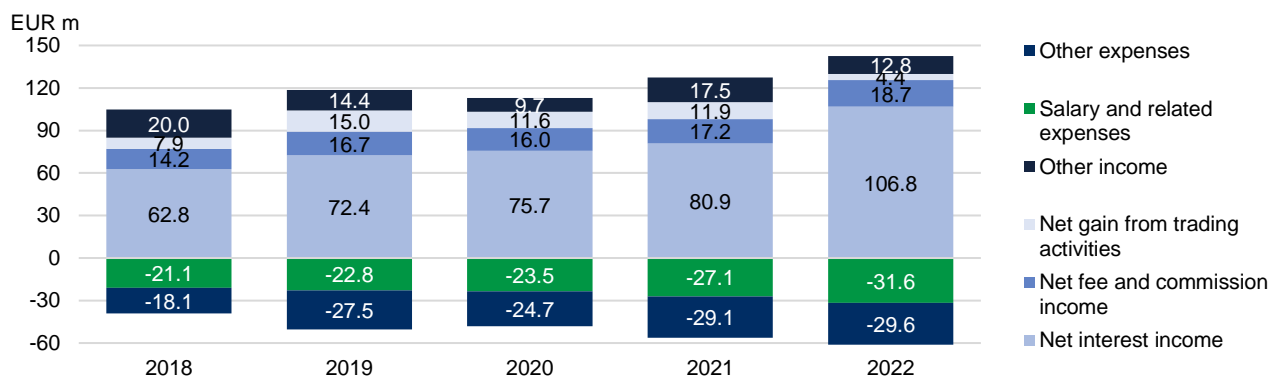
- Šiaulių Bankas Group earned unaudited net profit of EUR 63.6 million last year, or 15% more than in 2021
- Loan portfolio increased by 25% year-on-year to over EUR 2.6 billion
- Proactive increase in deposit rates led to strong growth in the term deposit portfolio, while the total deposit portfolio grew by 4% to EUR 2.8 billion
- Agreement was signed with Invalda INVL to merge retail businesses



Overview of the key performance indicators

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

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



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

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

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

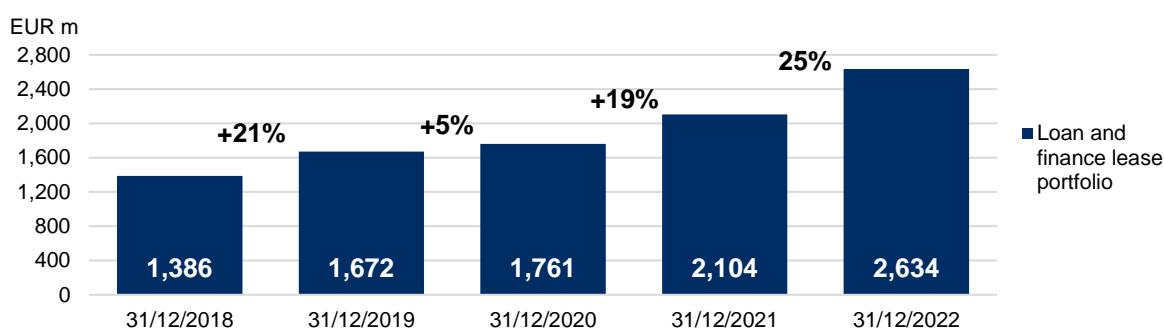
Overview of Business Segments

Business and Private Clients Financing

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



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

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

In Q4, people were more cautious about their ability to borrow for consumption and more restrained in planning their purchases. Universal credit, i.e., loan for a wide range of needs, is noticeably growing in popularity. In total, consumer credit agreements were signed for almost EUR 190 million during the year, i.e., 48% more than in 2021. The consumer financing portfolio grew by 4% in Q4 and by 34% for the whole of 2022, reaching almost EUR 230 million.

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

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

Daily Banking

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

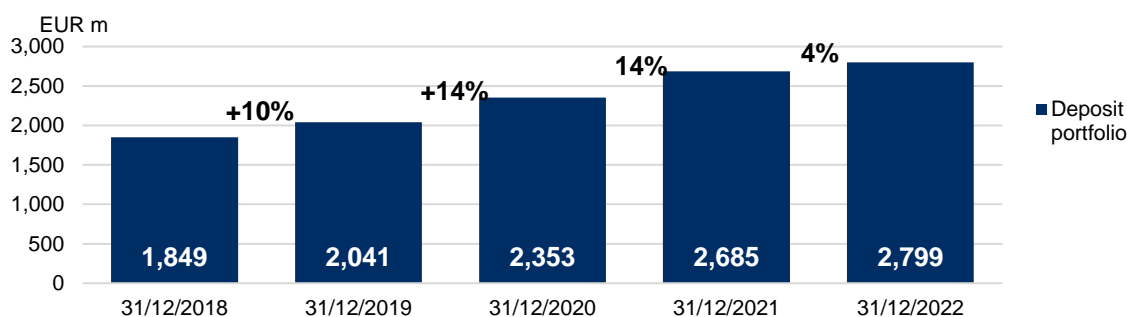
The number of payments and turnover from payment cards, as well as the number of payment cards themselves, is growing, reaching 176 thousand, i.e., 2% more than a year ago. Among them, the fastest growing demand is for credit cards, the number of which grew by 33% year-on-year.

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

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

Saving and Investing

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



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

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

Merger of Retail Businesses

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

REGARDING INVASION OF RUSSIA TO UKRAINE

The Bank monitors the tense geopolitical situation in order to properly and timely assess and identify the potential impact of Russia's invasion of Ukraine on the Bank's operations and the quality of its portfolio due to the risks it poses to clients. The Bank has set up a special Working Group to assess the situation. The Bank has no operations in Russia, Belarus or Ukraine and does not have significant direct exposures in these countries. The Bank considers the secondary risk of direct insolvency of clients operating in Lithuania due to the geopolitical situation to be low: the Bank's largest clients are aware of the threats, the number of clients dependent on business relations with Ukraine and Russia is low, and clients with business relations in the countries mentioned above are reducing their dependence of their income on business transactions. To identify in a timely manner a potential increase in the risk of its clients, the Bank applies the procedures set out in the Bank's internal regulations, records Early Warning Indicators (EWI) for the impact of the geopolitical situation on the clients that have a moderate or greater dependence on the aforementioned countries through their supply or sales chains, or through their shareholding structure, and, in the event of a potentially significant risk, puts the client on the Watch List

and implements enhanced monitoring for these clients, and approves action plans for the mitigation of risk. The greatest uncertainties and potential negative impacts arise from tertiary effects, i.e., the impact of Russia's invasion of Ukraine on the overall state of the economy. The Bank uses scenario assessments and stress testing to assess these impacts. These assessments indicate that the Bank's capital position is strong and that the Bank would be able to withstand significant shocks related to economic downturns.

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

The Russian invasion of Ukraine may further contribute to increased market volatility. The Bank has no direct investments (securities or other financial instruments) in Russia, Belarus or Ukraine. The Bank has no or close to zero open currency exposure in these countries.

RATINGS

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

RISK MANAGEMENT, COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

A complete disclosure of all significant risks incurred by the Group is provided in the chapter Financial Risk Management of the explanatory note of the financial statement for 2022.

Income was growing faster than its expenses which led to the high efficiency of the performance. Capital and liquidity position remain robust - prudential requirements are implemented with adequate reserve. According to the data as of 31 December 2022 the Bank complied with all the prudential requirements set out by the supervisory authority.

The main financial indicators of the Group:

	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
ROAA, %	2.4	2.1	1.5	1.6	1.6
ROAE, %	22.3	17.6	12.7	14.3	15.2
Cost to income ratio, %	37.3	42.5	42.7	44.1	42.9
Cost to income ratio (adjusted due to the impact of the SB draudimas clients' portfolio), %	37.9	40.8	42.9	42.8	43.2
Loan to deposit ratio, %	75.1	82.2	75.0	78.6	94.6

At the end of year MREL requirement at Financial group level approved in June 2022 were effective, including the following MREL requirements that shall be met by 1 January 2024:

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

To ensure a linear build-up of own funds and eligible liabilities towards the requirements the supervisory authorities set intermediate targets. For 1 January 2023, such targets comprise MREL-TREA of 15.43% and MREL-LRE of 5.89%, subordinated MREL-TREA of 13.50% and subordinated MREL-LRE of 5.79%. The levels of MREL requirements are revised by the supervisory authorities of the bank each year. In February 2023, the Bank received an updated MREL requirement that shall be met by 1 January 2024.

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

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

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

Data on indicators are also available on the website of Šiaulių Bankas:

- on operating profitability indicators:
[Homepage](#) › [Bank Investors](#) › [Financial Information](#) › [Profitability Ratios](#)
- prudential requirements:
[Homepage](#) › [Bank Investors](#) › [Financial Information](#) › [Prudential Standards](#)
- the description of alternative performance indicators:
[Homepage](#) › [Bank Investors](#) › [Financial Information](#) › [Alternative Performance Measures](#)

ACTIVITY PLANS AND FORECASTS

In 2023, the Bank group will focus on the following priority areas:

- Implementation of higher standard governance practices;
- Strengthening of its position in the retail business;
- Development of digital functionalities for external and internal customers;
- Financing remains one of the major areas, ensuring a stable source of interest income and a long-term relationship with customers.

The reinforcing of these priority areas will allow ensuring sustainable and profitable activities of the Bank group, increasing the market share, meeting the expectations of the regulator, investors and other stakeholders. At the end of 2022, the Bank signed an agreement with Invalda INVL on the merger of some of their retail businesses. After the transaction is closed, the Bank group, in addition to the financial services it already provides, will manage the 2nd pillar and the 3rd pillar pension funds, also investment funds in Lithuania, will expand its life insurance business. The year 2023 will be spent getting ready for a smooth closing of the transaction and preparation of the updated strategy.

AUTHORIZED CAPITAL, SHAREHOLDERS

As of 31 December 2022, the authorized capital of the Bank totalled to EUR 174,210,616.27 and is divided into 600,726,263 units of ordinary registered shares with a nominal value of EUR 0.29 each (ISIN LT0000102253 Nasdaq CSD Lithuanian branch). The Charter of the Bank were registered in the Register of Legal Entities on 13 December 2018 after the last increase of the authorized capital by additional contributions. The authorized capital of the bank was not increased during 2022.

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

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

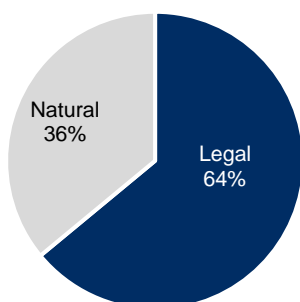
Authorized capital:

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

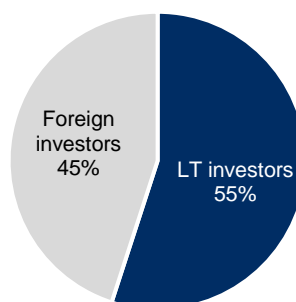
As of 31 December 2022 the number if the Bank's shareholders was 18,524 (at the end of 2021 – 16,573). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the The Republic of Lithuania of Lithuania and the Charter of the Bank:

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

Shareholders by type



Shareholders by residence



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

	Share of shares and votes, %
EBRD, LEI code 549300HTGDOVDU60GK19	20.00
Invalda INVL AB, c.c. 121304349*	8.06
ME INVESTICJA UAB, c.c. 302489393	5.71
Gintaras Kateiva**	5.39
Algirdas Butkus***	5.33

* Pursuant to the Law on Securities of the Republic of Lithuania, the shareholder's votes are counted together with the controlled companies: INVL LIFE UAB, c.c. 305859887 – 1.96%, INVL Asset Management UAB, c.c. 126263073 - 0.66% of the votes

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

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

There are no restrictions on the transfer of the Bank's shares.

There are no significant agreements to which the Bank is a party that would enter into force, change or terminate upon a change in control of the Bank. At the same time, we would like to inform you that the Bank has concluded cooperation agreements with international financial partners on financing and provision of guarantee instruments to the Bank, which include a change of control clause, which may affect further cooperation.

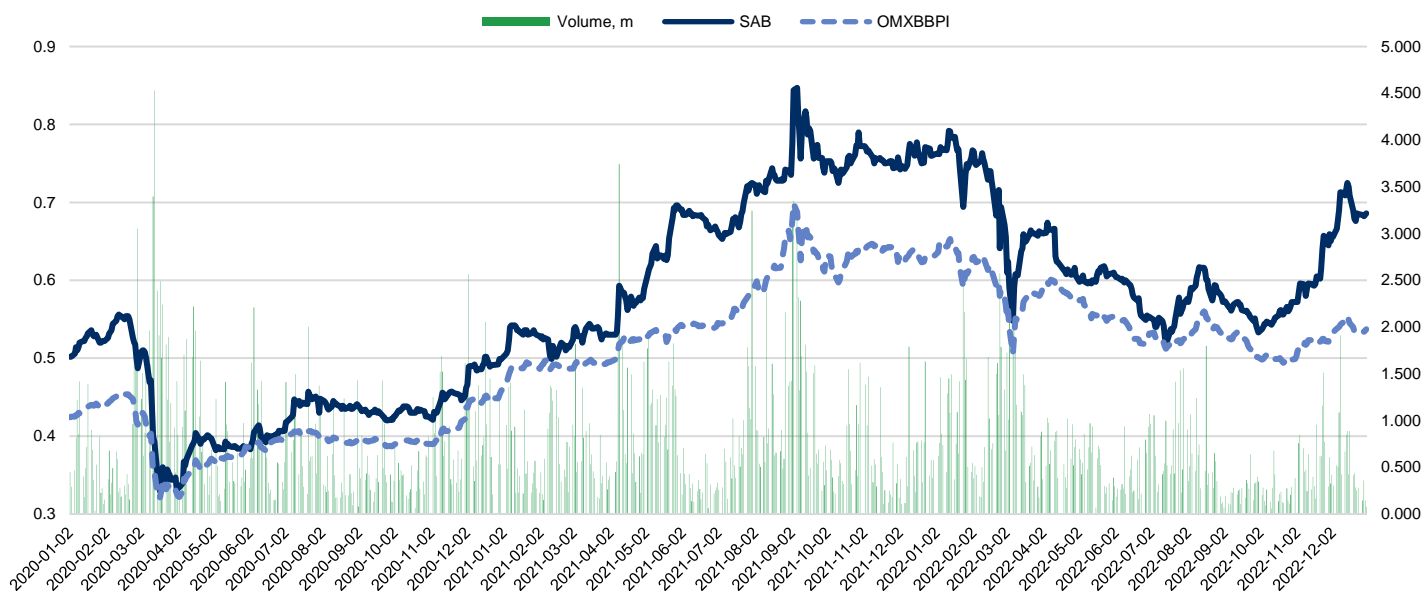
Shares are granted to employees whose activities involve significant risk under continuing Employee option agreements.

Information on shares:

	2018	2019	2020	2021	2022
Capitalization, m EUR	240.9	304.0	299.2	457.2	412.1
Turnover, m Eur	34.7	48.3	84.5	134.8	101.9
Share price on the last trading session day	0.401	0.506	0.498	0.761	0.686
Lowest share price during the reporting period	0.391	0.394	0.320	0.493	0.511
Highest share price during the reporting period	0.658	0.534	0.558	0.890	0.794
Average share price during the reporting period	0.521	0.473	0.442	0.663	0.624
Share book value	0.448	0.518	0.592	0.678	0.730
P/BV	0.9	1.0	0.8	1.1	0.9
P/E	4.6	5.9	7.0	8.3	6.5
Capital increase from retained earnings, %	-	-	-	-	-

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

Turnover and price of the Bank's shares 2020-2022:



As one of the most traded stocks in the Baltic market, the Bank's shares are included in the following Nasdaq indices:

- **OMX Baltic Benchmark (OMXBGI, OMXBBPI, OMXBBCAPGI, OMXBBCAPPI)** - the Baltic benchmark index consists of the largest and most traded stocks on the Nasdaq Baltic Market representing all sectors;
- **OMX Baltic 10 (OMXB10)** - is a tradable index of the Baltic states consisting of the 10 most actively traded stocks on the Baltic exchanges;
- **OMX Baltic (OMXBGI, OMXBPI)** – is an all-share index consisting of all the shares listed on the Main and Secondary lists of the Baltic exchanges with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;

- *OMX Vilnius (OMXVGI)* – is an all-share index which includes all the shares listed on the Main and Secondary lists on the Nasdaq Vilnius with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Baltic Financials (B30GI, B30PI)* – an index of the Baltic financial institutions;
- *OMX Baltic Banks (B3010GI, B3010PI)* - an index of the Baltic banks.

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

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

ACQUISITION OF OWN SHARES

On 26/01/2022, the Bank conducted a buy-back of its own shares on the Nasdaq Vilnius official offering market, the purpose of which was to grant shares to employees of the Bank and the Bank's subsidiaries as a deferred portion of their annual variable remuneration. The offer resulted in the purchase of 2,104,598 shares for EUR 1,557,403. Following this acquisition, together with the shares acquired in August 2021, the Bank held 2,792,096 of its own shares. There were no outstanding own shares acquired by the Bank, Bank subsidiaries or persons acting on behalf of the subsidiaries as of 31 December 2022.

DIVIDENDS

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

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

Information on the dividends paid:

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

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

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

AGREEMENTS WITH SECURITIES PUBLIC TRADING INTERMEDIARIES

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

According to data as of 31 December 2022 the Bank itself, as an intermediary of public trading, under agreements with the companies issuing securities conducted accounting of 750 companies which totalled to 1000 securities issues (including shares of public and private companies, debt securities, investment fund units). The Bank also conducts market making on the Nasdaq Baltic under a market making programme and under agreements with issuers. As of the end of 2022, the Bank was the market maker of 10 securities issues.

MANAGEMENT OF THE BANK

The Management Board bodies of the Bank are as follows: the General Meeting of the Shareholders of the Bank, Supervisory Council of the Bank, Management Board of the Bank and Chief Executive Officer (CEO).

The General Meeting of Shareholders shall be convened annually, at the latest within 3 months after the end of the financial year. The Board of the Bank, the Supervisory Council and the shareholders having at least 1/10 of all votes have the right to convene the Meeting. The General Meeting of Shareholders is organized, voting is carried out at it, decisions are made in accordance with the procedure established by the Law on Companies. More information on the rights of the General Meeting of Shareholders is provided in the annex "Governance Report" to the consolidated annual report for 2022.

The Supervisory Council of the Bank is a collegial body supervising the activities of the Bank. The Supervisory Council is chaired by the Chairperson. The Bank's Supervisory Council, consisting of eight members, is elected by the General Meeting of Shareholders for a term of four years. The members of the Supervisory Council are nominated for the meeting by the initiators of the meeting or shareholders holding 1/20 of the bank's shares. The Charter of the Bank provide that the number of terms of office of a member of the Supervisory Council is not limited.

More information on the functions of the Supervisory Council is provided in the annex "Governance Report" to the consolidated annual report for 2022.

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

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

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

By the decision of the Extraordinary General Meeting of Shareholders of Šiaulių Bankas AB of 28 July 2022, Tomas Okmanas was elected to the Bank's Supervisory Council as independent member and Mindaugas Raila was elected to the Bank's Supervisory Council as member (on 2 February 2023 permissions from the Supervisory Authority of the Bank were received).

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

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

Name, Surname	Duties at the Supervisory Council	Other current leading positions	Share of capital under the right of ownership, % (31/12/2022)	Share of votes together with the related persons, % (31/12/2022)
<i>Valdas Vitkauskas</i>	Chairman since 05/08/2022	-	-	-
<i>Gintaras Kateiva</i>	Member since 2008	Litagra UAB 304564478 Savanorių pr. 173, Vilnius (Chairman of the Board)	5.37	5.39*
<i>Ramunė Vilija Zabulienė</i>	Independent members since 2012	Ars Domina VŠĮ 302897128 P. Vileišio str. 9-41, Vilnius (Director); Lewben Art Foundation VŠĮ 302969378 Antano Tumėno str. 4, Vilnius (Board member)	-	-
<i>Darius Šulnis</i>	Member since 2016	Invalda INVL AB 121304349 Gynėjų str. 14, Vilnius (President, Board member); INVL Asset Management UAB 126263073 Gynėjų str. 14, Vilnius (Chairman of the Board), Litagra UAB 304564478 Savanorių pr. 173, Vilnius (Board member); INVL Baltic Farmland UAB 303299781 Gynėjų str. 14, Vilnius (Board member)	-	-
<i>Miha Košak</i>	Independent member since 2017	-	-	-
<i>Susan Gail Buyske</i>	Independent member since 2020	SA Advans SICAR (Non-executive director)	-	-

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

The Board of the Bank is a collegial management body of the Bank consisting of 7 members. It manages the Bank, manages its affairs and is responsible for the execution of the Bank's financial services in accordance with the law. The rules of procedure of the Board shall determine the Rules of Procedure of the Board. The Management Board of the Bank is elected for four years. The members of the Board are elected, recalled and supervised by the Bank's Supervisory Council. The term of office of the Board shall be four years and the number of terms is not limited. If individual members of the Board are elected, they are elected until the end of the term of office of the existing Board.

On 4 August 2022 Šiaulių Bankas AB has received notifications of Algirdas Butkus and Ilona Baranauskienė about their resignation from the Bank's Management Board members. 18 August 2022 is the last day of Algirdas Butkus's term of office as a member of the Management Board and as a Deputy of the CEO of the Bank and 30 September is the last day of Ilona Baranauskienė's term of office as a member of the Management Board and as a Head of Legal and Administration Division of the Bank.

At the Bank's Management Board meeting held on 4 August 2022, Vytautas Sinius, Chief Executive Officer of the Bank, was elected as the Chairman of the Bank's Management Board and will take up his duties as Chairman of the Bank's Management Board from 19 August 2022.

More information on the functions of the Board is provided in the annex "Governance Report" to the consolidated annual report for 2022.

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

Name, Surname	Duties at the Board	Other current leading positions at the Bank	Share of capital under the right of ownership, % (31/12/2022)	Share of votes together with the related persons, % (31/12/2022)
Vytautas Sinius	Chairman since 19/08/2022	Chief Executive Officer	0.25	0.25
Donatas Savickas	Deputy Chairman since 1995	Deputy Chief Executive Officer, Head of Finance Division	0.13	0.13
Daiva Šorienė	Member since 2005	Deputy Chief Executive Officer, Head of Sales and Marketing Division	0.03	0.03
Mindaugas Rudys	Member since 2020	Head of Service Development Division	0.05	0.05
Algimantas Gaulia	Member since 2021	Head of Risk Management Division	<0.01	<0.01

In 2022, the Bank approved and applied the Diversity Policy, which, among other principles, also establishes the principle of increasing the number of the under-represented gender in the Bank's management bodies. It has also been established that the Bank effectively and consistently pursues increasing the gender balance in the Bank's management bodies, and sets 25% as the minimum criterion for under-representation of the genders on the Bank's Supervisory Council and the Board, which starting with 2028, i.e. the outset of the new term of office of the Bank's Supervisory Council and the Board shall not be less than 30% (it should be noted that the current term of office of the Bank's bodies is 2020-2024).

When selecting members of the supervisory and management body in the Bank, the provisions for the selection of the members of the Board / Supervisory Council approved by the Bank's Supervisory Council are followed. Prior announcing the selection, the need for the necessary competences, experience, knowledge and skills is assessed and the Nomination Committee prepares a description of functions and competencies taking this into account the results of the assessment.

Considering the changes in the Bank's Board (resignation of 2 Board members), as of 31 December 2022, the Board consisted of 5 out of 7 members. 31 December 2022 percentage of under-represented gender - 20 percent, which is calculated based on the number of the members of the Bank's Board who actually held office at this day. In 2023 I quarter it is planned to elect a new member of the Board, together seeking to meet the objective of the under-represented gender set in the Diversity Policy.

The composition of the members of the Bank's Supervisory Council in 2022 corresponds to the set goal of the under-represented gender.

The age, education and professional experience of the members of the supervisory and management bodies ensure diversity and opportunities to share different views and perspectives.

In 2022, two new members were elected to the Supervisory Council (they will take up their duties when authorisations are obtained) and will contribute to increasing the diversity of the supervisory body in all areas.

Diversity of members of the Bank's bodies*:

MEMBERS OF THE MANAGEMENT BOARD:				
Gender	Age range	Education	Professional experience	Geographic diversity
1 women 4 men	Age range 40 – 60 (members fall into the specified ranges but do not reach the cap)	Bachelor's and Master's degrees gained in the following areas: economics, management and business administration, business management, international economics	Experience of the members of the supervisory / management bodies 27 - 2 years.	Lithuania: Vilnius, Kaunas, Šiauliai
MEMBERS OF THE SUPERVISORY COUNCIL:				
Gender	Age range	Education:	Professional experience	Geographic diversity
2 women 4 men	Age range 50 – 70 (members fall into the specified ranges but do not reach the cap)	Bachelor's, Master's and PhD's degrees gained in the following areas: applied mathematics, economics, business administration, pedagogy, law, political science, public relations	Experience of the members of the supervisory / management bodies 22 - 8 years.	Lithuania, Bulgaria / USA, Slovenia / Great Britain

* Data on the diversity of the members of the Supervisory Council and the Board are presented by evaluating only the members of the Supervisory Council and the Board who actually held office on December 31, 2022

THE COMMITTEES FORMED WITHIN THE BANK, AREAS OF THEIR ACTIVITIES

Functions, procedures of formation and the policy of activities of the bank's committees are defined by the legal acts of the Republic of Lithuania, legal acts of the Bank of Lithuania as well as provisions of the certain committees approved by the Management Board or Supervisory Council of the Bank.

COMMITTEES UNDER AUTHORITY OF THE BANK'S SUPERVISORY COUNCIL

For the effective exercise of the functions and duties of the Supervisory Council, the Bank shall establish standing committees of the Supervisory Council: (i) the Risk Committee; (ii) the Audit Committee; (iii) the Nomination Committee; (iv) the Remuneration Committee, the members whereof shall be appointed by decision of the Supervisory Council. Considering the changes in the composition of the Supervisory Council in 2022, the composition of the committees was revised and updated.

Information on the committee members as of 31 December 2022:

The Risk Committee advises the management bodies of the Bank on the overall current and future risk acceptable to the Bank and strategy and assist in overseeing the implementation of the strategy at the Bank, verifies whether prices of liabilities and assets offered to clients take fully into account the Bank's business model and risk strategy and shall also carries out other functions provided for in its provisions.

	Name, surname	
<i>Chairman</i>	Miha Košak	Independent member of the Supervisory Council
<i>Members:</i>	Susan Gail Buyske	Independent member of the Supervisory Council
	Valdas Vitkauskas	Independent member of the Supervisory Council
	Ramunė Vilija Zabulienė	Independent member of the Supervisory Council

The Internal Audit Committee monitors and discusses the process of financial statement preparation, the efficiency of the Bank's internal control, risk management and internal audit systems, the processes of the audit and internal audit performance on regular basis and performs other functions foreseen by the legal acts of the supervisory authority and provisions of the Internal Audit Committee. Following the laws and legal act of the supervisory authority the composition, competences and arrangement of activities of the internal Audit Committee are formed and controlled by the Bank's Supervisory Council.

	Name, surname	
<i>Chairwoman</i>	Ramunė Vilija Zabulienė	Independent member of the Supervisory Council
<i>Members:</i>	Valdas Vitkauskas	Independent member of the Supervisory Council
	Susan Gail Buyske	Independent member of the Supervisory Council

The Nomination Committee nominates candidates to fill management body vacancies and recommends, for the approval of the management bodies of the bank or for approval of the general meeting of shareholders, evaluates the balance of skills, knowledge and experience of the management body of the Bank, submits comments and findings related to the matter, assesses the structure, size, composition, operating results of the Bank's bodies and carries out other functions provided for in its provisions.

	Name, surname	
<i>Chairman</i>	Valdas Vitkauskas	Independent member of the Supervisory Council
<i>Members:</i>	Darius Šulnis	Member of the Supervisory Council
	Miha Košak	Independent member of the Supervisory Council

The Remuneration Committee evaluates the variable remuneration policies, practices and incentives developed to manage the risk, capital and liquidity of the Bank, supervises the variable remuneration of senior executives responsible for risk management and compliance, drafts variable remuneration decisions and performs other functions set forth in its policies.

	Name, surname	
<i>Chairman</i>	Valdas Vitkauskas	Independent member of the Supervisory Council
<i>Members:</i>	Gintaras Kateiva	Member of the Supervisory Council
	Ramunė Vilija Zabulienė	Independent member of the Supervisory Council

COMMITTEES UNDER AUTHORITY OF THE BANK'S MANAGEMENT BOARD

Information on the committee members as of 31 December 2022:

The Loan Committee evaluates loan granting material / documents and loan risk, approves / rejects lending decisions and / or amendments to terms and conditions, suggests regarding loan granting, loan interest rates, improvement of loan administration procedures and performs other functions foreseen by its provisions.

	Name, surname	Position
<i>Chairman</i>	Edas Mirijauskas	Director of Credit Department
<i>Deputy</i>	Diana Leonavičienė	Director of Regional Lending Unit
<i>Members:</i>	Mindaugas Rudys	Head of Service Development Division
	Algimantas Gaulia	Head of Risk Management Division
	Daiva Šorienė	Head of Sales and Marketing Division
	Ramūnas Dešukas	Director of the Special Assets Department
	Aurelija Geležiuinė	Director of the Legal Department

The Risk Management Committee performs functions related to the organization, coordination and control of the Bank's risk management system, determines and controls risk measurement indicators corresponding to the risk appetite acceptable to the Bank, as well as performs other functions provided for in its regulations:

	Name, surname	Position
<i>Chairman</i>	Algimantas Gaulia	Head of Risk Management Division
<i>Deputy</i>	Dalia Udrienė	Director of Risk Department
<i>Members:</i>	Tomas Dautoras	Director of Non-Financial Risk Department
	Agnė Duksienė	Head of Legal, Compliance and Prevention Division
	Edas Mirijauskas	Director of Credit Department
	Donatas Savickas	Head of Finance Division
	Daiva Šorienė	Head of Sales and Marketing Division
	Denis Zubovas	Director of Credit Risk Management & Control Department

INTERNAL CONTROL ASSESSMENT

The Bank's risk management and internal control process is based on a three-layer model. The first level of protection covers all the Bank's risk management activities carried out by direct customer service units and their managers. The second level of protection is provided by the Risk Management and Compliance function. The third level of protection is provided by the Internal Audit Service, which carries out periodic independent audits of the Bank's governance and internal controls.

In 2022, the Bank focused on fostering a culture of Risk Management and Compliance and on strengthening the second line of defence, which included strengthening the Bank's management of Risk Control and Compliance in particular.

EXTERNAL AUDIT

In 2022, the Bank was audited by KPMG Baltics UAB (company address: Lvivo g. 101, LT-08104 Vilnius, tel. (8 5) 2102 600, fax (8 5) 2012 659, the company was registered on June 24, 1994, company code 111494971).

This audit company was selected after the Board of the Bank interviewed other international audit companies and considered their proposals. When choosing an audit company, reputation risk, price of services, other factors are considered.

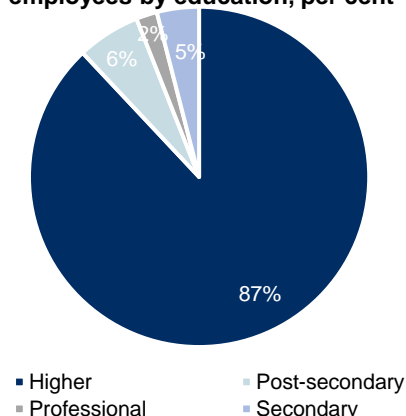
The General Meeting of Shareholders of the Bank held on 31 March 2022 adopted a resolution to elect KPMG Baltics UAB for auditing the consolidated annual financial statements of the Bank for 2022 and 2023 and the consolidated annual report.

<i>EUR thou (excluding VAT costs)</i>	Group		The Bank	
	2022	2021	2022	2021
<i>Contractual auditing of financial statements</i>	183	151	104	101
<i>Cost for assurance and other related services</i>	72	62	72	62
<i>Costs for tax advice issues</i>	-	-	-	-
<i>Costs for other services</i>	-	-	-	-
Total	255	213	176	163

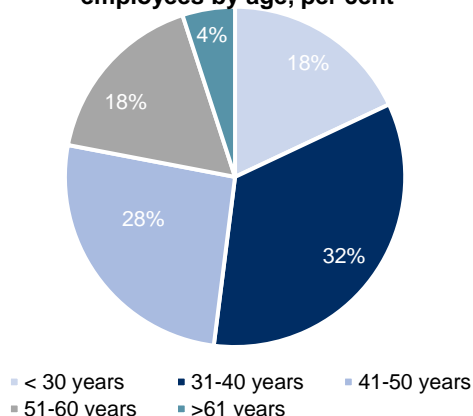
EMPLOYEES

On 31 December 2022, the Bank had 817 employees and the Group – 908 employees (working under fixed-term and open-ended employment contracts, including employees on maternity and parental leave). Compared to 31 December 2021, the number of employees in the Bank increased by 3.5% and in the Group – by 2.9%. On 31 December 2022, there were 79.2% women and 20.8% men working in the Group. The proportion remains similar, with a slight increase in the number of male employees.

Distribution of the Group's employees by education, per cent



Distribution of the Group's employees by age, per cent



Personnel strategy

The personnel management strategy is focused on the achievement of the Group's long-term goals in order to attract and retain efficient employees, develop and raise their level of expertise, motivate and involve them in the Group's activities, forming a culture of achieving high results.

Employee relations

The Bank maintains long-term employment relationships with its employees. On 31 December 2022, 22.6% of the Bank's employees had a seniority of 10 and more years. In 2022, the overall employee turnover in the Bank was 12.52% (11.2% in 2021). Loyalty to the Bank is encouraged every five years by monetary gifts in accordance with a special loyalty program approved by the Bank.

The Bank has a Labour Council, the members of which are 9 employees of the Bank, elected by secret ballot of the Bank's employees holding various positions in the Bank. The Labour Council operates in accordance with the Rules of Procedure of the Labour Council. The Labour Council cooperates with the Bank's Personnel, Asset Management and Administration and other departments by submitting its proposals and seeking the best solutions for the Bank's employees.

Performance review

Once a year, the Bank conducts a formal discussion and review of the employees' annual performance. During these interviews, managers discuss with their employees the results of achieving the annual targets, implemented projects, competencies, identifying strengths and areas for development, agreeing on specific educational tools, addressing career opportunities. The interviews are held with the aim of encouraging the sharing of mutual feedback by strengthening open and value-based communication and collaboration. In order for each employee to feel that their work contributes to and influences the overall results of the Bank and that everyone's efforts are directed in one direction, annual targets are set by agreement between the manager and the employee to contribute to the overall goals and performance of the Bank.

The Bank also organises semi-annual performance reviews to discuss the status of the annual targets and, if necessary, to provide additional measures and actions to achieve them.

The Bank is constantly developing a performance review IT system in order to meet the expectations of managers and employees, digitise the process, and ensure timely analysis of performance reviews. In 2022, updates have been introduced to the Performance Measurement System, allowing each of the annual targets to be assigned a weighting expressed as a percentage. The sum of the weights of all the individual annual targets set for the staff member is 100%. This allows managers to determine the importance and relevance of each objective for each employee.

Engagement

Engagement survey. In 2022, the Bank conducted an anonymous comprehensive engagement survey for the third time with the help of an external partner, with the main objectives being:

- to self-assess the annual change in employee engagement and organisational evaluation.
- in accordance with the obtained survey results, to refine the priority areas of the organisation to be improved and to update the action plan for their improvement.
- to ensure the targeted deployment of human and financial resources.
- after identifying the strengths, to develop the image of the employer first internally and then externally.

The survey questionnaire consisted of 69 questions and was completed by 95% of the Bank's employees. Throughout the past year, 2022, we have been implementing the activities and initiatives provided for in the Bank's action plan; therefore, the results of the survey show that the employees' trust in the organisation, strategic coherence and leadership have improved. The results were presented to managers and all employees. In the assessment of the results of the 2022 survey, the areas of the Bank as an organisation to be developed and its strengths were newly identified. Based on the survey results, the Bank prepares its action plan for 2023, i.e., what should be changed, developed and how, which traditions should be maintained in order to further strengthen positive, feedback-based communication and collaboration.

Pulse survey. To strengthen the feedback culture in the Bank and to better understand how employees feel in the short term, in June 2022 we started issuing short pulse surveys to all employees. It is a 4–5 question survey sent to employees on the first working day of each month.

Pulse survey is an instant feedback measurement tool that measures employee job satisfaction on a regular (monthly) basis, and helps to monitor whether employees are receiving enough communication from both the organisation and their supervisor at any given moment. With pulse surveys, employees have the opportunity to provide more frequent feedback and we can respond more quickly without waiting for the annual survey. Each survey has 3 fixed questions that remain unchanged, so we monitor the change in responses every month. 1–2 questions are variable, depending on the topical issues at the time.

Emotional health of employees. In 2022, the Bank placed great emphasis on strengthening the emotional health of its employees. We have organised many lectures on topics related to this area, such as stress and anxiety – how to cope, work-life balance, getting a good night's sleep, etc. This area was particularly important at the beginning of the year, after the outbreak of the war in Ukraine, when there was a lot of anxiety and uncertainty. We have also included psychological counselling in the health insurance for employees. During the summer, we encouraged staff to relax and make time for the annual leave, with plenty of information about different types of holidays and destinations; we also organised an internal Vacation Lottery. November 2022 was declared Emotional Health Month at the Bank, when we had 9 lectures on different topics for our employees.

Management of the COVID-19 pandemic

The Bank, as well as the rest of Lithuania, has lifted the emergency situation as of 1 May 2022, but with the virus circulating in the environment, the Bank has not abandoned the use of disinfectants (liquids, wipes), self-testing if necessary, and other protection measures. The Bank continues to regulate physical flows of its clients.

The Bank also continues to monitor the requirements at country level, reminding staff of the importance of prevention in managing not only the COVID pandemic, but also other cold season infectious diseases.

Organisational structure

The Bank and the Group constantly strive to work efficiently, to respond flexibly to regulatory requirements, changes and needs of the external environment, to achieve the Bank's strategic goals so that the organisational structure meets business needs as much as possible, ensures optimal organisation of activities, process efficiency and employee competence. The Bank implemented structural changes only after assessing their impact on the Bank's operations and the effectiveness of its risk management processes. Before the Board of the Bank took decisions on changes to the Bank's organisational structure, a risk assessment was carried out with the involvement of those responsible for internal control functions. In response to the recommendations made by the heads of the internal control functions on the management of potential conflicts of interest following the implementation of the structural changes, the Board of the Bank adopted a plan of measures.

In 2022, structural changes were implemented in the Bank's business units in order to make the Bank's operations more efficient, to comply with regulatory requirements and recommendations, to ensure balanced composition of the divisions and to concentrate related functions within the divisions:

- In view of the emergence of new functions as a result of the implementation of legislative requirements, the relocation and redistribution of functions within the Anti-Money Laundering Department, and in order to more accurately reflect the specificities of the unit's activities, the name of the Anti-Money Laundering Department has been changed to the Financial Crime Prevention Department.
- To improve the efficiency of the Internal Audit function at the Bank Group level, taking into account the recommendations made during the external evaluation and the corresponding expectation formulated by the Audit Committee, the centralisation of the Internal Audit function within the Bank Group has been implemented after assessing the cost-effectiveness of the change.
- In the light of regulatory requirements to put in place an appropriate and effective organisational and operational structure necessary to implement the AML/CFT strategy adopted by the Governing Body, with particular emphasis on sufficient powers for the function of AML/CFT Compliance Officer, including the need for a dedicated AML/CFT Compliance Unit in the second line of defence, with the aim of focusing on the concentration of the compliance, financial crime prevention, legal, and know-your-client functions in one division, to strengthen the competences and compliance of day-to-day operations of the 1st line of defence and to increase synergies among the units, enhancing regulatory compliance while maintaining the responsibilities and autonomy of the 1st and 2nd lines of defence in different departments, the Legal and Administration Division was dissolved and a new Legal, Compliance and Prevention Division was created, a new AML/CTF Compliance Department was established and other changes in the subordination of business units were implemented accordingly:
 - The Asset Management Department, with its functions, was placed under the authority of the Financial Division.

- The Special Assets Department, with its functions, was placed under the authority of the Risk Management Division.

Employee training

The year 2022 remained a very active year in terms of training at the Bank, with many new and continuing training and development programmes. We used a hybrid approach, i.e., organised live, distance training and e-training.

In 2022, we continued to pay a lot of attention to the development of managers at all levels. Taking into account the data from the engagement survey and the overall trends, we have focused our management training on strengthening leadership, inter-managerial cooperation, effective communication and other competences by continuing the Leadership Academy programme launched in 2021 with lecturers from external partners. All managers included in the academy are responsible for the implementation of the Bank's strategy through the employees of their divisions. The programme consisted of 5 topics, such as Collaboration That Generates Maximum Value, Situational Leadership, Public Speaking and Facilitation, System Thinking and Leadership. The duration of the academy is 1.5 years, with over 100 executives of various levels participating. Over the course of the Leadership Academy project, we had 38 training days (304 hours in total). Between 4 and 8 days (or between 36 and 64 hours) of training were allocated per manager.

The Leadership Academy also gave rise to several initiatives that have been translated into concrete actions, the results of which will undoubtedly benefit the entire Bank. The first initiative is the Šiaulių Bankas Ambassadors' Group. The initiative was born immediately after the first management collaboration session, and has attracted as many as 20 volunteer Heads of Departments as members. During the working sessions, the members of the Ambassadors' Group identified priority areas for strengthening cooperation within the organisation, identified measures for their implementation and shared responsibilities. The outcome of the work of the Ambassadors' Group will be presented to the organisation in the first quarter of 2023. The second initiative born out of the Leadership Academy programme is the annual collaboration sessions. These are annual working sessions for managers to share feedback. The sessions were attended by the Department Directors, Regional Managers, CSC Managers, Regional Directors of Business and Private Clients, Heads of Business Client Group, Head of Audit Division, Head of Process Management and Head of Project Portfolio Management. Already after the first collaboration session in 2021, it became clear that the opportunity to give constructive feedback (both praise and expectations) to others in the organisation builds consensus and cooperation, and so the session was held again in 2022.

In 2022, taking into account the data from the engagement survey, the changes in the Board of the Bank, and the needs expressed, we strengthened the cooperation and communication competences of the Bank's top management accordingly. To this end, a collaborative session was held to explore team psychodynamics at the TOP management level, to review and update the team's collaborative working arrangements, and to agree on the cascading of information to the whole organisation and to target groups.

At the same time, to further strengthen leadership competences and respond to the needs expressed by managers, we invited all levels of the Bank's management to two Executive Breakfasts in 2022. The topic of the first breakfast was "Regular staff interviews – good practices". This breakfast provided managers with an overview of the benefits of regular meetings with staff; how often, for what purpose and in what form they should take place; and what should be discussed during individual interviews with staff members. The topic of the second breakfast was dedicated to managerial flexibility. The meeting focused on a common managerial challenge – how to balance the needs of the organisation, the needs of the manager and the needs of the team in order to achieve the organisation's goals, keep the team engaged and the manager motivated. The personal and team growth coach presented flexibility as a managerial competency and the importance of this competency to be able to function effectively in different situations and when dealing with different people.

Taking into account the expressed training needs of the target group, in 2022, it was decided to allow the members of the Board and Supervisory Council of the Bank to independently plan their own individual training plan according to their needs.

As part of the Bank's continued development of process management, in 2022, the training measures set out in the Process and Operational Efficiency Training Strategy were implemented, with mandatory introductory e-training on process and operational efficiency for all employees. Training materials on process architecture and modelling/plotting were also developed. The Head of Process Management delivered five 1.5-day training sessions on advanced process management and improvement to targeted groups of the Bank's staff; ~10% of the Bank's employees completed the training. To ensure the improvement of employees' competences in the field of efficiency, as well as to promote the search for efficiency in the Bank, an internal hackathon was organised, during which ideas for operational and process improvement in 9 areas were developed, with the participation of ~10% of the Bank's employees successfully gaining new experiences.

Project management capacity building also continued in 2022, with practical project management training based on the project development and management procedures for the Bank's staff working on small and very small projects.

In 2022, we continued to prioritise regulatory requirements for employee qualifications and experience. Therefore, in 2022, a new learning management system (LMS) – Šiaulių Bankas Academy – was introduced in the Bank. Šiaulių Bankas Academy is a digital learning platform designed to plan and manage the employee training process, to present educational materials, to assess training results and other functions of the training management process. The system allows us to adapt more efficiently to constant change, to be faster and to better manage the training process – from the provision of mandatory training, to the development of general and professional competences, to the training of individual participants and their groups, and to the measurement of their progress afterwards. The digital training platform, Šiaulių Bankas Academy, has replaced the Bank's existing virtual learning environment and has a much broader functionality.

In line with the 2022 training plan, to strengthen knowledge in the area of anti-money laundering and countering the financing of terrorism (AML/CFT), more than one training session on the topics set out in the plan has been delivered to the target groups with the help of

internal and external experts. In addition, a mandatory e-training course on anti-money laundering and countering the financing of terrorism has been developed to maximise the basic knowledge of all the Bank's employees in the area of AML/CFT. To build the expertise of compliance professionals, personnel in the areas of money laundering prevention, know-your-client and financial settlement, and to help them gain relevant knowledge and global best practices in risk management, anti-money laundering and financial crime prevention, we have secured access for some of them to ICA, CFA and CAMS certifications, which are considered a benchmark of excellence worldwide.

To ensure compliance with the GDPR and IT security requirements, we invited every employee of the Bank to attend the Šiaulių Bankas Academy for a mandatory refresher course on Personal Data Protection (2 modules) and Digital Security. The purpose of this training was to provide a thorough introduction to personal data protection and digital security requirements and practices. In 2022, the digital security training module was expanded to include information on fraudulent emails (phishing) – how to spot them and avoid being scammed.

In 2022, in line with the amendments to the Labour Code of the Republic of Lithuania, the Bank adopted the Rules for the Prevention of Violence and Harassment, which set out the principles of ethical communication between the Bank's employees and managers; they also identify possible forms of violence and harassment, and the ways to identify them; describe the measures taken by the Bank to prevent violence and harassment; detail the procedures for reporting and handling reports of violence and harassment; and outline the safeguards taken by the Bank to protect persons who report and are victims of violence and harassment. To further explain and provide more information on the topic of violence and harassment, we have also developed an e-training course *Mobbing at Work: How to Spot It*. This training is compulsory for all Bank employees and introduces them to ways of identifying and dealing with mobbing, harassment, psychological violence and other psychosocial factors that cause tension at work.

In 2022, the unique program Financing Solutions Forum organised by the Bank was continued, aimed at strengthening the functional and general competencies of credit specialists. Two (spring and fall) sessions were held. And the Annual Šiaulių Bankas Conference was dedicated to all the Bank employees in 2022. This year, the conference was held online again. Presentations of the speakers and debates were broadcast live from a specially designed studio, and the broadcast could be watched by all employees of the Bank. The conference focused on the importance of digitalisation in global, business and personal contexts. During the conference, we talked to experts from the Bank, Lithuania and around the world about how to build the financial sector with innovative and digitised solutions, examples around us, and why it is important not to lose sight of the people in the context of digitisation.

Strengthening professional, general and emotional competences is important for every Bank employee to be able to perform his or her job effectively. In today's uncertain and stressful environment, heavily influenced by the COVID-19 pandemic, the war in Ukraine and other environmental factors, the vast majority of staff are facing physical or emotional challenges that undermine their psychological resilience and their ability to maintain balance while working effectively. To help the Bank employees maintain their mental stability in the face of war, in 2022, we invited them to receive e-training on how to prepare and behave in an emergency situation and in the event of a nuclear or radiological accident. We also prepared a series of lectures on emotional health, where knowledgeable experts in their field shared how to recognise your physical and emotional needs, how to balance them and how to create a healthy relationship with yourself and your environment.

In 2022, we continued our tradition of organising sales training by internal and external speakers and ensuring the dissemination and uptake of product expertise across the Network.

We also set up a product management training programme with external partners in order to create a common understanding of the role of the product manager in the Bank and to introduce product managers to the principles of effective product portfolio management and resource planning.

The staff of the Bank's centre and network units raised their competence by participating in external conferences and seminars.

All new employees of the Bank were invited to two-day remote New Employees' Days events every quarter, where representatives of the Bank working in different fields shared their professional experience, introduced new colleagues to the Bank's structure, functions of the departments, and presented the Bank's services, products, processes, and ongoing projects. Around 140 employees participated in the New Employees' Days.

Recruiting

In 2022, we implemented an IT system for recruitment management in order to contribute to the Bank's digital transformation and to increase the efficiency of recruitment activities, as well as to strengthen the employer's image and improve the candidate experience. The system has helped us to unify and standardise the selection process, making it faster, simpler and more efficient. The system has made it possible to ensure more efficient processing of candidates' personal data in line with the General Data Protection Regulation (GDPR). It allows us to ensure the consistency of the information we publish across different channels, to build and manage a database of potential candidates and to ensure a positive candidate experience. Alongside the introduction of this system, we have updated the Bank's careers section, which boosts the Bank's image as an employer.

External recruitment partners were used to attract staff, often in the areas of prevention, compliance, risk management and management positions.

Internship opportunities

In 2022, the Bank continued to cooperate with Lithuanian higher education institutions, providing opportunities for students to carry out a wide range of internships at the Bank.

In 2022, 28 students completed compulsory or voluntary internships in various divisions of the Bank. Students had the opportunity to carry out internships in various divisions of the Bank, gain practical work experience and establish professional contacts important for their future careers. After the internship, the Bank provides opportunities for students to find employment and start a professional career. In 2022, 9 students stayed with the Bank after their internships.

Also in 2022, the Bank's representatives took part in career days organised by two educational institutions – University of Applied Social Sciences (SMK) in Kaunas and Vilnius, and Vilnius University of Applied Sciences (VIKO).

Employee motivation

The majority of the Group's employees may be granted quarterly and/or annual bonuses for achieving the unit's and/or personal goals. The employees can also be motivated by one-time bonuses for exceptional results, participation in projects significant to the Bank, etc.

The annual variable remuneration in cash and in the Bank's shares may be granted only to the Nominated Employees. Nominated Employees are the managers of the Bank and some of the Group's companies and members of the Board of the Bank, as well as other employees of the Bank whose professional activities have a significant impact on the risk profile of the Bank and the Group and for which such employees are considered to be recipients of annual variable remuneration in accordance with the applicable legal acts of the Republic of Lithuania and the European Union. For more information on remuneration of Nominated Employees, see the *Remuneration Policy* section of this notice.

Fringe benefits within the Group are not based on an employee's performance and are granted to all on the same terms or based on certain criteria (position, seniority, etc.). In 2022, the Bank, as a socially responsible employer, provided health insurance to all employees who successfully completed the probationary period and returned after paternity leave. Health insurance is one of the most important additional incentive measures. It provides faster access to health-related services to the insured employees, for example, receiving treatment in health care institutions of their choice, visiting specialists, getting various tests done, purchasing medicines, and accessing other health promotion services.

The Group's employees have the option of accruing additional retirement benefits in exceptional circumstances, with part of the contribution paid by the employee and part paid by the employer. The long-term incentive programme *Kaupkime Kartu* has been developed together with the Bank's subsidiary SB Draudimas UAB (specialising in life insurance), in which more than 30 per cent of employees participate.

Other fringe benefits available to the Bank's employees that are not based on the employee's performance:

- telework,
- flexible working hours,
- additional leave depending on the position for certain senior positions and for uninterrupted service,
- paid leave for training,
- one-time bonuses on personal celebrations and events significant for the Bank,
- new employee's package, gifts to employees and their children on major holidays,
- one-time payments in the event of death of a family member, major accident, critical illness, etc.,
- payment at a higher rate for the first 2 days of sick leave,
- free flu vaccines and other discounts provided by the Bank's partners,
- team-building events,
- opportunity to participate in interbank and other tournaments in various sports.

Also at the end of 2022, in view of the record high inflation and energy costs, the Group decided to grant one-off compensatory bonuses during the three winter months to all the Group's employees whose monthly salary does not exceed a certain amount

REMUNERATION POLICY

The information has been prepared and is provided in accordance with the Description of the Minimum Requirements for Remuneration Policy of the Board of the Bank of Lithuania, the provisions of Article 450 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, the Bank's Articles of Association, the decisions of the Supervisory Council and the Board, and other legal acts regulating the requirements for the Remuneration Policy of the Bank, as a financial institution and a stock company whose shares are admitted to trading in the regulated market.

Information relating to the decision-making process used to determine the Remuneration Policy, including the number of meetings held by the main body overseeing remuneration during the financial year

In 2022, the Remuneration Policy was reviewed and updated in the light of the changes in the requirements governing the Remuneration Policy of the Bank. The draft Remuneration Policy was submitted to the Board of the Bank and the Remuneration Committee for consideration in accordance with internal legislation. Following approval by the Board of the Bank and the Remuneration Committee, the Remuneration Policy was submitted to the Supervisory Council and the General Meeting of Shareholders of the Bank for approval. The version of the Remuneration Policy, as approved by the Bank's General Meeting of Shareholders on 30 March 2022, is effective as of the date of its approval and applies to the full extent, except in respect of the awarding, approving and granting of remuneration to Nominated Employees for their work/performance up to the year 2022, in which case the version of the Remuneration Policy as approved by the Bank's General Meeting of Shareholders on 31 March 2020 shall apply.

The Remuneration Policy is intended for and applies to the Bank and Group companies. The Group companies that are subject to special remuneration requirements under other laws draw up and approve their own remuneration policies that apply jointly with this Remuneration Policy. The approved Remuneration Policy is published on the website of the Bank.

The Supervisory Council of the Bank is responsible for setting the principles of the Remuneration Policy and the models of the remuneration system, as well as for the periodic review of the Remuneration Policy in the Bank, and the Board of the Bank is responsible for the implementation of the Remuneration Policy. The Bank's Internal Audit Division regularly verifies the implementation of the principles of the Remuneration Policy through annual internal audits.

External consultants were consulted in the preparation of the draft Remuneration Policy.

The Bank has formed a Remuneration Committee that carries out competent and independent assessments of variable remuneration policy and practice and ensures that the remuneration system takes into account all types of risk, capital and liquidity, and is compatible with sound and effective risk management as well as with the business strategy, objectives and the long-term interests of continuing operations of the Bank or the Group company. The composition of the Remuneration Committee, the procedure for its formation, its functions, rights, and responsibilities are set out in the Rules of Procedure of the Remuneration Committee approved by the Supervisory Council of the Bank. The composition of the Remuneration Committee is approved by the Supervisory Council of the Bank, and the list and functions of the committee members are set out in the section of the Annual Report entitled "Committees established in the Bank and their areas of activity". The Remuneration Committee held six (6) meetings in 2022.

Information on the link between remuneration and performance

The remuneration system is a complex of remuneration package elements used by the Group to attract, motivate, and retain the best employees who would help implement the long-term objectives and the business strategy of the Group.

The Bank and Group companies have fixed remuneration and variable remuneration.

Fixed remuneration is the main portion of the Remuneration. Competence, experience, qualifications, specific knowledge, external and internal equity, market trends, etc. are all taken into account when determining the remuneration of a given employee. Fringe benefits are applied without regard to the individual performance of employees and without providing an incentive to take risks. Fringe benefits are based on predefined criteria or apply to all employees.

Variable remuneration is paid to link the individual performance targets of employees to the long-term interests of the Group in order to ensure sustainable business development and to encourage employees to act in and respectful, honest, transparent and professional manner, respecting the rights and interests of customers.

The amount of variable remuneration is based on the overall assessment of the performance of the employee, the unit, and the Group. The variable remuneration awarded to an employee may depend on the job position of the employee, the importance of his/her decisions that may have a significant effect on the risk assumed by the Group. In addition to the personal financial result achieved, the assessment of an individual employee's annual objectives and achievements includes non-financial/non-quantitative contributions (e.g., relations with clients, colleagues, adherence to standards, fulfilment of the requirements set out in internal documents, initiative, responsibility, improvement of performance, etc.).

Principles for calculating variable remuneration are designed to meet the Group's business strategy, objectives, values, the long-term interests of continuing operations, and promote sound and effective risk management, help avoid conflicts of interest, ensure compliance with the Code of Ethics and discourage employees from taking excessive risks that are unacceptable to the Group, also ensure the principles of investor and customer protection in the provision of services by the Group and not harming the interests of customers.

A variable remuneration fund is formed only after assessing the Group's performance, taking into account current and future risks, costs of the capital employed and liquidity support. The variable remuneration fund and its size must not limit the ability of the Group to strengthen its capital base.

The Remuneration Policy seeks to promote responsible business, fair dealing with customers and avoiding conflicts of interest in relations with customers, so that the monetary/non-monetary rewards do not become an incentive for employees to pursue their own interests, the interests of the Bank or any other company of the Group to the detriment of customers' interest.

Key features of the remuneration structure, including information on the criteria used to assess performance, and risk adjustment, deferral policies and award criteria. The ratio between fixed and variable remuneration.

The Bank and the Group companies, depending on their size, the nature, scale and complexity of their operations and the risks they take, are subject to fixed remuneration and variable remuneration (remuneration components):

- Fixed remuneration for employees consists of (i) official remuneration and (ii) additional benefits.
- Fixed remuneration for the Supervisory Council members who are not employees consists of (i) official remuneration (ii) supplement to the official remuneration.
- Variable remuneration of employees is defined as (i) annual variable remuneration, (ii) supplements, (iii) one-time bonuses.
- No variable remuneration is granted to members of the Supervisory Council of the Bank.

Detailed information on the components of remuneration at the Bank and Group companies is provided in the Remuneration Policy, which is published on the Bank's website.

Variable remuneration can be granted to all employees, while maintaining an appropriate balance between the ratio of fixed and variable remuneration components, and the ability to pursue a flexible policy regarding variable remuneration components, i.e., the variable remuneration granted during one (1) calendar year may not exceed 100 per cent of the amount of fixed remuneration components received in the same one (1) calendar year for which variable remuneration was granted in order to promote sound and effective risk management, unless the General Meeting of Shareholders of the Bank increases the maximum ratio of variable to fixed remuneration in accordance with legal requirements up to 200 per cent.

The Group does not offer guaranteed variable remuneration.

The actual ratio between variable and fixed remuneration in the Group is calculated by adding up all components of the variable remuneration awarded over a certain period and dividing their sum by the amount of the components of fixed remuneration awarded during the same period. For calculating the ratio of variable to fixed remuneration for a Nominated Employee, the variable remuneration is deemed to be the amount of severance pay in excess of the Bank's obligations to the Nominated Employee in respect of the severance pay arising out of the employment contract or the requirements of the applicable legislation. The calculation of the fixed remuneration includes salary, holiday pay, sick leave, daily subsistence allowance, fringe benefits (pension insurance, health insurance contributions, cash gifts/benefits, prizes, allowances, etc.), and the amount of the severance pay in accordance with the Bank's obligations to the Nominated Employee in respect of the severance pay arising out of the employment contract or from the requirements of any applicable legislation. For the purpose of calculating the variable remuneration, the following is included: the annual variable remuneration awarded for a given year of work (in cash and in financial instruments), supplements, lump-sum bonuses, and the amount of any severance pay in excess of the Bank's obligations to the Nominated Employee in respect of the severance pay arising from the employment contract or from the requirements of any applicable legislation.

In accordance with the Bank's Remuneration Policy, the salary, and the bonus to the salary of the members of the Supervisory Council of the Bank is paid irrespective of the member's status, age, nationality or experience:

- Salary paid to a member of the Supervisory Council of the Bank is an annual cash remuneration of EUR 50,000 (before applicable taxes) paid to the member of the Supervisory Council for the performance of his/her duties as a member of the Supervisory Council *pro rata* on a monthly or quarterly basis or at such other frequency as may be determined in the contract between the Bank and the member of the Supervisory Council.
- A bonus to the salary paid to a member of the Supervisory Council is a monetary supplement paid for the performance of additional functions while performing the duties of a member of the Supervisory Council. The annual bonus to the salary of a member of the Supervisory Council for the position of Chairperson of the Supervisory Council is 200% of the annual salary. The annual bonus to the salary of a member of the Supervisory Council for the position of Chairperson of a committee is 25% of the annual salary. The annual bonus to the salary of a member of the Supervisory Council for the position of a member of a committee is 15% of the annual salary. The annual bonus to the salary of a member of the Supervisory Council is paid on a *pro rata* basis for the preceding month every quarter or at such other frequency as may be determined in the contract between the Bank and the member of the Supervisory Council.

The annual amount of the salary and the percentage of bonuses to the salary paid to a member of the Supervisory Council is approved for the entire term of office by the General Meeting of Shareholders of the Bank when approving the Remuneration Policy.

In accordance with the Bank's Remuneration Policy, annual variable remuneration may only be granted to *Nominated Employees*, except for members of the Supervisory Council of the Bank. Nominated Employees are the members of the Supervisory Council of the Bank, managers and members of the Board of the Bank and part of the Group companies, as well as other employees of the Bank whose professional activities have material impact on the risk profile of the Bank and the Group, due to which such employees are considered to be recipients of variable annual remuneration for the purpose of the applicable laws of the Republic of Lithuania and the European Union and internal documents of the Bank. The list of Nominated Employees is drawn up in accordance with the qualitative and quantitative criteria set out in the Delegated Regulation of the European Commission and additional criteria (if appropriate). The assessment of the Group's Nominated Positions/Employees is carried out by the Chief Risk Officer, the Chief Compliance Officer, and representatives of the Legal and Human Resources Departments. The draft assessment and the Group's List of Nominated Positions, as appropriate, is submitted to the Remuneration Committee for approval and, subject to the approval of the Remuneration Committee, to the Board of the Bank for approval. The Risk, Nomination and Audit Committees are given access to the draft assessment of the Nominated Positions, and their observations, if any, are to be taken into account. All committees involved in the assessment process

may, if necessary, exchange available information related to the assessment of the Nominated Positions. Group companies, with due regard to the applicable special regulatory requirements, designate the Nominated Employees of a specific Group company as well as the principles of variable remuneration applicable to such persons. Such Nominated Employees are not considered to be the Nominated Employees of the Group.

The annual variable remuneration, including the deferred portion thereof, may be awarded, paid and/or granted only provided the financial position of the Bank is sustainable, upon application of *ex-ante* and *post-ante* measures for adjusting variable annual remuneration by risk category (where applicable) and without prejudice to the requirements of other laws. The Bank's assessment of current and potential future risks, including ESG risk, arising from, or directly related to, the payment of annual variable remuneration is based on the Bank's assessment of quantitative and qualitative criteria. Quantitative criteria are the Bank's capital and liquidity ratios, and qualitative criteria are the Bank's business continuity risk management indicators. Annual variable remuneration must be reduced or not paid at all upon motion of the Bank's management/supervisory bodies/Remuneration Committee, if the performance of the Group fails to meet the indicators set out in the strategy, or where losses are recorded, where the Nominated Employee has acted in bad faith or where his/her actions resulted in a loss to the Bank or the Group.

In 2022, no risk-adjustment measures have been applied to the annual variable remuneration for 2021, following *ex-ante* and *ex-post* assessments.

In determining the annual variable remuneration of the members of the Bank's bodies, heads of divisions (other than the Head of Internal Audit Division and other heads of divisions performing internal control functions), significant business units, the Group's performance has a greater weight in the calculation of the annual variable remuneration than the performance of the unit/employee; in determining the annual variable remuneration of control functions and other Nominated Employees, the performance of such employees has a greater weight in the calculation of the annual variable remuneration than the performance of the Group; in determining the annual variable remuneration of Nominated Employees of the Group companies, the performance of the Group company has a greater weight in the calculation of the annual variable remuneration than the overall performance of the Group. The variable remuneration of employees performing control functions is determined in accordance with the objectives of the respective control function and is not dependent on the income generated by the business areas under their control but is partly dependent on the overall performance of the Group.

The annual variable remuneration is divided into two equal parts:

- the immediately payable portion amounting to 50 per cent of the total annual variable remuneration awarded, which is paid in cash.
- for performance up to and including 2021, the deferred portion amounting to 50 per cent of the total annual variable remuneration award is allocated in the Bank's shares. The award of this part of the remuneration is deferred for a period of 3 years from the date of award of the annual variable remuneration to the date of award of the deferred portion, taking into account the potential risks associated with the employee's annual appraisal performance.

In accordance with the new version of the Remuneration Policy (effective as of 30/03/2022):

- the immediately payable portion amounting to 50 per cent of the total annual variable remuneration awarded, which is paid in cash.
- for performance in 2022, the deferred portion amounting to 50 per cent of the total annual variable remuneration award is allocated in the Bank's shares. Taking into account the potential risks related to the results of the annual assessment of the Nominated Employee, as defined in the internal documents of the Bank, the award of this portion of the remuneration is deferred: (i) in the case of the members of the Board of the Bank, the Head of Bank Administration and the senior management of the Bank – for a period of five (5) years from the date of award of the annual variable remuneration until the grant of the deferred portion, (ii) in the case of other Nominated Employees – for a period of four (4) years from the date of award of the annual variable remuneration until the grant of the deferred portion.
- Where the option is available under the law, by decision of the body awarding the annual variable remuneration, the Nominated Employees whose annual variable remuneration for a certain year of service does not exceed EUR 50,000 (gross) and does not amount to more than one third (1/3) of the annual remuneration of the Nominated Employee, may be exempted from the deferment of the annual variable remuneration and its payment in the Bank's shares. In the second half of 2022, the Remuneration Committee approved the proposal to grant the Heads of Control Functions (Nominated Employees), except for the Head of Risk Management Division, who is also a member of the Board, an annual variable remuneration, without any deferral and subject to the stipulated limits.

The deferred portion for a Nominated Employee is approved annually on a *pro-rata* basis or is not approved (where targets are not met, i.e., the qualitative criterion is not met), even if the Bank's financial targets are achieved. If the Nominated Employee or the Bank exceeds the targets, the awarded deferred portion may not be increased, except in the case of *ex-post* adjustments related to shareholder events or tax changes. *Ex-post* risk corrections and *ex-post* corrections related to the performance of the Nominated Employee may be sufficient grounds for adjusting the deferred portion awarded to that Nominated Employee (with reduced or no remuneration at all).

The results of the performance appraisal of a Nominated Employee over the last 3 years as a minimum must be taken into account when approving the deferred portion. Where the duration of the employment relationship or the contract with a Nominated Employee is less than 3 years, account is taken of the available performance assessment data of the employee.

The amount of the annual variable remuneration for Nominated Employees is determined taking into account the results of the assessment of the Group's objectives, the results of the assessment of the achievement of the Group's corporate/departmental/personal objectives by the Nominated Employee and the weight assigned to these objectives, the base coefficients of the annual variable

remuneration approved by the respective body of the Bank, and possible adjustments to the calculated coefficient, which may also be influenced by the employee's non-financial/non-quantitative contribution. Annual variable remuneration is linked to the risk taken by the unit/employee and the performance of the Group/Group company and the unit/employee. The criteria for calculating annual variable remuneration and target ratios are affected by the job position and responsibility, the effect on operating performance as well as the existing and future risks.

In case of expiry of an employment contract with a Nominated Employee, an agreement on the procedure for the payment of annual variable remuneration and/or outstanding portions thereof is made. Any portions of variable remuneration unpaid/not awarded as at the redundancy date of the Nominated Employee shall be paid/awarded taking into account the employee's performance during the period set by the Bank or Group company, his/her period of service during that year, and in such way that the employee is not remunerated if his/her actions resulted in a loss to the Bank or the Group, except for statutory payments under the law. The award/approval of annual variable remuneration takes place under the same procedure and at the same time as the award/approval of variable remuneration for other employees. There is no possibility to recover variable remuneration paid to an employee.

Information on the performance assessment criteria on which the entitlement to shares, options or variable remuneration is based.

The main criteria and reasons for the variable remuneration system and other fringe benefits.

Deferred annual variable remuneration in the Group is only applicable to Nominated Employees, except for members of the Bank's Supervisory Council, whose professional activities have a material impact on the risk profile of the organisation (Group). The annual variable remuneration, including the deferred portion thereof, may be awarded, paid and/or granted only provided the financial position of the Bank is sustainable, upon application of *ex-ante* and *post-ante* measures for adjusting variable annual remuneration by risk category (where applicable) and without prejudice to the requirements of other laws. Annual variable remuneration must be reduced or not paid at all upon motion of the Bank's management/supervisory bodies/Remuneration Committee, if the performance of the Group fails to meet the indicators set out in the strategy, or where losses are recorded, where the Nominated Employee has acted in bad faith or where his/her actions resulted in a loss to the Bank or the Group. Entitlement to the Bank's shares as part of variable remuneration is based on the application of the same performance criteria that apply to the cash portion.

The deferred portion of remuneration is released to the Nominated Employee (the approved shares of the Bank are transferred to his/her ownership) after the expiry of the deferment period. The deferred portion may be released to the Nominated Employee under an option agreement (option contract) between the Bank and the employee whereby the Bank grants the Nominated Employee the right to acquire the Bank's shares free of charge upon the expiry of the deferment period, or other method established by the Board of the Bank may be used. The Bank's shares as a portion of the annual variable remuneration payable to Nominated Employees are awarded in accordance with the *Rules for Awarding Shares* approved by the General Meeting of Shareholders of the Bank; they are awarded to ensure the interest of the Group in increasing employee engagement, promoting long-term employment with the Group, and pursuing its long-term strategic objectives.

Employees are prohibited from personally insuring themselves under insurance strategies or by taking out insurance cover against a decrease of their variable remuneration in order to mitigate the risk determined through the application of the principles for calculating their variable remuneration.

Amounts of payments related to employment termination/end of term of office and notice periods are determined based on the statutory amounts of such payments and/or the duration of such notice periods established in the laws and the procedure laid down in the Remuneration Policy. The maximum possible amount of severance pay to a Nominated Employee is his/her average salary for twelve (12) months, unless the Supervisory Council issues a decision to award a higher payment on a case-by-case basis, without exceeding the prescribed ratio of variable and fixed remuneration. The amount of severance payment and the procedure for awarding it is set out in the internal documents of the Bank.

GENERAL QUANTITATIVE INFORMATION ON REMUNERATION

Average monthly remuneration of the Bank's and the Group's employees before taxes

	Bank				Group			
	Managing employees		Other employees		Managing employees		Other employees	
	Average number of employees	Average monthly remuneration, EUR	Average number of employees	Average monthly remuneration, EUR	Average number of employees	Average monthly remuneration, EUR	Average number of employees	Average monthly remuneration, EUR
2021	74	7,765	643	1,867	89	7,391	725	1,882
2022	73	9,694 ¹	680	2,198	87	9,404 ²	759	2,347

^{1,2} This figure excludes severance payments made to two members of the Board in 2022 in connection with the termination of their employment, which would result in an average monthly salary of EUR 10,841 for the Bank and EUR 10,367 for the Group respectively.

Information on the salaries of employees of the Bank and the Group in 2021 and 2022, before taxes

In the tables below:

- Information on executives; members of the governing bodies exercising management functions, persons performing internal control functions and persons performing administrative functions is presented separately but is also included in the data under Business areas.

- *Executives, members of the management body exercising the management function* should be understood as members of the Board of the Bank and the Bank's Chief Executive Officer, members of the Board and the Director of SB Lizingas UAB, members of the Board and the Director of SB Draudimas UAB; executives of the other companies in the Group are only represented in the data under *Business areas*.
- *Persons performing internal control functions* should be understood as staff responsible and accountable to the management body for the activities of the independent risk management function, the compliance function, or the internal audit function.
- *Persons performing administrative functions* should be understood as staff in charge of the division responsible for legal affairs, finance, including tax and budget, the reliability of accounting policies and procedures, economic analysis, the prevention of money laundering and terrorist financing, human resources, the development or implementation of remuneration policies, information technology, information security, and the outsourcing of services related to essential or critical business functions.
- *Fixed remuneration* includes payments made in the respective year: main salary, payments for leave, payments for sick leave, income in kind, fringe benefits (e.g., pension insurance, health insurance contributions, gratuities/cash benefits, prizes, funeral allowances, etc.); a fixed/defined portion of the severance pay; the amount of the severance pay in accordance with the Bank's obligations to the Nominated Employee in respect of the severance pay arising out of the employment contract or from the requirements of any applicable legislation.
- *Variable remuneration* includes payments made in the respective year: quarterly bonuses and premiums; cash portion of the annual variable remuneration awarded (deferred portion of the annual variable remuneration awarded in shares is excluded); deferred share-based components of annual variable remuneration paid; and the fixed/defined portion of the severance pay; the amount of any severance pay in excess of the Bank's obligations to the Nominated Employee in respect of the severance pay arising from the employment contract or from the requirements of any applicable legislation.
- Values in the *Total* column are calculated by adding together the information under *Business areas*.

	Managers; Members of the management body performing the management function	Persons performing internal control functions	Persons performing administrative functions	Business areas			Total
				Traditional banking and lending	Treasury and other activities	Business management function	
Bank							
<i>Number of employees as at 31/12/2021</i>	7	3	4	381	16	320	717
<i>Fixed remuneration in 2021, thousand EUR</i>	1,482	217	893	6,780	452	10,525	17,757
<i>Variable remuneration in 2021, thousand EUR</i>	649	71	301	1,385	103	2,061	3,549
Group							
<i>Number of employees as at 31/12/2021</i>	14	3	8	424	70	320	814
<i>Fixed remuneration in 2021, thousand EUR</i>	2,079	217	1,106	7,983	1,789	10,525	20,297
<i>Variable remuneration in 2021, thousand EUR</i>	825	71	390	1,454	136	2,061	3,651
Bank							
<i>Number of employees as at 31/12/2022</i>	5	6	4	347	16	406	774
<i>Fixed remuneration in 2022, thousand EUR</i>	1,854	449	791	7,809	520	12,723	22,906
<i>Variable remuneration in 2022, thousand EUR*</i>	1,894	145	351	2,084	166	4,129	8,273
Group							
<i>Number of employees as at 31/12/2022</i>	13	6	8	398	64	406	881
<i>Fixed remuneration in 2022, thousand EUR</i>	2,483	449	1,089	9,138	2,237	12,723	26,581
<i>Variable remuneration in 2022, thousand EUR*</i>	2,270	145	530	2,619	253	4,129	9,271

Information on the remuneration of Nominated Employees of the Bank and the Group in 2022, before tax

As at 31 December 2022, the Group had 31 Nominated Employees, of whom: 24 at the Bank, 4 at SB Lizingas UAB, 3 at Gyvybės Draudimo UAB SB Draudimas, holding the Nominated Positions, whose professional activities have a significant impact on the risk profile of the Group, and that have been determined by the Board of the Bank in accordance with the applicable legislation of the Republic of Lithuania and European Union, and the internal documents of the Bank.

The tables below show:

- information on the fixed remuneration of the members of the management body performing the Bank's supervisory function (members of the management body performing the Bank's supervisory function do not receive variable remuneration).
- fixed and variable remuneration of Nominated Employees of the Bank and the Group, broken down by Business areas. The Nominated Employees have been identified by their position at 31 December 2022, but for the period worked, the fixed and annual variable remuneration data also includes information for the Nominated Employees made redundant in 2022.
- The information provided on persons performing internal control functions and persons performing administrative functions, who are also executives; members of management bodies performing management functions, is duplicated in the relevant columns but is also included in the data under Business areas.
- Information on executives; members of the governing bodies exercising management functions, persons performing internal control functions and persons performing administrative functions is presented separately but is also included in the data under Business areas.
- Values in the Total column are calculated by adding together information under Members of the management body performing the supervisory function and under Business areas.

	Bank	Members of the management body performing supervisory function	Employees taking significant risks (Nominated Employees)						Total
			Managers: Members of the management body performing the management function	Persons performing internal control functions	Persons performing administrative functions	Business areas			
						Traditional banking and lending	Treasury and other activities	Business management function	
FIXED REMUNERATION in 2022, thousand EUR	576	1,854	449	791	946	135	2485	4,142	
Number of beneficiaries	7	5	6	4	10	2	13	32	
ANNUAL VARIABLE REMUNERATION for 2021 awarded in 2022, thousand EUR	-	1,142	116	448	688	96	1,332	2,116	
Annual variable remuneration for 2021 paid out in cash in 2022, thousand EUR	-	571	58	224	344	48	666	1,058	
Deferred annual variable remuneration for 2021 awarded in shares in 2022, thousand EUR	-	571	58	224	344	48	666	1,058	
Deferred annual variable remuneration for 2021 awarded in shares in 2022, number of shares	-	766	77	301	461	64	892	1,417	
Number of beneficiaries	-	7	4	3	10	2	11	23	
Annual variable remuneration as % of fixed remuneration	-	62%	26%	57%	73%	71%	54%	51%	
Payments related to termination in 2022, thousand EUR	-	1,005	-	-	-	-	1,005	1,005	
Maximum amount per person, thousand EUR	-	717	-	-	-	-	717	717	
Number of beneficiaries	-	2	-	-	-	-	-	2	
Guaranteed variable remuneration in 2022, thousand EUR	-	-	-	-	-	-	-	-	
Number of beneficiaries	-	-	-	-	-	-	-	-	
Annual variable remuneration awarded in shares for 2018 paid in 2022, thousand EUR	-	502	13	165	272	40	658	970	
Deferred annual variable remuneration awarded in shares for 2019 outstanding at 31/12/2022, thousand EUR (awarded in 2020, to be paid in 2023)	-	493	40	162	306	42	641	989	
Deferred annual variable remuneration awarded in shares for 2020 outstanding at 31/12/2022, thousand EUR (awarded in 2021, to be paid in 2024)	-	511	122	187	311	44	654	1,009	
Deferred annual variable remuneration awarded in shares for 2021 outstanding at 31/12/2022, thousand EUR (awarded in 2022, to be paid in 2025)	-	450	45	177	271	38	570	879	

In 2022, one Nominated Employee in the Bank was paid total remuneration (fixed and variable) in the range of EUR 1 million to EUR 1.5 million.

	Group	Members of the management body performing supervisory function	Employees taking significant risks						Total
			Managers: Members of the management body performing the management function	Persons performing internal control functions	Persons performing administrative functions	Business areas			
						Traditional banking and lending	Treasury and other activities	Business management function	
FIXED REMUNERATION in 2022, thousand EUR	576	2,435	449	1,062	1,313	384	2,485	4,758	
Number of beneficiaries	7	13	6	7	14	5	13	39	
ANNUAL VARIABLE REMUNERATION for 2021 awarded in 2022, thousand EUR	-	1,516	116	600	976	182	1,332	2,490	
Annual variable remuneration for 2021 paid out in cash in 2022, thousand EUR	-	758	58	300	488	91	666	1,245	
Deferred annual variable remuneration for 2021 awarded in shares in 2022, thousand EUR	-	758	58	300	488	91	666	1,245	
Deferred annual variable remuneration for 2021 awarded in shares in 2022, number of shares	-	1016	77	375	654	121	892	1,667	
Number of beneficiaries	-	7	4	3	10	2	11	23	
Annual variable remuneration as % of fixed remuneration	-	62%	26%	56%	74%	47%	54%	52%	
Payments related to termination in 2022, thousand EUR	-	1,005	-	-	-	-	1,005	1,005	
Maximum amount per person, thousand EUR	-	717	-	-	-	-	717	717	
Number of beneficiaries	-	2	-	-	-	-	2	2	
Guaranteed variable remuneration in 2022, thousand EUR	-	-	-	-	-	-	-	-	
Number of beneficiaries	-	-	-	-	-	-	-	-	
Annual variable remuneration awarded in shares for 2018 paid in 2022, thousand EUR	-	630	13	221	388	52	670	1,110	
Deferred annual variable remuneration awarded in shares for 2019 outstanding at 31/12/2022, thousand EUR (awarded in 2020, to be paid in 2023)	-	634	40	223	431	58	657	1,146	
Deferred annual variable remuneration awarded in shares for 2020 outstanding at 31/12/2022, thousand EUR (awarded in 2021, to be paid in 2024)	-	652	122	246	439	57	687	1,183	
Deferred annual variable remuneration awarded in shares for 2021 outstanding at 31/12/2022, thousand EUR (awarded in 2022, to be paid in 2025)	-	597	45	237	384	71	603	1,058	

MAIN INVESTMENTS DURING THE REPORTING PERIOD

The table below shows the main investments made by the Bank's group during the reporting period, in EUR thousand:

Acquisition of property, plant and equipment, investment property and intangible assets	3,424
Acquisition of debt securities at amortized cost	396,788
Acquisition of investment securities at fair value	38,478

COMPANIES COMPRISING GROUP

	Nature of activities	Registration date	Company code	Address	Tel.	e-mail, website
Šiaulių Bankas AB	commercial banking	04/02/1992	112025254	Tilžės str. 149 LT-76348 Šiauliai	+370 41 595 607	info@sb.lt , www.sb.lt

The Bank directly controls the following subsidiaries

SB Lizingas UAB	finance lease, consumer credits.	14/07/1997	234995490	Laisvės al. 80, LT-44249 Kaunas	+370 37 407 200	info@sb.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

*in liquidation

**not consolidated under IFRS 10 requirements

The Bank indirectly controls the following subsidiaries:

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

OTHER INFORMATION, PUBLISHED
INFORMATION AND MAJOR EVENTS**TRANSACTIONS WITH RELATING PARTIES**

Information on these transactions with related parties is provided in note 30 to the Bank's financial statements for the year 2022.

INFORMATION ON SANCTIONS IMPOSED

During 2022, neither Šiaulių Bankas nor the Group companies were subject to any sanctions.

INFORMATION ON RESEARCH AND DEVELOPMENT ACTIVITIES

The Bank is constantly investing and looking for ways to ensure expansion and better operational efficiency.

INFORMATION ABOUT HARMFUL TRANSACTIONS

During the reporting period, no harmful transactions that were not in accordance with the Bank's objectives, normal market conditions, harming the interests of shareholders or other groups of persons and which had or could have a negative impact on the Bank's activities or results of operations were concluded. There were also no transactions where the Bank's executives, controlling shareholders or other related parties would have been in a conflict of interest due to their different duties to the Bank and their private interests and / or duties.

REPORTS ON MATERIAL 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](#)

ANNEXES

ANNEX 1. Social Responsibility Report for 2022 <https://www.sb.lt/en/investors/social-responsibility>

ANNEX 2. Report on the Bank's Corporate Governance for 2022

ANNEX 3. Remuneration Report for 2022

Chief Executive Officer
2023-03-06



Vytautas Sinius

REPORT ON THE BANK'S CORPORATE GOVERNANCE FOR 2022

(Annex to the Consolidated Annual Report for 2022)

Tilžės 149, LT-76348 Šiauliai
Tel. (8 41) 595 607, faks. (8 41) 430 774
El. paštas info@sb.lt
www.sb.lt

Following Article 23¹ s of the Law of the Republic of Lithuania on Financial reporting by Undertakings the Bank discloses its compliance its specific provisions and recommendations.

[Clause 1. Reference \(s\) to the applicable Corporate Governance Code \(Codes\) and where it is \(they are\) published and / or a reference to all publicly available information on corporate governance practices.](#)

The Bank's shares are traded on a regulated market and are listed on the Nasdaq Baltic Main List. Following Article 12(3) of the Law on Securities of the Republic of Lithuania and clause 25.4 of the Listing Rules of Nasdaq Vilnius, the Governance Code for the companies quoted on the Nasdaq Vilnius applies to the Bank, which has been prepared by Nasdaq Vilnius in accordance with the Commission recommendation 2014/208/ES dated 09 April 2014 approved by the European Commission regarding quality of governance reporting provided by undertakings. The Bank follows the Corporate Governance Report form approved by the Board of Nasdaq Vilnius AB on 15 January 2019 which is prepared in accordance with the Governance Code for Listed Companies approved by the Board of Nasdaq Vilnius on 15 January 2019.

[Clause 2. In the event of a deviation from, and / or non-compliance with the applicable provisions of corporate governance code \(s\), the provisions being deviated from and / or not complied with and the reasons for it.](#)

Following Article 12(3) of the Law on Securities of the Republic of Lithuania and clause 25.4 of the Listing Rules of Nasdaq Vilnius AB, the Bank discloses its compliance with the Governance Code for the companies quoted on the Nasdaq Vilnius AB, its specific provisions and recommendations. Where the Bank does not meet some of its provisions or recommendations, it is indicated which specific provisions or recommendations are not met and explanatory information is provided.

Free Form Summary of the Corporate Governance Report

According to the Articles of Association, the Bank's bodies are the General Meeting of Shareholders, the Supervisory Council, the Management Board and the Chief Executive Officer. The Bank's Supervisory Council is a collegial eight-member supervisory body with five independent members. The Management Board of the Bank is a seven-member collegiate executive body of the Bank, consisting of the Chief Executive Officer, Deputy Chief Executive Officers and Heads of Bank Divisions. The Bank has 6 committees. 4 Committees – Risk, Audit, Nomination, Remuneration – are formed by the decision of the Supervisory Council from the members of the Supervisory Council, 2 Committees – Loan and Risk Management – by the decision of the Management Board.

The Supervisory Council is elected by the General Meeting of Shareholders for the term of 4 years. The Management Board of the Bank is also elected by the Supervisory Council for a 4-year term. The Management Board elects and dismisses the Chief Executive Officer and his/her Deputies, determines the remuneration of the Chief Executive Officer and other conditions of the employment contract.

More information on the Bank's corporate governance, shareholders' rights, activities of the Supervisory Council, Management Board and Committees, members, internal control and risk management systems is provided in the Bank's consolidated annual report for the year ended 31 December 2022.

Structured table for disclosure

PRINCIPLES/ RECOMMENDATIONS	YES /NO/NOT APPLICABLE
<i>1 Principle. General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights.</i>	
The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.	
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms.	Yes
COMMENT	
The information required by legislation and the Bank's documents is publicly available on the Bank's website in Lithuanian and English. All shareholders have the same statutory rights to attend general meetings.	
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes
COMMENT	
The Bank's authorised capital consists of 600,726,263 ordinary registered shares with a par value of EUR 0.29 each. Each share grants one vote at the general meeting. All shares of the Bank entitle the holders to equal rights.	
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes
COMMENT	
The Bank's website contains the Bank's Articles of Association which establish the rights granted to the holders of the Bank's shares. When new shares are issued, the rights granted by the shares shall be disclosed in the prospectus and in other publicly available issue documents.	
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	No
COMMENT	
When approving the Articles of Association of the Bank, the General Meeting of Shareholders transferred the right to approve the decisions of the Management Board regarding the sale of a significant part of the assets to the Supervisory Council of the Bank (without prejudice to the requirements of the Law on Companies of the Republic of Lithuania). It should be noted that in the event of a particularly significant transaction, the Bank's bodies, the Management Board or the Supervisory Council, could decide to convene a GMS on this issue, although such an obligation is not directly enshrined in the Bank's Articles of Association.	
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes
COMMENT	
The General Meetings of Shareholders of the Bank are held in Šiauliai at an address and time announced in advance. Ordinary shareholders' meetings are held at the end of March (i.e., within 3 months after the end of the financial year) extraordinary – when necessary. The notice convening the General Meeting of Shareholders shall specify that the draft resolutions may be submitted in writing or by e-mail before the time indicated on the date of the meeting and shall be communicated to the chairperson after he/she has announced the agenda of the meeting, until the meeting begins to discuss the agenda items.	
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Yes

COMMENT

All information and documents of the General Meeting of Shareholders are drafted in Lithuanian and English and are publicly available on the Bank's website and through the GlobeNewswire information delivery system regulated by the Nasdaq Baltic.

1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.

Yes

COMMENT

The Bank's shareholders have the right to participate in the shareholders' meeting both in person and through a representative, by issuing a duly authorised proxy or concluding a transfer of voting rights in accordance with the procedure established by legal acts. Shareholders are also provided with the opportunity to vote in writing in advance by completing the general ballot paper and submitting it to the Bank prior to the meeting.

1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.

No

COMMENT

Due to the specific nature of the Bank's share accounting, where voting is done through intermediaries and the beneficial owners of part of the shares are not known to the Bank prior to the disclosure at the General Meeting of Shareholders, the Bank does not itself encourage or initiate the possibility to participate and vote in General Meetings of Shareholders by electronic means of communication. However, the Bank would be prepared to allow shareholders to participate in the General Meeting of Shareholders and to vote by electronic means and to provide voting instructions, if so requested by shareholders holding shares carrying at least 1/10 of the total votes.

1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.

Yes

COMMENT

The information made public together with the draft resolutions discloses information about the proposed candidates, as well as data on the candidates' education, professional experience and other positions held. Information on the remuneration paid to the members of the Supervisory Council is set out in the Remuneration Policy, which is approved by the Bank's General Meeting of Shareholders and published on the Bank's website. In 2022, three (3) new members were elected to the Supervisory Council of the Bank, two (2) of whom are independent, by submitting to the General Meeting of Shareholders information about the work experience and other positions held by the candidates, along with the details of each candidate's education. The name of the audit company proposed for election to the General Meeting of Shareholders and the proposed remuneration for audit services are provided in the draft resolution for the relevant item on the agenda of the meeting.

1.10. Members of the company's collegial management body, heads of the administration¹ or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.

Yes

COMMENT

General Meetings of Shareholders, which are organised and coordinated in advance, are always attended by persons who can provide information related to the agenda of the meeting. Proposed candidates shall always attend the General Meeting of Shareholders who elect the members of the Supervisory Council except in special cases (e.g., if physical attendance at the meeting would not be possible due to the quarantine regime or other important circumstances).

¹ For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

II Principle. Supervisory Council

2.1 Functions and liability of the supervisory council

The supervisory council of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company. The supervisory council should ensure the integrity and transparency of the company's financial accounting and control system.

2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare. Yes

COMMENT

The members of the Supervisory Council act in accordance with the principles of good governance and perform their functions taking into account the interests of the Bank and its shareholders, depositors and other interested third parties. The obligations specified in the recommendation are enshrined in the agreement on the activities of a member of the Supervisory Council and in the Rules of Procedure of the Supervisory Council.

2.1.2. Where decisions of the Supervisory Council may affect the interests of the company's shareholders differently, the Supervisory Council should treat all shareholders impartially. It should ensure that shareholders are properly informed about the company's strategy, risk management and control and resolution of conflicts of interest. Yes

COMMENT

The Supervisory Council follows the recommendations. Before making decisions, the members of the Supervisory Council assess their influence on the activities of the Bank and the shareholders of the Bank. The Bank shall comply with the disclosure requirements of listed companies and shall ensure that the Bank's shareholders are properly informed about the Bank's strategy, operations and risk management and control.

2.1.3. The supervisory council should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory council should act and pass decisions without an external influence from the persons who elected them. Yes

COMMENT

When making decisions that have a bearing on the Bank's operations and strategy, the Bank's Supervisory Council acts independently and follows the requirements of legal acts. The work and decisions of the members of the Supervisory Council shall not be influenced by the persons who elected them. The Rules of Procedure of the Supervisory Council include the provision stating that each member shall be prepared and able to act objectively, critically and independently and to make informed, objective and independent decisions.

2.1.4. Members of the supervisory council should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent² members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence. Yes

KOMENTARAS

The members of the Supervisory Council have the right to express their opinion on all issues on the agenda of the meeting, which must be duly reflected in the minutes of the meeting in accordance with the Rules of Procedure of the Supervisory Council. The Rules of Procedure of the Supervisory Council oblige the members of the Supervisory Council to constructively and critically evaluate the proposals, explanations and information submitted to the Supervisory Council. Also, in the event of circumstances that could cause a conflict of interest between a member of the Supervisory Council and the Bank, the member of the Supervisory Council must immediately inform the Bank and the Supervisory Council in writing about such new circumstances. The obligations specified in the recommendation are enshrined in the agreement on the activities of a member of the Supervisory Council and in the Rules of Procedure of the Supervisory Council.

2.1.5. The supervisory council should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks. Yes

COMMENT

The Bank's Supervisory Council supervises the activities of the Bank's bodies in the exercise of its responsibilities, including that all the Bank's strategies (as well as the tax planning strategy) are developed and implemented in accordance with legal acts.

2.1.6. The company should ensure that the supervisory council is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory council and its committees. Yes

² For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

COMMENT

The Bank ensures the Supervisory Council is provided with the resources necessary for its activities – it technically services the meetings of the Supervisory Council, ensures the secretarial function and providing all the necessary information.

The Rules of Procedure of the Supervisory Council also provide for the right of the Supervisory Council to appoint an expert/group of experts to audit and evaluate the financial accounts of the Bank, considering issues within the competence of the Supervisory Council.

II Principle. Supervisory Council

2.2 Formation of the Supervisory Council

The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.

2.2.1. The members of the supervisory council elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory council, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.

Yes

COMMENT

Shareholders, in assessing the qualifications and professional experience of the members of the Supervisory Council, shall vote accordingly at the General Meeting of Shareholders in respect of the proposed candidates to the Supervisory Council.

Before recommending candidates to the Supervisory Council to the General Meeting of Shareholders, the Nomination Committee evaluates the candidates for the members of the Supervisory Council in accordance with the applicable legal regulations and the Bank's internal legal acts. The evaluation also includes a collective evaluation of the Supervisory Council as a body. The diversity of the qualifications, professional experience and competences of the members of the Supervisory Council is ensured by the fact that a member of the Supervisory Council (nominated or already elected at the shareholders meeting) is allowed to start his/her duties only with the permission of the supervisory authority. The supervisory authority shall also assess the individual and collective suitability of the members of the Supervisory Council when issuing authorisations.

The composition of the Supervisory Council is in line with the requirements set out in the Bank's Diversity Policy adopted in 2022, including the criterion of under-representation of the genders in the Bank's collegial body.

2.2.2. Members of the supervisory council should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.

Yes

COMMENT

The Supervisory Council is elected for four years. The number of terms of office of a person in the Supervisory Council shall not be limited. The General Meeting of Shareholders may remove the entire Supervisory Council or its individual members before the end of the term of office and may elect new members until the end of the term of office of the existing Supervisory Council.

2.2.3. Chair of the supervisory council should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory council either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.

Yes

COMMENT

The other (former) duties of the Chair of the Supervisory Council do not prevent him/her from acting impartially as the Chair of the Supervisory Council. The current Chairman of the Supervisory Council (the independent Supervisory Council member) does not hold any other positions, either has not been the Chief Executive Officer or a member of the Management Board of the Bank.

2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.

Yes

COMMENT

The members of the Supervisory Council devote sufficient time and attention to the duties of the member of the Supervisory Council. Eight (8) meetings of the Supervisory Council were held in 2022, of which three (3) were extraordinary and exclusively related to a transaction with a related party ([notice](#)). All members of the Supervisory Council attended four (4) ordinary meetings and seven (7) out of eight (8) attended one (1). Two (2) extraordinary meetings of the Supervisory Council, convened as a matter of urgency, were attended by all members of the Supervisory Council, while one (1) member of the Supervisory Council was absent from one (1) meeting. A member of the Supervisory Council was also absent from all extraordinary meetings due to an identified conflict of interest.

Note. From 5 August 2022 to 31 December 2022, six (6) members of the Supervisory Council served on the Supervisory Council. On 31 December 2022, the two (2) new members of the Supervisory Council elected at the Extraordinary General Meeting of 28 July 2022 were not yet approved by the supervisory authority.

2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.

Yes

COMMENT

There are five (5)³ independent members in the current eight (8)-member Supervisory Council, whose term is until the ordinary General Meeting of Shareholders in 2024. This information is disclosed in the Bank's consolidated annual reports and the information published on the website of the Bank. The Supervisory Council has not decided that any of the current independent members cannot be considered independent.

2.2.6. The amount of remuneration to members of the supervisory council for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.

Yes

COMMENT

For their activities and participation in meetings, the members of the Supervisory Council are paid a fixed remuneration which consists of a salary and a bonus paid for performing additional functions while holding the position of a member of the Supervisory Council (Chair of the Supervisory Council, Chair of the Committee, Committee member).

The annual amount of the official remuneration and the percentage of bonuses to the official remuneration paid to a member of the Supervisory Council for the entire term of office shall be approved by the General Meeting of Shareholders of the Bank when approving the Remuneration Policy.

2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.

Yes

COMMENT

Each year, the members of the Supervisory Council participate in the overall process of assessing the effectiveness of the Bank's internal management system, which includes assessing its structure, organisation and ability to act as a group, as well as assessing whether the Supervisory Council had achieved the set performance targets. The composition and operating procedures of the Supervisory Council are specified in the Bank's Articles of Association and published in the annual reports.

III Principle. Management Board

3.1 Functions and liability of the management board

The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.

3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.

Yes

COMMENT

The Bank's Management Board ensures the implementation of the Bank's strategy as approved by the Supervisory Council.

3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.

Yes

COMMENT

The Bank has a Supervisory Council, accordingly the Management Council, performs the functions assigned to it by law and the Bank's Articles of Association.

The duty to act in good faith, diligently, responsibly and prudently, to make decisions for the benefit of the Bank and its shareholders and taking into account their legitimate interests is enshrined in the Rules of Procedure of the Management Board of the Bank.

³ Mr. Okmanas, who was elected as an independent member of the Supervisory Council at the Extraordinary General Meeting of Shareholders held on 28 July 2022, has not yet been approved by the supervisory authority to take up his duties as at 31 December 2022

3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers. Yes

COMMENT

The Board of the Bank ensures compliance with laws and internal policies. As set out in the Bank's Articles of Association, the Management Board monitors the implementation of the Bank's risk management policy, independent risk management and compliance, effective functioning of the Bank's internal control system, how appropriate is governance structure, compliance with set principles, values, and code of conduct. The Management Board monitors and supervises whether the actions of the Bank's administration are in accordance with the Bank's strategy, policies, business plans, budget implementation and, where appropriate, special external or internal factors (e.g., non-standard financial sector developments, regulatory changes, supervisory requirements, substantial deviation from business plans, budget) may revoke decisions made by the Chief Executive Officer of the Bank.

3.1.4. Moreover, the management board should ensure that the measures included into the [OECD Good Practice Guidance](#)⁴ on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards. Yes

COMMENT

The Management Board is responsible for enforcing applicable laws, regulations and standards in the areas of internal control, ethics and compliance, including those included in the OECD Guidelines. The Bank has various documents in place to ensure internal control, ethics and compliance management measures, such as: Code of Ethics; Policy for Anti-Corruption and Unacceptable Conduct; Compliance Policy of the Šiaulių Bankas Group; Financial Crime Prevention and Sanctions Compliance Policy; Standard for Prevention of Money Laundering and Terrorist Financing; Conflict of Interest Management Policy; Risk Management Framework; Risk Management Strategy, etc.

3.1.5. On Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards. Yes

COMMENT

When appointing the Bank's Chief Executive Officer, the Management Board of the Bank takes into account the balance of his/her qualifications, skills, experience and competence, as well as his good reputation. It is also taken into account whether the supervisory authority has not objected to such appointment.

III Principle. Management Board

3.2 Formation of the management board

3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks. Yes

COMMENT

The qualifications and professional experience of the members of the Management Board are assessed by the Supervisory Council by voting in favour of the proposed candidates to the Management Board. Before recommending candidates to the Management Board to the Supervisory Council, the Nomination Committee evaluates the candidates to the Management Board in accordance with the applicable legal regulations and the Bank's internal legal acts. The evaluation also includes a collective evaluation of the Management Board as a body. The diversity of the qualifications, professional experience and competences of the members of the Management Board is ensured by the fact that a member of the Management Board (nominated or already elected by the Supervisory Council) is allowed to start his/her duties only with the permission of the supervisory authority. When granting authorisations, the supervisory authority assesses the individual and collective suitability of the members of the Management Board of the Bank.

3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report. Yes

⁴ Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: <https://www.oecd.org/daf/anti-bribery/44884389.pdf>

COMMENT

Information on candidates to the Management Board of the Bank, including their curriculum vitae and declaration of interests, shall be submitted to the meeting of the Bank's Supervisory Council at which the Management Board or its individual members are elected. Information about the positions held by the members of the Management Board or their participation in the activities of other companies is constantly collected, stored and presented in the Bank's consolidated annual report and on the Bank's website.

3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.

Yes

COMMENT

Members of the Management Board are familiarised with their duties, activities, organisational and governance framework of the Bank, its strategy and operations.

3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and frequent reapproval of their status.

Yes

COMMENT

According to the Bank's Articles of Association, the Management Board of the Bank is elected for four years. The number of terms of office of a person in the Management Board shall not be limited. The Supervisory Council may remove the entire Management Board or its individual members before the end of the term of office and may elect new members until the end of the term of office of the existing Management Board.

3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.

Yes

COMMENT

On 4 August 2022, a new Chairman of the Board of the Bank was elected and took up his office on 19 August 2022. The other (current and former) duties of the Chair of the Management Board of the Bank do not prevent him/her from acting impartially as the Chair of the Management Board. The fact that the Chair of the Management Board also is the Chief Executive Officer of the Bank ensures the compliance with the requirement set forth in Article 33(2) of the Law on Banks of the Republic of Lithuania.

3.2.6. Each member should devote sufficient time and attention to the duties of a board member. If a board member attended less than half of the board meetings during the financial year of the company, the company's supervisory council should be informed about it, if the supervisory council is not formed in the company – the general meeting of shareholders.

Yes

COMMENT

Members of the Management Board devote sufficient time and attention to the performance of the duties of a Management Board member.
The minutes of the company record the participation and voting of the members of the Management Board in making decisions.
In 2022, 67 meetings of the Management Board were held, all of which were attended by at least five Management Board members (according to the Rules of Procedure of the Management Board, a meeting may take place and decisions may be taken when at least 2/3 of the members of the Management Board are present).

3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory council is not formed at the company, and some of its members will be independent⁵, it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.

Not applicable

COMMENT

The Bank has a Supervisory Council.

3.2.8. The amount of remuneration to members of the management board for their activity and participation in meetings of the management board should be approved by the general meeting of shareholders.

No

COMMENT

The Bank has a Supervisory Council, which is responsible for electing and removing members of the Management Board. All members of the Management Board also hold other positions in the Bank. In accordance with the Remuneration Policy approved by the General Meeting of Shareholders, the prior approval of the Supervisory Council is required when determining the remuneration and other terms of the employment contract of the members

⁵ For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

of the Management Board holding other positions in the Bank. The Supervisory Council also approves the annual variable remuneration of the members of the Management Board holding other positions in the Bank.

3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.

Yes

COMMENT

In accordance with the Rules of Procedure of the Management Board, the Management Board acts in good faith, with care and responsibly, in accordance with the principles of good governance, and performs its functions in the interests of the Bank's shareholders, clients and other interested third parties. A member of the Management Board shall not have the right to vote and attend the Management Board meeting when dealing with issues related to his/her activities on the Management Board or his/her responsibility, as well as matters in which the member may have an interest, or where the lack of objectivity of the member of the Management Board may expose the Bank to other risks.

3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.

Yes

COMMENT

Each year, the members of the Management Board participate in the overall process of assessing the effectiveness of the Bank's internal management system, which includes assessing management structure, organisation and ability to act as a group, as well as assessing whether the Management Board had achieved the set performance targets. The composition and operating procedures of the Management Board are specified in the Bank's Articles of Association and published in the annual reports.

IV Principle. Rules of procedure of the supervisory board and the management board of the company

The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.

4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.

Yes

COMMENT

The legal acts regulating the activities of the Supervisory Council and the Management Board, the Articles of Association and the Rules of Procedure of the Bank, shall establish the principles and procedure of cooperation between the Supervisory Council and the Management Board and ensure that the supervisory and management bodies function properly for the maximum benefit of the Bank and its shareholders. The Management Board of the Bank makes it possible for the Chairman of the Supervisory Council to attend its meetings without the right to vote, if necessary. Management Board members are normally invited to attend meetings of the Supervisory Council.

4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterrupted resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.

Yes

COMMENT

The Supervisory Council and the Management Board of the Bank act in accordance with the procedures established in their Rules of Procedure.

Meetings of the Supervisory Council shall be held at least four times a year and at intervals not exceeding four months. In 2022, 8 meetings of the Supervisory Council were held.

Meetings of the Management Board shall be convened periodically, but at least once a month, in accordance with the Rules of Procedure of the Management Board. In 2022, 67 meetings of the Management Board were held.

4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials

Yes

relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.

COMMENT

The Rules of Procedure of the Supervisory Council and the Management Board provide for a requirement that the notice of the meetings being convened be given in advance.

Meetings of the Supervisory Council are held in accordance with a schedule agreed in advance with the Supervisory Council. Extraordinary meetings are convened as necessary. The agenda of the meeting is prepared by the secretary of the Supervisory Council, approved by the chair and submitted to the members of the Supervisory Council in advance not later than four working days before the meeting, and in case the issue should be solved by way of survey – not later than two working days. The meeting may take place and the resolutions adopted at it will be considered valid even if this procedure is not observed if all members of the Supervisory Council agree to it and this is indicated in the minutes of the meeting.

The Management Board meets according to a pre-agreed meeting schedule, i.e., every week. Extraordinary meetings are convened as necessary, subject to prior agreement with the Chairman of the Management Board. The agenda of the meeting is prepared by the Secretary of the Management Board, coordinated with the Chairman of the Management Board, and made available to all members of the Management Board in advance, at least 3 days before the meeting. Additional urgent items may be included on the agenda of a Management Board meeting only with the consent of the Chair of the Management Board.

4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.

Yes

COMMENT

The dates of all meetings of the Supervisory Council and the Management Board cannot be agreed due to the different frequency of meetings of these bodies. The members of the Management Board are invited to attend all meetings of the Supervisory Council, regardless of the issues discussed at the meeting.

V Principle. Nomination, remuneration and audit committees

5.1 Purpose and formation of committees

The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.

Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.

5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees⁶.

Yes

COMMENT

The Bank's Supervisory Council has formed Audit, Risk, Nomination and Remuneration Committees which operate in the Bank.

5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.

Not applicable

COMMENT

See comment of clause 5.1.1.

5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.

Not applicable

⁶ The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

COMMENT

See comment of clause 5.1.1.

5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.

Yes

COMMENT

The Nomination and Remuneration Committees have three members each, and the Risk and Audit Committees has four members each. The committees are composed of members of the Supervisory Council who are appointed to the committees taking into account their competence. The Remuneration and Nomination Committees have two independent members of the Supervisory Council, the Risk Committee – three members, and the Audit Committee is fully comprised of the independent members. Chairs of all committees are independent members of the Supervisory Council. The Chairman of the Supervisory Council is also the Chairman of the Nomination and Remuneration Committees.

5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.

Yes

COMMENT

The recommendation is implemented through the committees of the Supervisory Council formed and operating in the Bank. The powers (functions, rights and duties) of the committees of the Supervisory Council are determined by the Supervisory Council by approving the operating regulations of each committee. The chairs of the committees shall present to the Supervisory Council information on the activities of each committee between the meetings of the Supervisory Council at the beginning of each meeting of the Supervisory Council, as well as the annual reports of the committees to the Supervisory Council. The powers of the committees, their composition and other information are published in the Bank's annual and semi-annual reports.

5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.

Yes

COMMENT

Only Bank employees or other persons (experts) invited by the committee may attend and participate in the meetings of the committees. The chairs of the committees are enabled to communicate directly with the shareholders.

V Principle. Nomination, remuneration and audit committees

5.2 Nomination committee

5.2.1. The key functions of the nomination committee should be the following:

- 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected;
- 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought;
- 3) devote the attention necessary to ensure succession planning.

Yes

COMMENT

The main functions of the Bank's Nomination Committee are in line with this recommendation.

5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.

Yes

COMMENT

Consultations between the Nomination Committee and the Chief Executive Officer of the Bank take place through the information and documents required for the decisions of the Nomination Committee which are prepared by the Secretary of this Committee – Director of the Bank's Personnel Department who coordinates all the issues relating to employment relations with the Chief Executive Officer.

V Principle. Nomination, remuneration and audit committees

5.3 Remuneration committee

The main functions of the remuneration committee should be the following:

Yes

- 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so;
- 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned;
- 3) review, on a regular basis, the remuneration policy and its implementation.

COMMENT

The main functions of the Bank's Remuneration Committee are in line with this recommendation.

V Principle. Nomination, remuneration and audit committees

5.4 Audit committee

5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities⁷ of the audit committee.

Yes

COMMENT

The key functions of the Bank's Audit Committee are described in the Regulations of the Audit Committee and correspond to those specified in legal acts.

5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.

Yes

COMMENT

As provided for in the Regulations of the Audit Committee, the members of the committee must be provided with detailed information regarding the specifics of the Bank's accounting, financial and operational activities. The Bank's management staff and persons responsible for accounting and compiling of the financial statements are required to inform the Audit Committee of the methods of accounting for high-value and non-standard transactions, if the accounting of these transactions can be managed by different methods as well as activities in preferential trade zones and/or through specialist entities (enterprises, organisations) in order to find out whether such activity is justified.

5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.

Yes

COMMENT

In accordance with the Regulations of the Audit Committee, other employees of the Bank may be invited to attend the meetings of the Audit Committee (as observers or specialists), but they do not have the right to vote in decision making. All those present at a meeting of the Audit Committee shall have access to information on the items on the agenda for which they are invited. Furthermore, in carrying out its duties, the committee shall be entitled to use the assistance of third parties for the purpose of conducting special investigations or other tasks and obtaining the necessary funding from the Bank.

⁷ Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group. Yes

COMMENT

The Bank's Audit Committee, ensuring the effectiveness of the internal audit function, coordinates and periodically assesses the work of internal audit function and discusses the results of inspections, assesses how the identified deficiencies are being eliminated and internal audit plans are being implemented, and, if necessary, takes appropriate actions.

In supervising external auditors or audit firms, the committee shall be aware of the auditors' work programme including the scope of assignments in the financial statements audit, the materiality level applied, and the process of identification of significant risks.

5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions. Yes

COMMENT

The Audit Committee verifies if the Bank complies with the effective provisions concerning the possibility for employees to submit complaints or anonymously report suspicions that significant violations are made within the Bank and aims to ensure that procedures are established for a proportionate and independent investigation of such issues and for the necessary follow-up. The Audit Committee also may demand information on major events and non-compliance events, or whether they have been subject to appropriate measures in a timely manner.

5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved. No

COMMENT

The Bank's Audit Committee reports to the Supervisory Council once a year, when the financial statements are submitted for approval to the Bank's General Meeting of Shareholders.

VI Principle. Prevention and disclosure of conflicts of interest

The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.

The corporate governance framework should recognize the rights of the stakeholders as established by law and promote active cooperation between the company and its stakeholders in creating the company's well-being, jobs and financial stability. In the context of this principle, the term "stakeholders" includes investors, employees, creditors, suppliers, customers, the local community and others with interests in a particular company.

Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value. Yes

COMMENT

The recommendations are followed. This is ensured by the provisions of the Rules of Procedure of the Supervisory Council and the Management Board that a member of the Supervisory Council and the Management Board must avoid activities that may cause a conflict of interest and that he/she must disclose to the Bank any information that may cause or has already caused the conflict of interest and keep the information up to date.

The Bank has also approved the Procedure for the Management of Conflicts of Interest, which establishes measures for the identification, prevention and management of conflicts of interest in the Bank, as well as the rights and duties and responsibilities of the Bank's collegial bodies and employees.

VII Principle. Remuneration policy of the company

The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.

7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy. Yes

<p>COMMENT</p> <p>The Remuneration Policy approved by the General Meeting of Shareholders on 30 March 2022⁸ is published on the website of the Bank. This policy is in line with the long-term strategy of the Bank and is regularly reviewed in accordance with the procedure and on terms provided for in the legal acts.</p>	
<p>7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.</p>	Yes
<p>COMMENT</p> <p>The Remuneration Policy covers all forms of remuneration applied by the Bank.</p>	
<p>7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.</p>	Yes
<p>COMMENT</p> <p>The applicable Remuneration Policy provides for a fixed remuneration for the members of the Supervisory Council, independent of the Bank's performance.</p>	
<p>7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.</p>	Yes
<p>COMMENT</p> <p>According to the Remuneration Policy, amounts of payments related to employment termination/end of term of office and notice periods are determined based on the statutory amounts of such payments and/or the duration of such notice periods established in the laws and the procedure laid down in the Remuneration Policy. The Remuneration Policy also sets the maximum amount of severance pay available to a nominated employee at the sum of twelve (12) months of his/her average salary, unless the Supervisory Council decides to grant a higher amount on a case-by-case basis and subject to the fulfilment of other additional conditions set out in the policy.</p>	
<p>7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.</p>	No
<p>COMMENT</p> <p>The Bank has a system of payment of a part of the annual variable remuneration in the Bank's shares. The Remuneration Policy and other documents regulating the Bank's remuneration system provide for the granting of rights to shares four or five years after the initial appointment (through the Employee Options). The retention of shares after the grant is not provided for the members of the Management Board and the Chief Executive Officer and is in no way linked to the end of their term of office.</p>	
<p>7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.</p>	Yes
<p>COMMENT</p> <p>On 30 March 2022, the Bank's General Meeting of Shareholders approved the Remuneration Policy, which complies with the requirements of the Law on Companies of the Republic of Lithuania and other legislation applicable to the Bank. As of 2021, the Bank publishes information on the implementation of the Remuneration Policy.</p>	
<p>7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.</p>	Yes
<p>COMMENT</p> <p>In 2022, the Ordinary General Meeting of Shareholders approved new versions of the Remuneration Policy and the Rules for Granting Shares. These documents govern the share-based payment option scheme for the recipients of the annual variable remuneration.</p>	

⁸ This version of the Remuneration Policy, as approved by the Bank's General Meeting of Shareholders on 30 March 2022, is effective as of the date of its approval and applies to the full extent, except in respect of the awarding, approving and granting of remuneration to Nominated Employees for their work/performance up to the year 2022, in which case the version of the Remuneration Policy as approved by the Bank's General Meeting of Shareholders on 31 March 2020 shall apply

Changes in the Rules for Granting Shares and Remuneration Policy are possible only by the decision of the General Meeting of Shareholders.

VIII Principle. Role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.

<p>8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.</p>	<p>Yes</p>
<p>COMMENT</p> <p>The Bank identifies employees, shareholders, customers, suppliers and partners, regulators, communities and the public, associates and the media as key stakeholder groups. The rights and legitimate interests of all these groups are respected, and this is more fully disclosed in the Social Responsibility Report.</p>	
<p>8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.</p>	<p>Yes</p>
<p>COMMENT</p> <p>Depending on the stakeholder group, participation is made possible. This is explained in more detail in the Social Responsibility Report. One of the Bank's exclusive instruments is employee participation in the share capital through the payment of part of the annual variable remuneration in the Bank's shares.</p>	
<p>8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>	<p>Yes</p>
<p>COMMENT</p> <p>Stakeholders are given access to the necessary information, except where the information is confidential.</p>	
<p>8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.</p>	<p>Yes</p>
<p>COMMENT</p> <p>The Bank provides different stakeholder groups with different channels for reporting illegal or unethical practices. For employees – through the Bank's internal information system AIS, for shareholders – through investor relations channels, for customers – through the Remote Call Centre, etc.</p>	

IX Principle. Disclosure of information

The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.

<p>9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:</p>	
<p>9.1.1. operating and financial results of the company;</p>	<p>Yes</p>
<p>COMMENT</p> <p>Disclosed quarterly in interim and annual financial statements.</p>	
<p>9.1.2. objectives and non-financial information of the company;</p>	<p>Yes</p>
<p>COMMENT</p> <p>Disclosed in interim and annual financial statements.</p>	
<p>9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary.</p>	<p>Yes</p>
<p>COMMENT</p> <p>It is disclosed on the Bank's website and in its interim and annual statements. The acquisition or disposal of a stake is also publicly announced when the person or group of persons who have acquired or lost the stake inform the Bank thereof in accordance with the established procedure.</p>	

<p>9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;</p>	Yes
<p>COMMENT</p> <p>It is disclosed on the Bank's website and in its interim and annual statements.</p>	
<p>9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;</p>	No
<p>COMMENT</p> <p>Information on the composition and activities of the Committees is disclosed in an annual report. The number of committee meetings and attendance by the members shall not be disclosed.</p>	
<p>9.1.6. potential key risk factors, the company's risk management and supervision policy;</p>	Yes
<p>COMMENT</p> <p>Information on the Bank's risk management and supervision is disclosed in the annual financial statements.</p>	
<p>9.1.7. the company's transactions with related parties;</p>	Yes
<p>COMMENT</p> <p>It is disclosed on the Bank's website in accordance with the criteria established by legal acts and internal documents of the Bank.</p>	
<p>9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);</p>	Yes
<p>COMMENT</p> <p>It is disclosed on the Bank's website in accordance with the criteria established by legal acts and internal documents of the Bank.</p>	
<p>9.1.9. structure and strategy of corporate governance;</p>	Yes
<p>COMMENT</p> <p>It is disclosed on the Bank's website and in its interim and annual statements.</p>	
<p>9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts;</p>	Yes
<p>COMMENT</p> <p>Information on environmental, social and governance (ESG) aspects and the management of these risks is disclosed in the Social Responsibility Report. Information on significant investment projects planned and implemented within the scope of the Bank's activities is published as essential information of the issuer through the regulated information publication system administered by Nasdaq.</p>	
<p>9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.</p>	Yes
<p>COMMENT</p> <p>The Bank discloses consolidated results for the Group as a whole through consolidated interim and annual statements and consolidated annual report.</p>	
<p>9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.</p>	Yes
<p>COMMENT</p> <p>Information on the professional experience, qualifications and potential conflicts of interest of the Bank's Supervisory Council, Management Board and Chief Executive Officer that could affect their decisions is disclosed. The Consolidated Annual Report and the Consolidated Financial Statements disclose information on the total personnel costs, the salaries paid to key executives of the Bank during the year; the Remuneration Report provides detailed information on the remuneration received by each member of the collegial body.</p>	

9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.

Yes

COMMENT

Information is provided to shareholders and investors to the same extent and simultaneously in the Lithuanian and English languages and is publicly available on the Bank's website.

X Principle. Selection of the company's audit firm

The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.

10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm:

Yes

COMMENT

The Bank's consolidated financial statements are audited, and the financial information presented in the annual report is audited by an independent firm of auditors in accordance with the International Standards on Auditing as adopted by the EU.

10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.

Yes

COMMENT

The candidate audit firms are selected by the Audit Committee and proposed to the General Meeting of Shareholders by the Supervisory Council.

10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.

Yes

COMMENT

The fee information for the audit firm for non-audit services (if any) would be disclosed publicly in the Bank's consolidated annual reports. The Supervisory Council and the Management Board have this information at their disposal.

[Clause 3. Information on risk scope and risk management - describes risk management related to financial reporting, risk mitigation measures and the internal control system in place.](#)

More details are provided in the Financial Risk Management disclosure in notes to the financial statements for the year 2022 and on the internal control system in the Consolidated Annual Report 2022.

[Clause 4. Information on significant direct or indirect holdings.](#)

As of 31 December 2022, the following shareholdings have been declared in accordance with the procedure established in the Law on Securities of the Republic of Lithuania and the disclosure rules of the Bank of Lithuania:

- European Bank for Reconstruction and Development (EBRD) holds 21.96% stake, which was reported on 30 December 2021. As at 31 December 2022, the EBRD held a 20.00% shareholding.
- Algirdas Butkus together with his controlled companies Aiva Trading House UAB and Mintaka UAB holds a stake, the acquisition of which was reported on 18 September 2019. The size of the stake on the reporting date was 5.59%, it accounted for 5.33% of the Bank's shares as at 31 December 2022.
- Gintaras Kateiva together with his spouse Vilinda Kateiviene own a 5.29% stake, the acquisition of which was reported on 18 September 2019; on 31 December 2022, it accounted for 5.39%.
- Invalda INVL AB owns a holding of more than 5 per cent of the shares, the acquisition of which was reported on 17 September 2015. The size of the stake on the reporting date was 6.79%; as of 31 December 2022, the holding of Invalda INVL AB owned together with subsidiaries INVL Asset Management UAB and INVL Live UAB accounted for 8.06% of the Bank's shares.
- ME Investicija UAB holds a 5.71% stake, which was reported on 29 December 2021.

Clause 5. [Information on related party transactions as provided for in Article 372 of the Law on Companies \(identifying the parties to the transaction \(legal form, name, code, register of the legal entity, register where the data concerning this entity are collected and stored; natural person's name, address for correspondence\) and transaction value\).](#)

In 2022, the Bank published on its website three notices regarding significant transactions with parties related with the Bank:

NOTIFICATION	08/02/2022
Transactions concluded with SB Lizingas UAB, a subsidiary of Šiaulių Bankas AB. Registration No. 234995490, address: Karaliaus Mindaugo pr. 35, Kaunas. Transaction information:	
<ul style="list-style-type: none"> ▪ credit limit: EUR 135,000,000 (maturity – 30/03/2023, interest rate – 2.6 per cent) ▪ credit limit: EUR 16,000,000 (maturity – 30/09/2022, interest rate – 2.6 per cent) 	
Credit transactions with the party related with Šiaulių Bankas AB were concluded in the ordinary course of business of Šiaulių Bankas under standard market conditions. According to the assessment of Šiaulių Bankas AB, credit transactions and credit transaction terms and conditions are fair and reasonable in relation to Šiaulių Bankas AB and its shareholders who are not parties to these credit transactions	

NOTIFICATION	25/04/2022
Transactions concluded with SB Modernizavimo Fondas UAB, a subsidiary of Šiaulių Bankas AB. Registration number 306057616, address: Tilžės g. 149, Šiauliai. Transaction information:	
<ul style="list-style-type: none"> ▪ loan of EUR 6,875,000 (maturity – 31/12/2032, interest rate – 1.4 per cent and 6-month EURIBOR*) ▪ loan of EUR 30,937,000 (maturity – 31/12/2038, interest rate – 2.7 per cent and 6-month EURIBOR*) ▪ loan of EUR 3,437,500 (maturity – 31/12/2038, interest rate – 2.7 per cent and 6-month EURIBOR*) ▪ loan of EUR 3,437,500 (maturity – 31/12/2046, interest rate – 12.53 per cent and 6-month EURIBOR*) 	
* If the EURIBOR value is negative, it is equalled to 0	
Credit transactions with the party related with Šiaulių Bankas AB were concluded in the ordinary course of business of Šiaulių Bankas under standard market conditions. According to the assessment of Šiaulių Bankas AB, credit transactions and credit transaction terms and conditions are fair and reasonable in relation to Šiaulių Bankas AB and its shareholders who are not parties to these credit transactions	

NOTIFICATION	27/07/2022
Transactions concluded with SB Lizingas UAB, a subsidiary of Šiaulių Bankas AB. Registration No. 234995490, address: Karaliaus Mindaugo pr. 35, Kaunas. Transaction information:	
<ul style="list-style-type: none"> ▪ credit limit: EUR 165,000,000 (maturity – 30/03/2023, interest rate – 2.6 per cent) ▪ credit limit: EUR 7,000,000 (maturity – 30/09/2022, interest rate – 2.6 per cent) 	
Credit transactions with the parties related with Šiaulių Bankas AB were concluded in the ordinary course of business of Šiaulių Bankas under standard market conditions. According to the assessment of Šiaulių Bankas AB, credit transactions and credit transaction terms and conditions are fair and reasonable in relation to Šiaulių Bankas AB and its shareholders who are not parties to these credit transactions	

ADDITIONAL INFORMATION
22/11/2022 On 22 November, Šiaulių Bankas AB and its associated entity Invalda INVL AB (registration No. 121304349, address: Gynėju g. 16, Vilnius) signed an agreement to merge a part of their retail businesses. The value of the transaction is EUR 40.2 million. Following the transaction, Invalda INVL will hold 62,270,383 shares of Šiaulių Bankas which represents 9.39 per cent of the authorised capital of Šiaulių Bankas. For the purpose of closing the transaction, Šiaulių Bankas will issue a new special-purpose share issue, which will be bought by Invalda INVL Group at EUR 0.645 per share.
The transaction is expected to be closed within one year, subject to the receipt of the necessary approvals from the banking supervisors and competition authorities, the adoption of the necessary resolutions by the extraordinary meetings of shareholders of Šiaulių Bankas and Invalda INVL, and the fulfilment of the other conditions set out in the agreement

Clause 6. [Information on and description of shareholders having special control rights.](#)

There are no shareholders with special control rights in the Bank.

Clause 7. Details of any existing restrictions on voting rights, such as restrictions on the exercise of voting rights by a certain percentage or number of persons, the time limits by which voting rights may be exercised or the systems by which ownership of the securities is separated from the shareholder.

As of 31 December 2022, the Bank was not aware of any restrictions on the voting rights attached to the Bank's shares, the time limits for exercising the voting rights, or any voting rights conferred by these shares separated from the shareholder under any systems.

Clause 8. Information on the rules governing the election and replacement of the members of the Board as well as amendments to the Charter of the Company.

According to the Bank's Articles of Association, the members of the Management Board are elected, removed and supervised by the Bank's Supervisory Council. The selection of the members of the Management Board is carried out in accordance with the Regulations on the Selection of Management Board Members, and the evaluation of the candidates to the Management Board is carried out in accordance with the Policy for the Assessment of Managers. In accordance with Policy for the Assessment of Managers, the Nomination Committee evaluates the candidate and recommends that the appointing/electing person/body make a final decision on the respective position in the Bank. A member of the Management Board must also obtain the permission of the supervisory authority before taking up his/her duties at the Bank.

The Bank's Articles of Association are amended by the General Meeting of Shareholders of the Bank. Decisions on the amendment of the Articles of Association are adopted by a majority of votes, which may not be less than 2/3 of all votes granted by the shares of the shareholders participating in the meeting.

Clause 9. Information on the powers of board members.

The Management Board of the Bank is a collegial management body of the Bank consisting of seven (7) members. The term of office of the Management Board is four years and the number of terms is not limited. If individual members of the Management Board are elected, they are elected until the end of the term of office of the existing Management Board. The Management Board acts in accordance with its Rules of Procedure.

The Bank's Management Board shall consider and approve:

- the Bank's annual report;
- the Bank's annual report;
- the governance structure of the Bank and positions of employees; positions for which persons are hired by holding competitions;
- regulations of the branches, representative offices and other separate subdivisions of the Bank;
- the Bank's lending procedure in accordance with the Lending Policy approved by the Bank's Supervisory Council;
- the procedure for issuing guarantees, sureties and assuming other obligations;
- the procedure for writing off loans and other debt obligations;
- regulations of the Loan Committee and Risk Management Committee of the Bank;

The Management Board also elects/appoints and removes the Chief Executive Officer of the Bank and his/her deputies, determines the remuneration of the Chief Executive Officer, other terms and conditions of his/her employment contract, approves his/her job description, promotes him/her and imposes sanctions, determines which information is considered a trade secret and confidential information of the Bank.

The Management Board shall adopt:

- decisions on the Bank becoming the promoter and/or participant of other legal entities;
- decisions on opening branches, representative offices and other separate subdivisions of the Bank and on terminating their activities;
- decisions on the investment, transfer or lease of fixed assets with the book value exceeding 1/20 of the Bank's authorised capital (calculated separately for each type of transaction);
- decisions on the pledge and mortgage of fixed assets with the book value exceeding 1/20 of the Bank's authorised capital (the total amount of transactions is calculated);
- decisions on the issue of guarantees or sureties to secure obligations of other entities in the amount exceeding 1/20 of the Bank's authorised capital;
- decisions on the acquisition of fixed assets for a price exceeding 1/20 of the Bank's authorised capital;
- decisions to issue non-convertible bonds;
- Rules of Procedure of the Management Board;
- decisions on other matters that are considered or decided by the Management Board under the laws and Articles of Association of the Bank.

The Management Board shall set forth:

- the terms and conditions of issue of the Bank's shares;
- the procedure for issuing the Bank's bonds. When the General Meeting decides on the issue of convertible bonds, the Management Board shall have the right to determine additional terms and conditions of their issue and approve the subscription agreements which the Chief Executive Officer or a person authorised by him/her is entitled to sign;
- the recruitment procedure and cases in which employees are hired by the Bank with the approval of the Management Board.

The Management Board shall execute resolutions passed by the General Meeting of Shareholders and the Supervisory Council.

The Management Board shall analyse and evaluate the materials submitted by the Chief Executive Officer of the Bank concerning:

- the strategic business plan of the Bank and information on its implementation;
- organisation of the Bank's activities;
- the Bank's financial position;
- results of economic activity, revenue and expenditure estimates, inventory and other records of changes in assets.

The Management Board analyses and evaluates the draft Rules for Granting Shares and submits it to the Supervisory Council and the General Meeting of Shareholders along with the feedback and proposals. The Management Board, furthermore, analyses and assesses the set of annual financial statements of the Bank and profit/loss distribution project, and submits them to the Supervisory Council and the General Meeting of Shareholders together with the annual report of the Bank, and handles other matters related to the business of the Bank if they do not fall within the competence of other bodies of the Bank under the laws or Articles of Association of the Bank.

The Management Board is responsible for convening and organising the General Meetings of Shareholders in a timely manner.

[Clause 10. Information on the competence of the general meeting of shareholders, rights of shareholders and their implementation, if not provided by law.](#)

The competence of the General Meeting of Shareholders, the rights of shareholders and exercise thereof do not differ from those provided by law.

[Clause 11. Information on the composition of the management, supervisory bodies and their committees, areas of their and company head's activity.](#)

The Supervisory Council is a collegial body supervising the activities of the Bank. The Supervisory Council is chaired by the Chairperson. The Bank's Supervisory Council, consisting of eight (8) members, is elected by the General Meeting of Shareholders for a period of four years. The members of the Supervisory Council are proposed to the General Meeting by the initiators of the General Meeting or shareholders holding 1/20 of the Bank's shares.

Candidates are proposed before or during the meeting. Each candidate to the Supervisory Council shall inform the General Meeting of his/her duties and responsibilities, as well as his/her other activities related to the Bank and other legal entities related to the Bank.

In the election of the members of the Supervisory Council, each shareholder shall have the number of votes attributable to the shares he/she holds multiplied by the number of members of the Supervisory Council being elected. These votes are distributed at the shareholder's discretion, for one or more candidates. The candidates who receive most votes shall be elected.

Five (5) independent members⁹ were elected to the Supervisory Council for this term. The Articles of Association of the Bank provide that the number of terms of office of a member of the Supervisory Council shall not be limited.

The functions of the Supervisory Council are as follows:

- considers and approves the Bank's business strategy, analyses and assesses information on the implementation of the Bank's business strategy, provides this information to the Ordinary General Meeting of Shareholders;
- elects members of the Management Board and removes them from office, submits proposals to the Management Board regarding the candidacy of the Chairperson of the Management Board. Setting the remuneration and other terms and conditions of employment contracts of the members of the Management Board who hold other positions in the Bank, the Chief Executive Officer and his/her deputies requires prior approval of the Supervisory Council. If the Bank is operating at a loss, the Supervisory Council must consider whether the members of the Management Board are suitable for the position;
- elects members of the Audit Committee;
- supervises activities of the Management Board and the Chief Executive Officer of the Bank;
- supervises the implementation of business plans of the Bank, analyses the Bank's revenue and expenses, own investments and capital adequacy issues;
- adopts the Rules of Procedure of the Supervisory Council of the Bank;

⁹ Mr. Okmanas, who was elected as an independent member of the Supervisory Council at the Extraordinary General Meeting of Shareholders held on 28 July 2022, has not yet been approved by the supervisory authority to take up his duties as at 31 December 2022

- approves business plans and annual budget of the Bank;
- approves any type of policies related to the Bank's activities including the risk management policy;
- ensures that the Bank has an efficient internal control system in place;
- submits to the General Meeting of Shareholders feedback and proposals on the draft Rules for Granting Shares;
- makes proposals and comments to the General Meeting of Shareholders on the draft set of annual financial statements of the Bank, profit/loss distribution project and report of the Bank, and the activities of the Management Board and Chief Executive Officer;
- makes proposals to the Management Board and Chief Executive Officer to revoke their decisions that contradict the laws and other legal acts, the Articles of Association of the Bank or decisions of the General Meeting of Shareholders;
- submits to the General Meeting of Shareholders and the Management Board comments and proposals regarding the draft remuneration policy of public limited liability companies whose shares are admitted to trading on a regulated market and the draft remuneration report;
- approves the lending policy and sets forth the procedure for lending that is subject to the approval of the Supervisory Council;
- makes proposals to the Management Board and Chief Executive Officer to revoke their decisions that contradict the laws and other legal acts, Articles of Association of the Bank or decisions of the General Meeting of Shareholders;
- draws up the list of transactions and decisions of the management bodies of the Bank, the conclusion/adoption or execution of which requires the approval of the Supervisory Council;
- passes decisions that fall within the competence of the Supervisory Council under the procedures approved by the Supervisory Council, which the Supervisory Council is required to adopt in accordance with the laws, Articles of Association of the Bank and decisions of the General Meeting of Shareholders;
- considers and decides on other matters that must be considered or decided on by the Supervisory Council under the laws, Articles of Association of the Bank and decisions of the General Meeting of Shareholders.

Management Board of the Bank – see Clause 9.

Chief Executive Officer (CEO) is a single-person management body of the Bank who organises day-to-day activities of the Bank and performs other actions necessary to perform his/her functions, implement the decisions of the Bank's bodies and ensure the Bank's activities.

Functions of the Chief Executive Officer of the Bank:

- to organise day-to-day activities of the Bank;
- to hire and dismiss employees of the Bank, conclude and terminate employment contracts concluded with them, provide incentives to them and impose sanctions on them. The CEO is entitled to authorise another Bank employee to perform actions listed herein;
- to represent the Bank in dealings with other persons, in a court and arbitral tribunal without a separate authorisation;
- to issue and revoke authorisations to represent the Bank and powers of procurations;
- to issue orders;
- to perform other actions necessary to perform his/her functions, implement decisions of the Bank's bodies and ensure the Bank's activities.

Chief Executive Officer is responsible for:

- organising the Bank's activities and achieving its goals;
- drawing up a set of financial statements and annual report of the Bank;
- concluding an agreement with the audit firm;
- submitting information and documents to the General Meeting of Shareholders, the Supervisory Council and the Management Board in the cases provided for in the laws or at the request of the respective bodies;
- submitting documents and data of the Bank to the manager of the Register of Legal Entities;
- submitting documents to the Bank of Lithuania and Lithuanian Central Securities Depository;
- publishing information required by laws and other regulations in sources specified in the Articles of Association of the Bank;
- submitting information to the shareholders;
- fulfilling other duties provided for in laws and regulations, Articles of Association of the Bank and job description of the Chief Executive Officer of the Bank.

The Chief Executive Officer of the Bank shall act on behalf of the Bank and shall have the right to conclude transactions unilaterally, except as otherwise provided for in the Articles of Association of the Bank or decisions of the Bank's bodies.

More information about the composition of management bodies and committees is provided in the summary to this report and the consolidated annual report for 2022, section Bank Management.

Clause 12. The selection of the chief executive officer, members of the management body and supervisory bodies shall be subject to a diversity policy covering aspects such as age, gender, education, professional experience, description, objectives, methods of implementation and results for the reporting period. If the diversity policy is not applied, the reasons for the exclusion shall be explained.

The Bank has a Diversity Policy approved by the Supervisory Council on 5 May 2022, which is publicly available on the Bank's website. Diversity in the Bank is understood in a broad sense, not only in terms of the diversity of the management bodies, but also across the organisation and the Group. Diversity is a situation in which the characteristics of employees and members of management bodies, including their age, gender, education, and professional experience, differ in such a way as to ensure a diversity of views within the Group and, as appropriate, the management bodies. The geographical origin criterion is not mandatory as the Bank does not operate internationally but is seen as an advantage by the Bank. The following Diversity Policy principles and objectives were identified: (i) Fostering the diversity culture; (ii) Increasing the diversity of the management body; (iii) Equality; (iv) Achieving gender balance; (v) Increase of the number of the under-represented gender in management bodies; and (vi) Zero-tolerance to discrimination. At least 25 per cent of the members of the Bank's governing bodies must be women (under-represented gender), with a target of 30 per cent as of 2028 (it should be noted that the current term of office of the Bank's governing bodies is 2020–2024).

Clause 13. Information on all the agreements between the shareholders (their substance, terms).

The Bank does not have any information about any mutual agreements between the shareholders related to the Bank's shares effective as of 31 December 2022.

REMUNERATION REPORT FOR 2022

(Annex to Annual Consolidated Report 2022)

Tilžės 149, LT-76348 Šiauliai
Tel. (8 41) 595 607, faks. (8 41) 430 774
El. paštas info@sb.lt
www.sb.lt

This *Remuneration Report* of the Bank has been prepared and approved in accordance with the procedure set out in the Republic of Lithuania Law on Companies and in compliance with the requirements for remuneration reports and their content laid down in the Republic of Lithuania Law on Financial Statements of Undertakings (Article 23³).

After approval of the Bank's and Group's financial statements for 2022 by the General Meeting of Shareholders of the Bank, this *Remuneration Report* will be published on the Bank's website www.sb.lt, as an annex to the Consolidated Annual Report 2022, for 10 years.

This *Remuneration Report* for 2022 covering the period from 1 January 2022 until 31 December 2022 presents information on remuneration paid to each member of all management and supervisory bodies (the Chief Executive Officer, the Management Board and the Supervisory Council). Members of the management and supervisory bodies were identified based on their positions in the Bank as of 31 December 2022; information on the members who started/stopped working in relevant positions in the court of 2022 is provided as well.

On 30 March 2022, the General Meeting of Shareholders of the Bank did not express a disapproval of or any comments on the *Remuneration Report* for 2021 which, as an annex to the Bank's Consolidated Annual Report, is published on the [Bank's website](#) in a document 'Annual Report of Šiaulių bankas AB and the Bank's Group for 2021'.

The *Remuneration Report* does not include personal data on the members of management and supervisory bodies as well as personal data that would show marital status of the members. Personal data on the Bank's management and supervisory bodies have been included in the Remuneration Report as required by the Republic of Lithuania Law on Financial Statements of Undertakings.

Remuneration for the members of the Bank's management and supervisory bodies is regulated by the Bank's *Remuneration Policy*. By decision of the General Meeting of Shareholders of the Bank taken on 30 March 2022, a new version of the *Remuneration Policy* was approved. It is applied in full except for the approval and payment of remuneration to nominated employees for their work/activities until 2022 (in these cases, the version of the *Remuneration Policy* approved by the Bank's General Meeting of Shareholders on 31 March 2020 is applied). Both versions of the *Remuneration Policy* are published on the Bank's website.

The model of the Group's remuneration system is in line and is aligned with the Bank Group's business and risk strategy, long-term continuous business objectives and interests. A uniform remuneration system is applied without any discrimination on the basis of gender, age, nationality, race, social status, religious, sexual orientation etc. The employee's pay is set having regard to this/her knowledge, expertise, qualifications, responsibilities, decisions, and position. Successful implementation of the *Remuneration Policy* enables the Bank to attract, motivate and retain best employees who make valuable contributions to the purposeful implementation of the Group's long-term objectives and business strategy.

According to the *Remuneration Policy*, fixed salaries are paid to the members of the Bank's supervisory bodies; the members of the management bodies receive both fixed and variable pay. The annual wage fund for the variable pay is formed upon assessment of the Bank's performance results and having regard to existing and anticipated risks as well as capital costs and liquidity support costs. Principles of calculation of the variable pay are formulated in line with the Group's business strategy, objectives, values and long-term interests of continued activities, so that they promote a reliable and efficient risk management, help avoid conflicts of interests and ensure compliance with the *Code of Conduct*, and recipients of variable pay are not encouraged to assume too high risks.

Variable pay for the year is granted to the members of the Bank's management body only on completion of the employee's annual performance assessment and a review of results for the past three years. The amount of variable pay is based on a general assessment of pre-set objectives of the Group, relevant division and the employee as well as results achieved. In the process of assessment of the employee's individual annual objectives and performance, not only the personal financial result achieved but also non-financial/non-quantified contribution (e. g. compliance with the Bank's *Code of Conduct* and values, relations with customers and colleagues, compliance with standards and internal documents, showing initiative, leadership/participation in project activities, improvement of activities) is evaluated.

As per *Remuneration Policy* of the Bank, the employees receive the annual variable pay in cash and the Bank's shares. This *Remuneration Report* contains information on the annual variable pay granted in 2022 for the results of 2021. According to the *Remuneration Policy* approved by decision of the Bank's General Meeting of Shareholders on 1 March 2020 and applied to the annual variable remuneration for 2021, the granting of the share payable in the Bank's shares is deferred for 3 years after the date when the annual variable pay was granted considering possible risks related to the employee's annual evaluation results. The deferred part of the variable pay is paid out in the Bank's shares on expiry of the deferral period. The Bank grants its shares to the employees under option agreements concluded with them. The variable pay granted to the employee must not exceed 100% of the employee's fixed pay for the calendar year.

REMUNERATION OF MEMBERS OF THE SUPERVISORY BODY

According to the Bank's *Remuneration Policy*, the members of the Supervisory Council receive only fixed remuneration that consists of the (i) the official remuneration and (ii) surplus to the official remuneration for performance of additional functions as a member of the Supervisory Council. No variable remuneration is provided/paid to the members of the Bank's Supervisory Council in the *Remuneration Policy*.

Information on remuneration to the members of the Supervisory Council (current or having resigned in 2022) (before tax):

Name, Surname	Positions at the Supervisory Council and Committees	Remuneration paid by the Bank in 2022, EUR ¹	Remuneration paid in 2022 by a company that is part of Group; company name
Valdas Vitkauskas	Independent member of the Supervisory Council from 1 June 2022, Chairperson of the Supervisory Council from 5 August 2022, Chairperson of the Remuneration Committee and the Nomination Committee, member of the Audit Committee and the Risk Committee.	96,203	-
Gintaras Kateiva	Member of the Supervisory Council, member of the Remuneration Committee	57,500	-
Darius Šulnis	Member of the Supervisory Council, member of the Nomination Committee	61,956	-
Ramunė Vilija Zabulienė	Independent member of the Supervisory Council, Chairperson of the Audit Committee, member of the Remuneration Committee and the Risk Committee	77,500	-
Miha Košak	Independent member of the Supervisory Council, Chairperson of the Risk Committee, member of the Nomination Committee	70,000	-
Susan Gail Buyske	Independent member of the Supervisory Council, member of the Risk Committee and Audit Committee	60,544	-
Arvydas Salda	Chairperson of the Supervisory Council until 4 August 2022	89,113	500,008 ²
Martynas Česnavičius	Independent member of the Supervisory Council, Chairperson of the Remuneration Committee and the Nomination Committee, member of the Audit Committee.	49,012	-
Adriano Arietti	Worked in these positions until 4 August 2022 Independent member of the Supervisory Council, member and Deputy Chairman of the Risk Committee. Worked in these positions until 29 March 2022	14,066	-

1 - Fixed remuneration was paid to the members of the Supervisory Council for their activities in accordance with the Remuneration Policy.

2 - The amount paid to Arvydas Salda includes the severance pay which he received on termination of his employment contract with Turto fondas UAB, the Group's company, on 31 August 2022.

Information on changes in the remuneration to the members of the Supervisory Council (current or having resigned in 2022) in the period 2018 – 2022:

Name, Surname	Positions at the Supervisory Council and Committees	Changes in remuneration, % ¹				
		2018 compared with 2017	2019 compared with 2018	2020 compared with 2019	2021 compared with 2020	2022 compared with 2021
Valdas Vitkauskas ²	Independent member of the Supervisory Council from 1 June 2022, Chairperson of the Supervisory Council from 5 August 2022, Chairperson of the Remuneration Committee and the Nomination Committee, member of the Audit Committee and the Risk Committee	-	-	-	-	-
Gintaras Kateiva	Member of the Supervisory Council, member of the Remuneration Committee	43%	-2%	-3%	-7%	0%
Darius Šulnis	Member of the Supervisory Council, member of the Nomination Committee	43%	-2%	2%	1%	-5%
Ramunė Vilija Zabulienė ³	Independent member of the Supervisory Council, Chairperson of the Audit Committee, member of the Remuneration Committee and the Risk Committee	46%	2%	4%	-4%	0%
Miha Košak	Independent member of the Supervisory Council, Chairperson of the Risk Committee, member of the Nomination Committee	186%	-9%	14%	4%	0%
Susan Gail Buyske ⁴	Independent member of the Supervisory Council, member of the Risk Committee and Audit Committee	-	-	-	87%	5%
Arvydas Salda ⁵	Chairperson of the Supervisory Council until 4 August 2022	13%	-19%	0%	-1%	98%
Martynas Česnavičius	Independent member of the Supervisory Council, Chairperson of the Remuneration Committee and the Nomination Committee, member of the Audit Committee.	43%	-9%	30%	8%	-41%
Adriano Arietti ⁶	Worked in these positions until 4 August 2022 Independent member of the Supervisory Council, member and Deputy Chairman of the Risk Committee. Worked in these positions until 29 March 2022	-	-	-	33%	-76%

1 - Tantiemes were paid to the members of the Supervisory Council for their activities until 31 March 2020. The fixed remuneration according to the Remuneration Policy is paid since 1 April 2020. The changes in the remuneration have been calculated by summing up the amounts paid in relevant years and comparing with previous years. Gross amounts before taxes were used in the calculations.

2 - Valdas Vitkauskas was elected as an independent member of the Supervisory Council on 1 June 2022, therefore, no changes in his remuneration for 2018 - 2022 are provided.

3 - The calculations include the additional pay for participation in the meetings of the Bank's Committees in the period 2017 - Q1 2020.

4 - Susan Gail Buyske was elected as an independent member of the Supervisory Council in 2020, therefore, no changes in her remuneration for 2018 - 2020 are provided.

5 - The calculations include the remuneration received for work in other positions in the companies of the Bank's Group in 2017 – 2022, also a severance benefit received in 2022 after termination of the employment contract with a Group's company on 31 August 2022.

6 - Adriano Arietti was elected as an independent member of the Supervisory Council in 2020, therefore, no changes in his remuneration for 2018 - 2020 are provided

REMUNERATION OF MEMBERS OF THE MANAGEMENT BODY

All members of the Bank's Management Board are employees of the Bank (Chief Executive Officer, Deputy Chief Executive Officer and/or Heads of Divisions) and receive fixed and variable pay in accordance with the Remuneration Policy of the Bank. According to the Bank's Remuneration Policy, salaries of the members of the Management Board working in other positions at the Bank, the Chief Executive Officer and his Deputies are set subject to agreement of the Supervisory Council, and the annual variable pay is approved for the Management Board's members by the Supervisory Council.

The annual variable pay of the members of the Bank's Management Board is related to risks assumed by relevant division/employee and objectives set for the Bank/Group, the division and the employee as well as performance results. The criteria for the calculation of the annual variable pay and the proportions of objectives are determined by the employee's position and responsibilities, influence over performance results, and current and anticipated risks. Variable pay for the employees performing control functions is determined according to the objectives set for the relevant control function and does not depend on the income earned by the business area for which the employee is in charge; however, it partially depends on the Group's results.

Information on remuneration to the members of the Bank's Management Board (current or having resigned in 2022) (before tax):

Name, Surname	Position at the Management Board and other positions in the Bank	Fixed remuneration for 2022		Annual variable remuneration allocated in 2022 for 2021		Other variable remuneration (surplus pay, one-off bonuses, severance pay) paid in 2022	Deferred annual variable remuneration paid in 2022 (for 2018)		Fixed and variable remuneration ratio for 2021 ³ , %
		Fixed remuneration (excluding income in kind and fringe benefits), EUR ¹	Income in kind and other fringe benefits, EUR ²	Paid in cash, EUR	Deferred part in the form of shares, allotment (to be granted in 2024), units	In cash, EUR	In cash, EUR	In the form of shares, units	
Vytautas Sinius ⁴	Until 18 August 2022, Member of the Management Board – Deputy Chairperson of the Management Board and Chief Executive Officer. From 19 August 2022, Chairperson of the Management Board and Chief Executive Officer	305,123	10,764	127,800	192,241	-	186,180	295,055	94%
Donatas Savickas	Deputy Chairperson of the Management Board, Deputy Chief Executive Officer – Head of Division	131,788	7,168	54,600	73,196	-	78,985	125,175	96%
Daiva Šorienė	Member of the Management Board, Deputy Chief Executive Officer – Head of Division	154,816	7,719	63,600	85,262	-	92,526	146,634	94%
Mindaugas Rudys ⁵	Member of the Management Board, Head of Division	143,675	6,050	54,600	73,196	-	-	-	93%
Algimantas Gaulia ⁶	Member of the Management Board, Head of Division	131,878	6,571	41,875	56,137	-	-	-	93%
Algirdas Butkus	Chairperson of the Management Board, Deputy Chief Executive Officer. Worked in this position until 18 August 2022	653,904 ⁷	3,791	143,400	171,327	430,200 ⁷	208,747	330,819	92%
Ilona Baranauskienė	Member of the Management Board, Head of Division. Worked in this position until 30 September 2022	286,756 ⁸	3,881	63,600	85,262	148,588 ⁸	92,526	146,634	94%

1 - The fixed remuneration (excluding income in kind and fringe benefits) includes salary paid in 2022 and leave pay, sick leave payments and part of the severance benefit attributable to the fixed remuneration.

2 - Income in kind and fringe benefits include pension insurance, health insurance contributions, monetary gifts, death benefits and other payments under internal legal acts of the bank.

3 - Information on the ratio between the fixed pay and the variable pay is provided for 2021 only as the annual variable pay for 2022 has not been granted as yet.

4 - Vytautas Sinius works in the positions of the Chairperson of the Management Board of the Bank and the Chief Executive Officer of the Bank (the single-handed management body).

5 - Mindaugas Rudys stated working as a member of the Management Board on 31 March 2020, therefore, deferred annual variable remuneration paid in 2022 for 2018 is not presented.

6 - Algimantas Gaulia stated working as a member of the Management Board on 30 July 2021, therefore, deferred annual variable remuneration paid in 2022 for 2018 is not presented.

7 - On termination of the employment contract on 18 August 2022, Algirdas Butkus received a severance pay of EUR 717,000 (gross), a part of which corresponding to the severance pay provided for in the employment contract is attributed to the fixed remuneration and the remaining part – to other variable remuneration.

8 - On termination of the employment contract on 30 September 2022, Ilona Baranauskienė received a severance pay of EUR 287,788 (gross), a part of which corresponding to the severance pay provided for in the employment contract is attributed to the fixed remuneration and the remaining part – to other variable remuneration.

Members of the Bank's Management Board did not receive remuneration from the Group's companies for 2022 activities.

In accordance with the *Remuneration Policy*, there are no opportunities for recovering the variable remuneration paid, and no recovery was applied to the members of the Bank's management body.

Information on shares assigned to the members of the Management Board (current or having resigned in 2022) rights granted under share options, and transactions prices and dates for 2022:

Name, Surname	Position at the Management Board and other positions in the Bank	Number of shares (option) granted as the annual variable remuneration for 2018 ¹	Share options ²		
			Number of option rights to shares granted for 2021, with the option right to be exercised on 11 April 2025 (after 3 approvals)	Approved 1/3 portion in 2021 for the option rights to the shares granted in 2020, the option implementation date 12 April 2024	Approved 1/3 portion in 2020 for the option rights to the shares granted in 2019, the option implementation date 14 April 2023
Vytautas Sinius ³	Until 18 August 2022, Member of the Management Board – Deputy Chairperson of the Management Board and Chief Executive Officer. From 19 August 2022, Chairperson of the Management Board and Chief Executive Officer	295,055	171,327	76,660	82,865
Donatas Savickas	Deputy Chairperson of the Management Board, Deputy Chief Executive Officer – Head of Division	125,175	73,196	32,751	35,403
Daiva Šorienė	Member of the Management Board, Deputy Chief Executive Officer – Head of Division	146,634	85,262	38,150	41,238
Mindaugas Rudys ⁴	Member of the Management Board, Head of Division	-	73,196	32,751	-
Algimantas Gaulia ⁵	Member of the Management Board, Head of Division	-	56,137	-	-
Algirdas Butkus	Chairperson of the Management Board, Deputy Chief Executive Officer. Worked in this position until 18 August 2022	330,819	192,241	86,017	92,980
Ilona Baranauskienė	Member of the Management Board, Head of Division. Worked in this position until 30 September 2022	146,634	85,262	38,150	41,238

1 - Share granting date 12 April 2022, share price EUR 0.631 per share.

2 - Date of granting and approval of the option rights 8 April 2021. The option contract entitles the person to receive, on the option implementation date, the Bank's shares free of charge (the recipient pays taxes on the shares applicable as of the option date) according to the legal acts in effect as of the granting date.

3 - Vytautas Sinius works as the Chairperson of the Management Board of the Bank and the Chief Executive Officer (single-handed management body).

4 - Mindaugas Rudys started working as a member of the Management Board of the Bank on 31 March 2020, therefore, information on the options rights to shares granted for 2020 and 2021 is provided.

5 - Algimantas Gaulia started working as a member of the Management Board of the Bank on 30 July 2021, therefore, information on the options rights to shares granted for 2021 is provided.

No amendments to the option contracts with the members of the management body were executed.

Below is information on changes in remuneration of members of the Management Board of the Bank (current or having resigned in 2022) during the period 2017–2021:

Name, Surname	Position at the Management Board and other positions in the Bank	Changes in remuneration, % ¹				
		2017 compared with 2016	2018 compared with 2017	2019 compared with 2018	2020 compared with 2019	2021 compared with 2020
Vytautas Sinius ²	Until 18 August 2022, Member of the Management Board – Deputy Chairperson of the Management Board and Chief Executive Officer. From 19 August 2022, Chairperson of the Management Board and Chief Executive Officer	5,7%	10,9%	2,7%	-7,8%	2,9%
Donatas Savickas	Deputy Chairperson of the Management Board, Deputy Chief Executive Officer – Head of Division	5,0%	9,9%	4,4%	-6,7%	1,9%
Daiva Šorienė	Member of the Management Board, Deputy Chief Executive Officer – Head of Division	4,9%	11,2%	1,8%	-8,8%	3,0%
Mindaugas Rudys ³	Member of the Management Board, Head of Division	-	-	-	-	5,6%
Algimantas Gaulia ⁴	Member of the Management Board, Head of Division	-	-	-	-	-
Algirdas Butkus	Chairperson of the Management Board, Deputy Chief Executive Officer. Worked in this position until 18 August 2022	5,1%	13,4%	-2,0%	-10,0%	7,5%
Ilona Baranauskienė ⁵	Member of the Management Board, Head of Division. Worked in this position until 30 September 2022	-1,2%	13,3%	-0,3%	-6,5%	3,9%

1 - Changes in remuneration have been calculated by summing up the fixed remuneration paid in relevant years (salary, leave pay, sick leave benefits, income in kind, fringe benefits) and variable remuneration (bonuses and the annual variable remuneration in cash and in shares for specific years, excluding the deferred parts of the annual variable remuneration (in cash and shares) for previous years, compared with previous years. Amounts before taxes are provided. No changes in remuneration are provided for 2022 as the annual variable remuneration for the 2022 results has not been determined as yet.

2 - Vytautas Sinius works as the Chairperson of the Management Board of the Bank and the Chief Executive Officer (single-handed management body).

3 - Mindaugas Rudys stated working as a member of the Management Board on 31 March 2020, therefore, no changes in remuneration are presented for the period before 2020.

4 - Algimantas Gaulia stated working as a member of the Management Board on 30 July 2021, therefore, no changes in remuneration are presented for the period before 2021.

5 - The calculations include the remunerations paid for work in other positions in the companies of the Group in 2016-2020.

CHANGES IN THE BANK'S RESULTS AND AVERAGE REMUNERATION AMOUNT

Information on the Bank's results and the average monthly remuneration to the Bank's employees who are not members of the Bank's management and supervisory bodies, for 2018 - 2022:

	Net profit, in thousands EUR	Average monthly remuneration, EUR (before taxes)
2022	63,579	2,642
2021	56,005	2,251
2020	43,095	2,080
2019	53,103	2,028
2018	53,065	1,860

CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Chief Financial Officer Donatas Savickas, confirm hereby that the provided consolidated financial statements of Šiaulių bankas AB for 2022 are compiled in compliance with applicable accounting standards, correspond to the reality and correctly reveal the assets, liabilities, financial status, activity result and cash flows of Šiaulių bankas AB and its Group of Companies, moreover, we confirm that the review of the business development and activities, the status of the Bank and the Group, alongside with the description of the key risks and indeterminacies incurred, are correctly revealed in the consolidated annual report.

Chief Executive Officer

Chief Financial Officer

6 March 2023



Vytautas Sinius



Donatas Savickas