

# FINANCIAL STATEMENTS AND ANNUAL REPORT

31 December 2023

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# FINANCIAL STATEMENTS

31 December 2023

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THE GROUP'S AND THE BANK'S INCOME STATEMENTS

	Notes	31 December 2023		Year ended 31 December 2022	
		Group	Bank	Group (restated)	Bank (restated)
<b>Continuing operations</b>					
Interest income calculated using the effective interest method	1	195,726	181,049	107,650	92,845
Other similar income	1	21,242	21,070	12,041	11,878
Interest expense and similar charges	1	(60,115)	(60,189)	(12,910)	(12,918)
<b>Net interest income</b>		<b>156,853</b>	<b>141,930</b>	<b>106,781</b>	<b>91,805</b>
Fee and commission income	2	28,610	28,968	26,295	27,239
Fee and commission expense	2	(8,358)	(8,114)	(7,546)	(7,409)
<b>Net fee and commission income</b>		<b>20,252</b>	<b>20,854</b>	<b>18,749</b>	<b>19,830</b>
Net gain from trading activities	3	11,948	5,732	10,832	8,973
Net gain (loss) from derecognition of financial assets	6	809	532	1,034	254
Net gain (loss) from disposal of tangible assets	6	864	97	810	514
Revenue related to insurance activities	5	5,684	-	6,418	-
Other operating income	6	41	1,722	1,658	1,496
Salaries and related expenses		(36,226)	(33,004)	(30,729)	(27,773)
Depreciation and amortization expenses		(5,490)	(5,126)	(4,642)	(4,403)
Expenses related to insurance activities	5	(12,514)	-	(3,972)	-
Other operating expenses	4	(31,247)	(25,557)	(21,618)	(17,095)
<b>Operating profit before impairment losses</b>		<b>110,974</b>	<b>107,180</b>	<b>85,321</b>	<b>73,601</b>
Allowance for impairment losses on loans and finance lease receivables	7	(15,518)	(8,059)	(5,409)	(3,691)
(Allowance for)/ reversal of allowance for impairment losses on other assets	7	286	-	453	(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	-	(4,267)	-	9,207
<b>Profit from continuing operations before income tax</b>		<b>95,742</b>	<b>94,854</b>	<b>80,365</b>	<b>79,116</b>
Income tax expense	8	(20,367)	(19,234)	(12,916)	(11,703)
<b>Net profit from continuing operations for the year</b>		<b>75,375</b>	<b>75,620</b>	<b>67,449</b>	<b>67,413</b>
Profit (loss) from discontinued operations, net of tax		-	-	-	-
<b>Net profit for the year</b>		<b>75,375</b>	<b>75,620</b>	<b>67,449</b>	<b>67,413</b>
Net profit attributable to:					
Owners of the Bank		75,375	75,620	67,449	67,413
From continuing operations		75,375	75,620	67,449	67,413
From discontinued operations		-	-	-	-
Non-controlling interest		-	-	-	-
Basic earnings per share (in EUR per share) attributable to owners of the Bank	9	0.13		0.11	
From continuing operations		0.13		0.11	
From discontinued operations		-		-	
Diluted earnings per share (in EUR per share) attributable to owners of the Bank	9	0.13		0.11	
From continuing operations		0.13		0.11	
From discontinued operations		-		-	

Chief Executive Officer

Chief Financial Officer

6 March 2024



Vytautas Sinius



Donatas Savickas

The accounting policies and notes on pages 11 to 132 constitute an integral part of these financial statements.

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

	Notes	31 December 2023		Year ended 31 December 2022	
		Group	Bank	Group (restated)	Bank (restated)
<b>Net profit for the year</b>		<b>75,375</b>	<b>75,620</b>	<b>67,449</b>	<b>67,413</b>
<b>Other comprehensive income (loss):</b>					
<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	716	716	(9,568)	(9,554)
<i>Financial assets valuation result transferred to profit or loss</i>	15	2,640	2,640	161	161
<i>Deferred income tax on gain (loss) from revaluation of financial assets</i>	8, 15	(671)	(671)	1,879	1,879
<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>		-	-	-	-
<b>Other comprehensive income (loss), net of deferred tax</b>		<b>2,685</b>	<b>2,685</b>	<b>(7,528)</b>	<b>(7,514)</b>
<b>Total comprehensive income for the year</b>		<b>78,060</b>	<b>78,305</b>	<b>59,921</b>	<b>59,899</b>
<b>Total comprehensive income attributable to:</b>					
<i>Owners of the Bank</i>		78,060	78,305	59,921	59,899
<i>Non-controlling interest</i>		-	-	-	-
		<b>78,060</b>	<b>78,305</b>	<b>59,921</b>	<b>59,899</b>

Chief Executive Officer

Chief Financial Officer

6 March 2024



Vytautas Sinius



Donatas Savickas

The accounting policies and notes on pages 11 to 132 constitute an integral part of these financial statements.

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

	Notes	31 December 2023		31 December 2022		1 January 2022	
		Group	Bank	Group (restated)	Bank (restated)	Group (restated)	Bank (restated)
<b>ASSETS</b>							
Cash and cash equivalents	10	751,499	742,969	384,758	383,518	965,723	964,849
Securities in the trading book	12	207,677	20,402	58,301	27,287	48,181	15,099
Due from other banks	11	3,013	3,013	2,733	2,733	1,196	1,196
Derivative financial instruments	12	251	241	897	897	2,121	2,121
Loans to customers	13	2,645,104	2,633,482	2,391,629	2,370,762	1,908,681	1,889,629
Finance lease receivables	14	286,533	286,451	242,448	242,192	195,174	194,909
Investment securities at fair value	15	74,500	74,382	90,225	90,225	82,988	82,951
Investment securities at amortized cost	15	751,227	739,869	969,036	956,332	705,398	692,226
Investments in subsidiaries and associates	16	100	76,672	100	32,668	-	29,061
Intangible assets	17	45,138	8,149	8,283	6,450	4,834	3,114
Property, plant and equipment	18	15,781	14,702	16,151	15,525	14,760	14,118
Investment property	26	993	-	1,827	-	2,229	344
Current income tax prepayment		35	-	6	-	847	820
Deferred income tax asset	8	7,577	3,658	5,659	5,234	1,593	1,250
Other financial assets	19	7,351	8,289	5,815	5,620	16,398	16,271
Other non-financial assets	19	12,392	10,681	4,638	3,104	10,457	8,289
Assets classified as held for sale	19	150	150	150	150	620	620
<b>Total assets</b>		<b>4,809,321</b>	<b>4,623,110</b>	<b>4,182,656</b>	<b>4,142,697</b>	<b>3,961,200</b>	<b>3,916,867</b>
<b>LIABILITIES</b>							
Due to other banks and financial institutions	20	569,994	576,316	685,075	686,559	697,738	703,271
Derivative financial instruments	12	1,041	1,041	7,152	7,152	96	96
Due to customers	21	3,162,657	3,166,908	2,784,968	2,789,348	2,679,183	2,681,586
Special and lending funds	22	15,718	15,718	14,184	14,184	6,667	6,667
Debt securities in issue	23	276,480	276,480	171,231	171,231	95,212	95,212
Current income tax liabilities		6,412	6,412	4,374	4,036	1,084	962
Deferred income tax liabilities	8	6,125	-	1,463	-	1,452	-
Liabilities related to insurance activities	24	179,318	-	36,185	-	42,734	-
Other financial liabilities	25	40,107	34,359	27,462	24,491	25,053	21,775
Other non-financial liabilities	25	8,341	1,435	7,656	1,685	8,161	2,324
<b>Total liabilities</b>		<b>4,266,193</b>	<b>4,078,669</b>	<b>3,739,750</b>	<b>3,698,686</b>	<b>3,557,380</b>	<b>3,511,893</b>
<b>EQUITY</b>							
Share capital	27	192,269	192,269	174,211	174,211	174,211	174,211
Share premium	27	25,534	25,534	3,428	3,428	3,428	3,428
Treasury shares (-)	27	(1,500)	(1,500)	-	-	(516)	(516)
Reserve capital	27	756	756	756	756	756	756
Statutory reserve	27	47,803	47,605	37,113	36,922	21,893	21,770
Financial instruments revaluation reserve		(5,426)	(5,426)	(8,111)	(8,111)	(583)	(597)
Reserve for acquisition of own shares	27	20,000	20,000	20,000	20,000	10,000	10,000
Other equity	27	1,697	1,209	2,355	1,917	3,288	2,870
Retained earnings		261,995	263,994	213,154	214,888	191,343	193,052
Non-controlling interest		-	-	-	-	-	-
<b>Total equity</b>		<b>543,128</b>	<b>544,441</b>	<b>442,906</b>	<b>444,011</b>	<b>403,820</b>	<b>404,974</b>
<b>Total liabilities and equity</b>		<b>4,809,321</b>	<b>4,623,110</b>	<b>4,182,656</b>	<b>4,142,697</b>	<b>3,961,200</b>	<b>3,916,867</b>

Chief Executive Officer

Chief Financial Officer

6 March 2024



Vytautas Sinius



Donatas Savickas

The accounting policies and notes on pages 11 to 132 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	Statutory reserve for acquisition of own shares	Other equity	Retained earnings	Total Non-controlling interest	Total equity	
Attributable to Bank shareholders												
<b>31 December 2021</b>		174,211	3,428	(516)	756	(583)	21,893	10,000	3,288	193,950	406,427	- 406,427
<i>Impact of change in accounting principles</i>		-	-	-	-	-	-	-	-	(2,607)	(2,607)	- (2,607)
<b>1 January 2022 (restated)</b>		<b>174,211</b>	<b>3,428</b>	<b>(516)</b>	<b>756</b>	<b>(583)</b>	<b>21,893</b>	<b>10,000</b>	<b>3,288</b>	<b>191,343</b>	<b>403,820</b>	<b>- 403,820</b>
<i>Transfer to/from 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)	7	1,381	- 1,381
<i>Payment of dividends</i>	29	-	-	-	-	-	-	-	(20,425)	-	(20,425)	- (20,425)
<b>Total comprehensive income (restated)</b>		-	-	-	-	(7,528)	-	-	-	67,449	59,921	- 59,921
<i>Net profit (restated)</i>		-	-	-	-	-	-	-	-	67,449	67,449	- 67,449
<i>Other comprehensive income (restated)</i>		-	-	-	-	(7,528)	-	-	-	-	(7,528)	- (7,528)
<b>31 December 2022</b>		<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>(8,111)</b>	<b>37,113</b>	<b>20,000</b>	<b>2,355</b>	<b>213,154</b>	<b>442,906</b>	<b>- 442,906</b>
<i>Transfer to statutory reserve</i>		-	-	-	-	-	10,690	-	(10,690)	-	-	-
<i>Increase in share capital</i>	27	18,058	22,106	-	-	-	-	-	-	-	40,164	- 40,164
<i>Acquisition of own shares</i>	27	-	-	(3,368)	-	-	-	-	-	-	(3,368)	- (3,368)
<i>Share-based payment</i>	27	-	-	1,868	-	-	-	(658)	75	-	1,285	- 1,285
<i>Payment of dividends</i>	29	-	-	-	-	-	-	-	(15,919)	-	(15,919)	- (15,919)
<b>Total comprehensive income</b>		-	-	-	-	2,685	-	-	-	75,375	78,060	- 78,060
<i>Net profit</i>		-	-	-	-	-	-	-	-	75,375	75,375	- 75,375
<i>Other comprehensive income</i>		-	-	-	-	2,685	-	-	-	-	2,685	- 2,685
<b>31 December 2023</b>		<b>192,269</b>	<b>25,534</b>	<b>(1,500)</b>	<b>756</b>	<b>(5,426)</b>	<b>47,803</b>	<b>20,000</b>	<b>1,697</b>	<b>261,995</b>	<b>543,128</b>	<b>- 543,128</b>

The accounting policies and notes on pages 11 to 132 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
<b>31 December 2021</b>		174,211	3,428	(516)	756	(597)	21,770	10,000	2,870	195,659	407,581
<i>Impact of change in accounting principles</i>		-	-	-	-	-	-	-	-	(2,607)	(2,607)
<b>1 January 2022 (restated)</b>		<b>174,211</b>	<b>3,428</b>	<b>(516)</b>	<b>756</b>	<b>(597)</b>	<b>21,770</b>	<b>10,000</b>	<b>2,870</b>	<b>193,052</b>	<b>404,974</b>
<i>Transfer to/from 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 (restated)</i>		-	-	-	-	(7,514)	-	-	-	67,413	59,899
<i>Net profit (restated)</i>		-	-	-	-	-	-	-	-	67,413	67,413
<i>Other comprehensive income</i>		-	-	-	-	(7,514)	-	-	-	-	(7,514)
<b>31 December 2022</b>		<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>(8,111)</b>	<b>36,922</b>	<b>20,000</b>	<b>1,917</b>	<b>214,888</b>	<b>444,011</b>
<i>Transfer to statutory reserve</i>		-	-	-	-	-	10,683	-	-	(10,683)	-
<i>Increase in share capital</i>	27	18,058	22,106	-	-	-	-	-	-	-	40,164
<i>Acquisition of own shares</i>	27	-	-	(3,368)	-	-	-	-	-	-	(3,368)
<i>Share-based payment</i>	27	-	-	1,868	-	-	-	-	(708)	88	1,248
<i>Payment of dividends</i>	29	-	-	-	-	-	-	-	-	(15,919)	(15,919)
<i>Total comprehensive income</i>		-	-	-	-	2,685	-	-	-	75,620	78,305
<i>Net profit</i>		-	-	-	-	-	-	-	-	75,620	75,620
<i>Other comprehensive income</i>		-	-	-	-	2,685	-	-	-	-	2,685
<b>31 December 2023</b>		<b>192,269</b>	<b>25,534</b>	<b>(1,500)</b>	<b>756</b>	<b>(5,426)</b>	<b>47,605</b>	<b>20,000</b>	<b>1,209</b>	<b>263,994</b>	<b>544,441</b>

The accounting policies and notes on pages 11 to 132 constitute an integral part of these financial statements.

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

	Notes	31 December 2023		Year ended 31 December 2022	
		Group	Bank	Group (restated)	Bank
<b>Operating activities</b>					
Interest received on loans and advances		177,448	163,133	105,774	91,308
Interest received on finance leases		18,678	18,652	9,573	9,543
Interest received on debt securities in the trading book		1,887	1,741	1,521	1,388
Interest paid		(29,458)	(29,633)	(10,421)	(10,434)
Fees and commissions received		28,610	28,968	26,295	27,239
Fees and commissions paid		(8,358)	(8,114)	(7,593)	(7,409)
Net cash inflows from trade in securities in the trading book		2,973	1,602	(12,718)	(11,842)
Net inflows from foreign exchange trading		6,982	6,975	9,642	9,511
Net inflows from derecognition of financial assets		809	532	1,034	254
Net inflows from derecognition of non-financial assets		864	97	810	514
Cash inflows related to other activities of Group companies		5,725	2,096	10,956	1,496
Cash outflows related to other activities of Group companies		(12,514)	-	(3,972)	-
Recoveries on loans previously written off		210	208	403	237
Salaries and related payments to and on behalf of employees		(34,372)	(31,150)	(31,289)	(27,479)
Payments related to operating and other expenses		(31,247)	(25,557)	(21,968)	(17,095)
Income tax paid	8	(17,628)	(16,200)	(10,870)	(9,796)
<b>Net cash flow from operating activities before change in operating assets and liabilities</b>		<b>110,609</b>	<b>113,350</b>	<b>67,177</b>	<b>57,435</b>
<b>Change in operating assets and liabilities:</b>					
(Increase) decrease in due from other banks		(280)	(280)	(1,537)	(1,537)
Increase in loans to customers		(253,637)	(263,910)	(477,054)	(475,433)
Decrease (increase) in finance lease receivable		(47,511)	(47,685)	(48,600)	(48,609)
Decrease (increase) in other financial assets		(1,536)	(2,669)	5,314	10,651
(Increase) decrease in other non-financial assets		1,303	9,743	3,901	2,089
Increase in due to banks and financial institutions		(129,700)	(124,862)	(14,827)	(18,876)
Increase in due to customers		361,782	361,653	105,753	107,730
Increase (decrease) in special and lending funds		1,534	1,534	7,517	7,517
Increase (decrease) in other financial liabilities		15,731	10,203	2,708	1,180
Increase (decrease) in other non-financial liabilities		785	(3,155)	(10,646)	(2,289)
<b>Change</b>		<b>(51,529)</b>	<b>(59,428)</b>	<b>(427,471)</b>	<b>(417,577)</b>
<b>Net cash flow from operating activities</b>		<b>59,080</b>	<b>53,922</b>	<b>(360,294)</b>	<b>(360,142)</b>
<b>Investing activities</b>					
Acquisition of property, plant and equipment, investment property and intangible assets		(7,754)	(7,299)	(3,424)	(3,132)
Disposal of property, plant and equipment, investment property and intangible assets		3,844	2,215	1,916	1,559
Acquisition of debt securities at amortized cost	15	(91,408)	(64,157)	(396,788)	(396,538)
Proceeds from redemption or sale of debt securities at amortized cost	15	292,941	279,209	133,303	130,244
Interest received on debt securities at amortized cost	15	10,082	9,777	8,465	8,178
Dividends received		14	10,014	24	5,724
Acquisition of investment securities at fair value		-	-	(38,478)	(37,275)
Sale or redemption of investment securities at fair value		16,824	16,824	13,055	8,986
Interest received on investment securities at fair value		758	758	1,350	1,208
Business acquired net of cash acquired during transaction	16	5,608	-	-	-
Establishment of subsidiaries	16	-	(400)	(100)	(100)
Increase in share capital of subsidiaries in cash	16	-	(17,706)	-	-
<b>Net cash flow from (used in) investing activities</b>		<b>230,909</b>	<b>229,235</b>	<b>(280,677)</b>	<b>(281,146)</b>
<b>Financing activities</b>					
Payment of dividends	29	(15,909)	(15,909)	(20,382)	(20,382)
Acquisition of own shares	27	(3,368)	(3,368)	(1,557)	(1,557)
Interest on debt securities in issue	23	(2,905)	(2,905)	(2,015)	(2,015)
Issue of debt securities	23	100,000	100,000	85,000	85,000
Principal elements of lease payments	10	(1,066)	(1,524)	(1,040)	(1,089)
<b>Net cash flow (used in) from financing activities</b>		<b>76,752</b>	<b>76,294</b>	<b>60,006</b>	<b>59,957</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>366,741</b>	<b>359,451</b>	<b>(580,965)</b>	<b>(581,331)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>384,758</b>	<b>383,518</b>	<b>965,723</b>	<b>964,849</b>
<b>Cash and cash equivalents at 31 December</b>	<b>10</b>	<b>751,499</b>	<b>742,969</b>	<b>384,758</b>	<b>383,518</b>

The accounting policies and notes on pages 11 to 132 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 54 customer service outlets (2022: 56 outlets). As at 31 December 2023 the Bank had 981 employees (31 December 2022: 817). As at 31 December 2023 the Group had 1,137 employees (31 December 2022: 908 employees).

The Bank accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance and is investing and trading in securities, as well as performs other activities set forth in the Law on Banks of the Republic of Lithuania and the Charter of the Bank. 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 Vilnius Stock Exchange.

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

\*not consolidated under IFRS 10 requirements

**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).

\*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 2023

A number of new standards are effective from 1 January 2023 but they do not have a material effect on the Group's financial statements:

- 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);
- International Tax Reform – Pillar II Model Rules (Amendments to IAS 12).

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

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

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

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

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

### ACCOUNTING POLICIES (CONTINUED)

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

Until 2016, it was not possible to apply full retrospective approach due to lack of reliable data. Transition methods were chosen considering data quality, data availability and number of contracts in a particular group of insurance contracts.

#### IFRS 17 implementation impact on financial position statement items of the Group as of 1 January 2022

	1 January 2022		1 January 2022	
	Group		Group	
<b>ASSETS</b>	(as reported under IFRS 4)	Adjustments related to IFRS 17 Implementation	(as restated under IFRS 17)	
<i>Other non-financial assets</i>	11,739	(1,282)	10,457	
<b>Total assets</b>	<b>3,962,482</b>	<b>(1,282)</b>	<b>3,961,200</b>	
<b>LIABILITIES</b>				
<i>Liabilities related to insurance activities</i>	41,409	1,325	42,734	
<b>Total liabilities</b>	<b>3,556,055</b>	<b>1,325</b>	<b>3,557,380</b>	
<b>EQUITY</b>				
<i>Retained earnings</i>	193,950	(2,607)	191,343	
<b>Total equity</b>	<b>406,427</b>	<b>(2,607)</b>	<b>403,820</b>	
<b>Total liabilities and equity</b>	<b>3,962,482</b>	<b>(1,282)</b>	<b>3,961,200</b>	

#### IFRS 17 implementation impact on financial position statement items of the Group as of 31 December 2022

	31 December 2022		31 December 2022	
	Group		Group	
<b>ASSETS</b>	(as reported under IFRS 4)	Adjustments related to IFRS 17 Implementation	(as restated under IFRS 17)	
<i>Investment securities at amortized cost</i>	969,033	3	969,036	
<i>Other non-financial assets</i>	6,516	(1,878)	4,638	
<b>Total assets</b>	<b>4,184,531</b>	<b>(1,875)</b>	<b>4,182,656</b>	
<b>LIABILITIES</b>				
<i>Liabilities related to insurance activities</i>	39,313	(3,128)	36,185	
<i>Other financial liabilities</i>	27,419	43	27,462	
<b>Total liabilities</b>	<b>3,742,835</b>	<b>(3,085)</b>	<b>3,739,750</b>	
<b>EQUITY</b>				
<i>Financial instruments revaluation reserve</i>	(8,097)	(14)	(8,111)	
<i>Retained earnings</i>	211,930	1,224	213,154	
<b>Total equity</b>	<b>441,696</b>	<b>1,210</b>	<b>442,906</b>	
<b>Total liabilities and equity</b>	<b>4,184,531</b>	<b>(1,875)</b>	<b>4,182,656</b>	

#### IFRS 17 implementation impact on financial position statement items of the Bank as of 1 January 2022

	1 January 2022		1 January 2022	
	Bank		Bank	
<b>ASSETS</b>	Before restatement	Adjustments	After restatement	
<i>Investments in subsidiaries and associates</i>	31,668	(2,607)	29,061	
<b>Total assets</b>	<b>3,919,474</b>	<b>(2,607)</b>	<b>3,916,867</b>	
<b>EQUITY</b>				
<i>Retained earnings</i>	195,659	(2,607)	193,052	
<b>Total equity</b>	<b>407,581</b>	<b>(2,607)</b>	<b>404,974</b>	
<b>Total liabilities and equity</b>	<b>3,919,474</b>	<b>(2,607)</b>	<b>3,916,867</b>	

ACCOUNTING POLICIES (CONTINUED)

IFRS 17 implementation impact on financial position statement items of the Bank as of 31 December 2022

	31 December 2022		31 December 2022
	Bank		Bank
<b>ASSETS</b>	Before restatement	Adjustments	After restatement
<i>Investments in subsidiaries and associates</i>	31,441	1,227	32,668
<b>Total assets</b>	<b>4,141,470</b>	<b>1,227</b>	<b>4,142,697</b>
<b>EQUITY</b>			
<i>Retained earnings</i>	213,661	1,227	214,888
<b>Total equity</b>	<b>442,784</b>	<b>1,227</b>	<b>444,011</b>
<b>Total liabilities and equity</b>	<b>4,141,470</b>	<b>1,227</b>	<b>4,142,697</b>

IFRS 17 implementation impact on Group's income statement items for year 2022

	Year ended		
	31 December 2022 Group		31 December 2022 Group
<b>Continuing operations</b>	(as reported under IFRS 4)	Adjustments related to IFRS 17 Implementation	(as restated under IFRS 17)
<i>Fee and commission expense</i>	(7,593)	47	(7,546)
<b>Net fee and commission income</b>	<b>18,702</b>	<b>47</b>	<b>18,749</b>
<i>Net gain from trading activities</i>	4,354	6,478	10,832
<i>Revenue related to insurance activities</i>	9,298	(2,880)	6,418
<i>Salaries and related expenses</i>	(31,583)	854	(30,729)
<i>Depreciation and amortization expenses</i>	(4,848)	206	(4,642)
<i>Expenses related to insurance activities</i>	(2,763)	(1,209)	(3,972)
<i>Other operating expenses</i>	(21,968)	350	(21,618)
<b>Operating profit before impairment losses</b>	<b>81,475</b>	<b>3,846</b>	<b>85,321</b>
<i>(Allowance for)/ reversal of allowance for impairment losses on other assets</i>	464	(11)	453
<b>Profit from continuing operations before income tax</b>	<b>76,530</b>	<b>3,835</b>	<b>80,365</b>
<b>Net profit from continuing operations for the year</b>	<b>63,614</b>	<b>3,835</b>	<b>67,449</b>
<b>Net profit for the year</b>	<b>63,614</b>	<b>3,835</b>	<b>67,449</b>
<i>Net profit attributable to:</i>			
<i>Owners of the Bank</i>	63,614	3,835	67,449
<i>From continuing operations</i>	63,614	3,835	67,449
<i>Basic earnings per share (in EUR per share) attributable to owners of the Bank</i>	0.11	0.00	0.11
<i>From continuing operations</i>	0.11	0.00	0.11
<i>From discontinued operations</i>	-	-	-
<i>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</i>	0.11	0.00	0.11
<i>From continuing operations</i>	0.11	0.00	0.11
<i>From discontinued operations</i>	-	-	-

ACCOUNTING POLICIES (CONTINUED)

IFRS 17 implementation impact on Banks's income statement items for year 2022

	Year ended		
	31 December 2022 Bank Before restatement	Adjustments	31 December 2022 Bank After restatement
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	5,373	3,834	9,207
<b>Profit from continuing operations before income tax</b>	<b>75,282</b>	<b>3,834</b>	<b>79,116</b>
<b>Net profit from continuing operations for the year</b>	<b>63,579</b>	<b>3,834</b>	<b>67,413</b>
<b>Net profit for the year</b>	<b>63,579</b>	<b>3,834</b>	<b>67,413</b>
<i>Net profit attributable to:</i>			
<i>Owners of the Bank</i>	63,579	3,834	67,413
<i>From continuing operations</i>	63,579	3,834	67,413

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

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group and the Bank has not early adopted the new or amended standards in preparing these 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)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7; not adopted by EU);
- Non-current Liabilities with Covenants (Amendments to IAS 1).

## 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, funds management fees, 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, funds distribution 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 Accounting principles section Insurance and investment contracts classification and accounting.

For distribution of second and third-tier pension funds Group uses services of external intermediaries, for whom a commission fee is paid for conclusion of the contract. The Group considers commissions paid to intermediaries for the conclusion of contracts for new pension fund participants as the costs of concluding contracts with clients and capitalizes and amortizes them over the average expected period of the new client's retention as a client of the Group - 10 years. Capitalized amounts of commission fees to intermediaries are recognized in the statement of financial position in the part of fixed assets.

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 2023 and at 31 December 2022).

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.

Since 16 May 2023 Republic of Lithuania has imposed new solidarity contribution for credit institutions operating in territory of Lithuania. This contribution is calculated on surplus of net interest income of credit institution for years 2023 and 2024 generated from operations in Lithuania. Expenses of this contribution 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 2023: Group 1.98%, Bank 1.78%; 31 December 2022: Group 0.87%, Bank 0.80%). 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.

**Dividends**

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

**Insurance and investment contracts classification and accounting**

Subsidiary of the Bank SB draudimas UAB GD (hereinafter – the Company) is engaged in life insurance activities and offers various insurance contracts.

The contracts concluded by the Company are divided into insurance contracts (accounted for in accordance with IFRS 17) and investment contracts (accounted for in accordance with IFRS 9, except for investment contracts with discretionary participation feature that are accounted for in accordance with IFRS 17) based on accepted insurance and (or) financial risk.

A contract is not recognized as an insurance contract if the insurer accepts only financial risks such as interest rate risk, equity prices risk, credit risk or other financial risk but not significant insurance risk. A contract without significant insurance risk is recognized as an investment contract.

A contract is recognized as an insurance contract only if it meets a definition for contract with significant insurance risk. The significance of insurance risk is evaluated at initial recognition for each contract, except for products for which the significance of insurance risk is obvious (for example, Term life insurance, Endowment etc.). For such products, the Company has decided not to evaluate the significance of insurance risk separately for each contract and these contracts are recognized as insurance contracts accounted for with IFRS 17 at the date of initial recognition. A contract which at the date of initial recognition is recognized as insurance contracts, remains an insurance contract until all rights and obligations expire.

Company chooses to use 10 % limit for significant testing. The significance of insurance risk is evaluated considering the (evaluated by probability) expected future cashflows discounted using risk-free interest rate curve at initial recognition, including additional amounts which would be payable in economic scenarios. The evaluation of significance of insurance risk is based on the following two scenarios:

1. insurance event does not occur;
2. insurance event does occur with probability of 100 %.

If additional amount payable due to the second scenario are higher than 10% of amounts under the first scenario, then insurance risk is considered significant.

## ACCOUNTING POLICIES (CONTINUED)

For portfolio acquired on 1 December 2023 and new contracts concluded after this date, the significance of insurance risk is evaluated using a simplified method, proving that the simplified method gives reliable results that do not significantly differ from results given by exact evaluation. According to the simplified method, the significance of insurance risk for unit-linked contracts is evaluated by comparing the sum of valid life and riders cover with 10% of unit-linked fund (investment) value. If the sum of valid life and riders cover is bigger, then it is considered that contract has significant insurance risk.

IFRS 17 requires separating the investment component from insurance contract only if the investment component is distinct. Some of the Company's insurance contracts have investment components however investment component and the insurance component are not highly interrelated and investment component is not distinct therefore the Company is not separating the investment component from the insurance contracts. Receipts and payments from these investment components are excluded from insurance contract revenue and insurance service expenses presented in profit or loss.

*Insurance contract liabilities*

Application of IFRS17 introduces significant accounting and disclosure changes for insurance contracts. All rights and obligations arising from the insurance contracts are shown at fair value. Amounts related to reinsurance contracts held are presented separately. This presentation of insurance and financial results provides a more transparently the sources of profit and the quality of income generated.

In accordance to IFRS 17, the amounts shown in profit (loss) are divided into:

- Insurance service result, which consist of insurance revenue and insurance service expenses; and
- insurance finance income and expenses.

Insurance revenue is a sum of expected benefits and expenses incurred, change in the risk adjustment, contractual service margin recognized over period and recovery of acquisition cashflows. Insurance service expenses is a sum of incurred claims expenses, losses on onerous contracts and reversal of those losses, changes of liability of incurred claims related to past service and insurance acquisition costs. Insurance service result does not include investment components and cash-flow changes related to future services (these changes ad adjusting the contractual service margin).

Insurance finance income and expenses include the time value of money (discounting) and changes in financial risks related to insurance contracts groups. The Group and the Company have decided not to distribute the insurance finance income and expenses between profit and loss and other comprehensive income statements.

In accordance with IFRS 17, the Company groups the insurance contracts into so-called units of accounts. The purpose of such grouping is to ensure that profit would be recognised over time proportionally to the insurance service provided while losses are recognised immediately when the Company assesses that the contract is generating loss. Setting off profit and loss between different insurance contracts groups is not allowed. Insurance contracts are aggregated into insurance contracts groups based on such three levels:

1. Portfolio – similar risk contracts managed together.
2. Profitability – contracts of same profitability.

It was decided to divide a portfolio of insurance contracts issued into onerous and remaining, where onerous group covers insurance contracts that at initial recognition have been estimated with a loss component. The insurance contract is estimated with loss component if the risk-adjusted present value of future cash-flows for the is negative. After initial recognition no re-grouping in respect of profitability is done.

3. Cohort – contracts which date of entry into force differ by more than one year.

Portfolio cohort period beginning is January 1st of each calendar year and contracts of each portfolio are accounted using a one-year interval principle (annual cohort). The insurance contracts within a portfolio acquired at 1 December 2023 were recognized at acquisition date and were group into 2023-year cohort.

The Company has chosen to apply two of the models defined in IFRS 17 for evaluating the insurance contracts:

- General Measurement Model, GMM, is applied to insurance contracts that insures certain risk over the longer period of time.
- Variable Fee Approach, VFA, is applied to insurance contracts with investment components and fulfilling the definition of contracts with direct participation feature.

According to IFRS 17, the carrying value of a group of insurance contracts at end of each reporting period is calculated by adding the liability for remaining coverage and the liability for incurred claims. When evaluating these liabilities, the risk-adjusted present value of future cash-flows (hereinafter - fulfilment cashflows) is estimate for each unit of account, separately evaluating the present value of the future cash-flows and risk adjustment for non-financial risks.

For unit of accounts without loss component, the liability for remaining coverage consists of fulfilment cashflows and contractual service margin. At initial recognition, the contractual service margin is equal to such amount which results in total liability for remaining coverage equal to 0. In case, the contractual service margin at initial recognition is negative, the contractual service margin is zeroized and the corresponding negative value is recognized as loss component which directly impacts profit or loss.

For evaluation of the liability for remaining coverage, the future cashflows of insurance contracts are modelled within the contract boundary. Due to long term insurance and the limited ability to reassess portfolio risk, the contract boundary is the same as contracts' maturity date. When evaluating the unit of account liabilities, the Company takes into account all future cashflows within the boundary of insurance contracts.

## ACCOUNTING POLICIES (CONTINUED)

Insurance acquisition cashflows is a separate cost category which is considered when evaluating the insurance liability of remaining coverage. Such cashflows include cashflows arising from insurance contracts group acquisition, distribution and commencement costs directly attributable to portfolio of insurance contracts to which that group belongs. When applying GMM and VFA methods, future expected attributable costs are affecting the amount of CSM and are recognized in profit (loss) during the remaining insurance coverage according to the respective coverage units.

For the estimation of the present value of the expected future cashflows, the Company has decided to use discount rates derived by applying the bottom-up approach (described as a combination of risk-free curve and the liquidity premium). For the discounting of cashflows, the Company has decided to use the risk-free interest rate curves published by European Insurance and Occupational Pensions Authority (EIOPA). For the purpose to reflect the liquidity characteristics of the cashflows, for unit-linked products, the EIOPA risk-free interest rate without volatility adjustment is used, and for other products, as they are considered less liquid, the EIOPA risk-free rate with volatility adjustment is used.

When applying GMM, the discount curves locked-in at initial recognition are used. As new contracts start uniformly over the year, the weighted average discount curve is locked-in which is derived by using end of each quarter/month risk-free rates and the contracts issued/written premiums during the respective period.

When evaluating the insurance contract liabilities, the Company includes the risk adjustment for non-financial risk which is estimated separately from the expected future cashflows and defined as the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the Company fulfils insurance contracts. The Company chose to calculate risk adjustment based on Solvency II capital requirement before diversification. Assumption is made that all Solvency II non-financial risk (mortality, longevity, disability, validity, outflows and catastrophe risk) is distributed by normal distribution. The calculation of the risk adjustment is based on determining the risks at the reference date (t=0) and forecasting them based on a run-off pattern appropriate for each non-financial risk based on Coverage units. Based on the decision of the Company, the risk adjustment corresponds to a 75% confidence level of the derived non-financial risk distribution. The entire change in risk adjustment for non-financial risk is included as part of the insurance service result.

The contractual service margin at the end of the accounting period shows profit from the units of account which has not yet been recognized as it relates to service that will be provided for insurance contracts in the future. In accordance with IFRS 17, the part of contractual service margin which is recognized as profit or loss in the period shows the service provided for the respective unit of account in that period. The amount allocated to a certain period is determined by identifying coverage units within the portfolio. The number of coverage units within a group of insurance contracts is the quantity of insurance contracts services provided by the contracts in the group, determined considering for each contract the quantity of the benefits provided under a contract and its expected coverage period (including expected surrenders). Based on Company's decision, coverage units are not discounted.

The future cashflows for liability for incurred claims is estimated on the unit of account level, separately evaluating the present value of expected future cashflows and the risk adjustment for non-financial risk. The present value of the expected future cashflows for liability of incurred claims is estimated by evaluating the best estimate of incurred claim outpayments, forecasting the future cashflows using Company's historical claims settlement data and discounting the future cashflows by the respective risk-free interest rate curve. The risk adjustment for non-financial risk, as part of the liability for incurred claims, reflects the risk compensation related to the amounts of the incurred claims as well as the timing when the incurred claims will be settled, and corresponds to the confidence level of 75%.

#### *Investment contracts liabilities*

A contract without significant insurance risk is recognized as an investment contract. Under an investment contract the Company accepts only financial risks such as interest rate, equity prices, credit or other financial risk but not significant insurance risk. Investment contracts liabilities are measured by those contracts' portfolio market value, and the value of liabilities changes depending on the change in market value of related investments. Administrative and risk fees of investment contracts decrease investment contracts liabilities and are recognized as the Company's income.

#### **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) Credit standards and acceptable credit 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. The level of involvement of second line of defence in decision making process, providing secondary opinion or/ and performing decision-making control is determined depending on the size of the loan and compliance with the crediting standards.

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, payment delays, other observable criteria (restructuring, forbearance, inclusion in Watch List). 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 are aligned to the base case forecasts published by the institutions and optimistic and pessimistic scenarios are provided by the chief economist of the Bank.

The most significant assumptions used for the ECL estimates as at 31 December 2023 are presented in the tables below:

	GDP growth	Unemployment	Change in manufacturing output	Change in housing prices
<b>At 31 December 2023:</b>				
Base scenario	1.80%	6.50%	2.50%	6.80 %
Optimistic scenario	2.50%	6.00%	8.50%	-15.18 %
Pessimistic scenario	0.20%	7.80%	-2.30%	20.08 %

After performing annual regression equations review change in salaries parameter used for ECL estimates for year 2022, was not statistically significant therefore it was removed from regression equations.

Scenario probabilities and weighted average GDP growth:

	2024		2025		2026		2027		2028	
<b>At 31 December 2023:</b>	GDP	Probability	GDP	Probability	GDP	Probability	GDP	Probability	GDP	Probability
Base scenario	1.80%	60 %	3.10%	60 %	3.30%	60 %	2.21%	60 %	2.15%	60 %
Optimistic scenario	2.50%	15 %	3.80%	15 %	4.00%	15 %	3.50%	15 %	3.10%	15 %
Pessimistic scenario	0.20%	25 %	1.90%	25 %	2.00%	25 %	1.50%	25 %	1.50%	25 %
Weighted average GDP growth	1.51%		2.91%		3.08%		2.23%		2.13%	

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
<b>At 31 December 2022:</b>					
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	
<b>At 31 December 2022:</b>	GDP	Probability	GDP	Probability	GDP	Probability	GDP	Probability	GDP	Probability
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 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 2023, EAD conversion factor was added in calculating Stage 3 EAD exposure. In 2022, PD calculations were modified by removing the cure rate from PD and adding cure rate to the LGD calculations.

FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

	2023		2022	
	Group	Bank	Group	Bank
<i>Scenario 1: GDP growth increases by 0.5 p.p.</i>	ECL decreases by EUR 935 thousand, equity increases by EUR 748 thousand	ECL decreases by EUR 935 thousand, equity increases by EUR 748 thousand	ECL decreases by EUR 624 thousand, equity increases by EUR 499 thousand	ECL decreases by EUR 623 thousand, equity increases by EUR 498 thousand
<i>Scenario 2: GDP growth decreases by 0.5 p.p.</i>	ECL increases by EUR 928 thousand, equity decreases by 742 thousand	ECL increases by EUR 928 thousand, equity decreases by EUR 742 thousand	ECL increases by EUR 360 thousand, equity decreases by 288 thousand	ECL increases by EUR 358 thousand, equity decreases by EUR 286 thousand
<i>Scenario 3: real estate prices increase by 5%</i>	ECL decreases by EUR 900 thousand, equity increases by EUR 720 thousand	ECL decreases by EUR 900 thousand, equity increases by EUR 720 thousand	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
<i>Scenario 4: real estate prices decrease by 5%</i>	ECL increases by EUR 1,124 thousand, equity decreases by EUR 899 thousand	ECL increases by EUR 1,124 thousand, equity decreases by EUR 899 thousand	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
<i>Scenario 5: consumer financing portfolio recoveries increase by 5 p.p.</i>	ECL decreases by EUR 1,416 thousand, equity increases by EUR 1,132 thousand	ECL decreases by EUR 14 thousand, equity increases by EUR 11 thousand	ECL decreases by EUR 820 thousand, equity increases by EUR 656 thousand	ECL decreases by EUR 11 thousand, equity increases by EUR 9 thousand
<i>Scenario 6: consumer financing portfolio recoveries decrease by 5 p.p.</i>	ECL increases by EUR 1,416 thousand, equity decreases by EUR 1,132 thousand	ECL increases by EUR 14 thousand, equity decreases by EUR 11 thousand	ECL increases by EUR 816 thousand, equity decreases by EUR 653 thousand	ECL increases by EUR 11 thousand, equity decreases by EUR 9 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:

	2023		2022	
	Group	Bank	Group	Bank
<b>Total accumulated write-offs subject to enforcement</b>	<b>81,184</b>	<b>80,906</b>	<b>81,514</b>	<b>81,259</b>
<i>of which: amounts written-off during the year subject to enforcement</i>	447	389	8,263	8,249

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2023		2022	
	Group	Bank	Group	Bank
<b>Cash equivalents:</b>	<b>679,810</b>	<b>671,390</b>	<b>307,443</b>	<b>306,303</b>
<i>Balances in bank correspondent accounts</i>	608,675	600,255	179,235	178,095
<i>Placements with Central Bank</i>	71,135	71,135	128,208	128,208
<b>Loans and advances to banks</b>	<b>3,013</b>	<b>3,013</b>	<b>2,733</b>	<b>2,733</b>
<b>Loans and advances to customers:</b>	<b>2,645,104</b>	<b>2,633,482</b>	<b>2,391,629</b>	<b>2,370,762</b>
<i>Loans and advances to financial institutions</i>	26,413	273,966	18,079	195,352
<i>Loans to individuals (Retail):</i>	1,258,203	999,028	1,113,969	915,829
<i>Consumer loans</i>	260,914	1,739	201,152	3,012
<i>Mortgages</i>	778,931	778,931	663,328	663,328
<i>Other (reverse repurchase agreements, other loans backed by securities, other)</i>	218,358	218,358	249,489	249,489
<i>Loans to business customers:</i>	1,360,488	1,360,488	1,259,581	1,259,581
<i>Large corporates</i>	108,069	108,069	103,647	103,647
<i>SME</i>	1,183,839	1,183,839	1,073,266	1,073,266
<i>Central and local authorities, administrative bodies and other</i>	68,580	68,580	82,668	82,668
<b>Finance lease receivables</b>	<b>286,533</b>	<b>286,451</b>	<b>242,448</b>	<b>242,192</b>
<i>Individuals</i>	33,281	33,281	27,458	27,458
<i>Business customers</i>	253,252	253,170	214,990	214,734
<b>Securities in the trading book:</b>				
<i>Debt securities in the trading book</i>	65,761	20,240	30,148	27,056
<b>Derivative financial instruments</b>	<b>251</b>	<b>241</b>	<b>897</b>	<b>897</b>
<b>Investment securities at fair value</b>				
<i>Debt securities at fair value through other comprehensive income</i>	71,740	71,740	85,271	85,271
<b>Investment securities at amortized cost</b>				
<i>Debt securities at amortized cost</i>	751,227	739,869	969,036	956,332
<b>Other financial assets</b>	<b>7,351</b>	<b>8,289</b>	<b>5,815</b>	<b>5,620</b>
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	59,216	59,256	52,655	52,716
<i>Letters of credit</i>	538	538	5,756	5,756
<i>Loan commitments and other credit related liabilities</i>	482,027	489,655	490,944	492,592
<b>At 31 December</b>	<b>5,052,571</b>	<b>4,984,164</b>	<b>4,584,775</b>	<b>4,548,230</b>

The table above represents a worst-case scenario of credit risk exposure at 31 December 2023 and 2022, 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:

	2023		2022	
	Group	Bank	Group	Bank
<i>Gross loans to customers</i>	2,688,662	2,664,243	2,425,858	2,397,467
<i>Allowance for loan impairment</i>	(43,558)	(30,761)	(34,229)	(26,705)
<b>Net loans to customers</b>	<b>2,645,104</b>	<b>2,633,482</b>	<b>2,391,629</b>	<b>2,370,762</b>

During the year ended 31 December 2023, the Group's gross loans and advances increased by 11%. The Group's total impairment provision for loans and advances amounts to EUR 43,558 thousand (2022: EUR 34,229 thousand) and it accounts for 1.62% of the respective portfolio (2022: 1.41%).

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							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	1,833,422	30,525	135	1,864,082	1,724,435	27,458	100	1,751,993
Watch	387,014	37,282	432	424,728	294,474	33,957	460	328,891
Substandard	189,748	132,932	7,006	329,686	164,085	114,386	5,139	283,610
Problem	-	-	70,164	70,164	-	-	61,368	61,368
<b>Gross</b>	<b>2,410,184</b>	<b>200,739</b>	<b>77,737</b>	<b>2,688,660</b>	<b>2,182,994</b>	<b>175,801</b>	<b>67,067</b>	<b>2,425,862</b>
Less: allowance for impairment	(21,262)	(6,284)	(16,010)	(43,556)	(13,539)	(2,412)	(18,282)	(34,233)
<b>Net</b>	<b>2,388,922</b>	<b>194,455</b>	<b>61,727</b>	<b>2,645,104</b>	<b>2,169,455</b>	<b>173,389</b>	<b>48,785</b>	<b>2,391,629</b>

	Bank loans to customers							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	1,816,646	277,206	-	2,093,852	1,710,732	204,615	-	1,915,347
Watch	349,132	35,061	-	384,193	266,409	33,615	-	300,024
Substandard	144	115,889	-	116,033	9,574	111,158	-	120,732
Problem	-	-	70,164	70,164	-	-	61,368	61,368
<b>Gross</b>	<b>2,165,922</b>	<b>428,156</b>	<b>70,164</b>	<b>2,664,242</b>	<b>1,986,715</b>	<b>349,388</b>	<b>61,368</b>	<b>2,397,471</b>
Less: allowance for impairment	(15,954)	(2,279)	(12,527)	(30,760)	(9,427)	(1,676)	(15,606)	(26,709)
<b>Net</b>	<b>2,149,968</b>	<b>425,877</b>	<b>57,637</b>	<b>2,633,482</b>	<b>1,977,288</b>	<b>347,712</b>	<b>45,762</b>	<b>2,370,762</b>

	Group loans to individuals (retail)							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	948,783	17,263	135	966,181	880,302	11,260	100	891,662
Watch	62,958	7,907	432	71,297	47,236	2,214	460	49,910
Substandard	189,748	19,543	7,006	216,297	164,103	4,661	5,139	173,903
Problem	-	-	24,189	24,189	-	-	10,022	10,022
<b>Gross</b>	<b>1,201,489</b>	<b>44,713</b>	<b>31,762</b>	<b>1,277,964</b>	<b>1,091,641</b>	<b>18,135</b>	<b>15,721</b>	<b>1,125,497</b>
Less: allowance for impairment	(8,968)	(4,195)	(6,598)	(19,761)	(5,964)	(814)	(4,750)	(11,528)
<b>Net</b>	<b>1,192,521</b>	<b>40,518</b>	<b>25,164</b>	<b>1,258,203</b>	<b>1,085,677</b>	<b>17,321</b>	<b>10,971</b>	<b>1,113,969</b>

	Bank loans to individuals (retail)							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	932,007	16,391	-	948,398	866,599	11,144	-	877,743
Watch	25,076	5,686	-	30,762	19,171	1,872	-	21,043
Substandard	144	2,500	-	2,644	9,592	1,433	-	11,025
Problem	-	-	24,189	24,189	-	-	10,022	10,022
<b>Gross</b>	<b>957,227</b>	<b>24,577</b>	<b>24,189</b>	<b>1,005,993</b>	<b>895,362</b>	<b>14,449</b>	<b>10,022</b>	<b>919,833</b>
Less: allowance for impairment	(3,660)	(190)	(3,115)	(6,965)	(1,852)	(78)	(2,074)	(4,004)
<b>Net</b>	<b>953,567</b>	<b>24,387</b>	<b>21,074</b>	<b>999,028</b>	<b>893,510</b>	<b>14,371</b>	<b>7,948</b>	<b>915,829</b>

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

### FINANCIAL RISK MANAGEMENT (CONTINUED)

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Group loans to individuals (retail): Consumer loans</b>								
Standard	18,390	959	135	19,484	16,618	195	100	16,913
Watch	37,882	2,261	432	40,575	28,071	344	460	28,875
Substandard	189,603	17,069	7,006	213,678	154,513	3,228	5,140	162,881
Problem	-	-	179	179	-	-	186	186
<b>Gross</b>	<b>245,875</b>	<b>20,289</b>	<b>7,752</b>	<b>273,916</b>	<b>199,202</b>	<b>3,767</b>	<b>5,886</b>	<b>208,855</b>
Less: allowance for impairment	(5,370)	(4,026)	(3,606)	(13,002)	(4,169)	(739)	(2,795)	(7,703)
<b>Net</b>	<b>240,505</b>	<b>16,263</b>	<b>4,146</b>	<b>260,914</b>	<b>195,033</b>	<b>3,028</b>	<b>3,091</b>	<b>201,152</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Bank loans to individuals (retail): Consumer loans</b>								
Standard	1,613	87	-	1,700	2,915	79	-	2,994
Watch	-	40	-	40	6	2	-	8
Substandard	-	26	-	26	3	-	-	3
Problem	-	-	179	179	-	-	186	186
<b>Gross</b>	<b>1,613</b>	<b>153</b>	<b>179</b>	<b>1,945</b>	<b>2,924</b>	<b>81</b>	<b>186</b>	<b>3,191</b>
Less: allowance for impairment	(62)	(21)	(123)	(206)	(57)	(3)	(119)	(179)
<b>Net</b>	<b>1,551</b>	<b>132</b>	<b>56</b>	<b>1,739</b>	<b>2,867</b>	<b>78</b>	<b>67</b>	<b>3,012</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Group loans to individuals (retail): Mortgages</b>								
Standard	748,506	14,144	-	762,650	646,625	7,538	-	654,163
Watch	3,510	3,017	-	6,527	2,902	1,368	-	4,270
Substandard	119	1,218	-	1,337	133	922	-	1,055
Problem	-	-	10,929	10,929	-	-	5,762	5,762
<b>Gross</b>	<b>752,135</b>	<b>18,379</b>	<b>10,929</b>	<b>781,443</b>	<b>649,660</b>	<b>9,828</b>	<b>5,762</b>	<b>665,250</b>
Less: allowance for impairment	(177)	(45)	(2,290)	(2,512)	(759)	(37)	(1,126)	(1,922)
<b>Net</b>	<b>751,958</b>	<b>18,334</b>	<b>8,639</b>	<b>778,931</b>	<b>648,901</b>	<b>9,791</b>	<b>4,636</b>	<b>663,328</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Bank loans to individuals (retail): Mortgages</b>								
Standard	748,506	14,144	-	762,650	646,625	7,538	-	654,163
Watch	3,510	3,017	-	6,527	2,902	1,368	-	4,270
Substandard	119	1,218	-	1,337	133	922	-	1,055
Problem	-	-	10,929	10,929	-	-	5,762	5,762
<b>Gross</b>	<b>752,135</b>	<b>18,379</b>	<b>10,929</b>	<b>781,443</b>	<b>649,660</b>	<b>9,828</b>	<b>5,762</b>	<b>665,250</b>
Less: allowance for impairment	(177)	(45)	(2,290)	(2,512)	(759)	(37)	(1,126)	(1,922)
<b>Net</b>	<b>751,958</b>	<b>18,334</b>	<b>8,639</b>	<b>778,931</b>	<b>648,901</b>	<b>9,791</b>	<b>4,636</b>	<b>663,328</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Group loans to individuals (retail): Other</b>								
Standard	181,887	2,160	-	184,047	217,059	3,527	-	220,586
Watch	21,566	2,629	-	24,195	16,263	502	-	16,765
Substandard	26	1,256	-	1,282	9,457	511	(1)	9,967
Problem	-	-	13,081	13,081	-	-	4,074	4,074
<b>Gross</b>	<b>203,479</b>	<b>6,045</b>	<b>13,081</b>	<b>222,605</b>	<b>242,779</b>	<b>4,540</b>	<b>4,073</b>	<b>251,392</b>
Less: allowance for impairment	(3,421)	(124)	(702)	(4,247)	(1,036)	(38)	(829)	(1,903)
<b>Net</b>	<b>200,058</b>	<b>5,921</b>	<b>12,379</b>	<b>218,358</b>	<b>241,743</b>	<b>4,502</b>	<b>3,244</b>	<b>249,489</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Bank loans to individuals (retail): Other</b>								
Standard	181,888	2,160	-	184,048	217,059	3,527	-	220,586
Watch	21,566	2,629	-	24,195	16,263	502	-	16,765
Substandard	25	1,256	-	1,281	9,456	511	-	9,967
Problem	-	-	13,081	13,081	-	-	4,074	4,074
<b>Gross</b>	<b>203,479</b>	<b>6,045</b>	<b>13,081</b>	<b>222,605</b>	<b>242,778</b>	<b>4,540</b>	<b>4,074</b>	<b>251,392</b>
Less: allowance for impairment	(3,421)	(124)	(702)	(4,247)	(1,036)	(38)	(829)	(1,903)
<b>Net</b>	<b>200,058</b>	<b>5,921</b>	<b>12,379</b>	<b>218,358</b>	<b>241,742</b>	<b>4,502</b>	<b>3,245</b>	<b>249,489</b>

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	14,704	-	-	14,704	17,771	-	-	17,771
<i>Watch</i>	11,892	-	-	11,892	317	-	-	317
<i>Substandard</i>	-	-	-	-	-	-	-	-
<i>Problem</i>	-	-	-	-	-	-	-	-
<b>Gross</b>	<b>26,596</b>	-	-	<b>26,596</b>	<b>18,088</b>	-	-	<b>18,088</b>
<i>Less: allowance for impairment</i>	(183)	-	-	(183)	(9)	-	-	(9)
<b>Net</b>	<b>26,413</b>	-	-	<b>26,413</b>	<b>18,079</b>	-	-	<b>18,079</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	14,704	247,553	-	262,257	17,771	177,273	-	195,044
<i>Watch</i>	11,892	-	-	11,892	317	-	-	317
<i>Substandard</i>	-	-	-	-	-	-	-	-
<i>Problem</i>	-	-	-	-	-	-	-	-
<b>Gross</b>	<b>26,596</b>	<b>247,553</b>	-	<b>274,149</b>	<b>18,088</b>	<b>177,273</b>	-	<b>195,361</b>
<i>Less: allowance for impairment</i>	(183)	-	-	(183)	(9)	-	-	(9)
<b>Net</b>	<b>26,413</b>	<b>247,553</b>	-	<b>273,966</b>	<b>18,079</b>	<b>177,273</b>	-	<b>195,352</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	869,935	13,262	-	883,197	826,362	16,198	-	842,560
<i>Watch</i>	312,164	29,375	-	341,539	246,921	31,743	-	278,664
<i>Substandard</i>	-	113,389	-	113,389	(18)	109,725	-	109,707
<i>Problem</i>	-	-	45,975	45,975	-	-	51,346	51,346
<b>Gross</b>	<b>1,182,099</b>	<b>156,026</b>	<b>45,975</b>	<b>1,384,100</b>	<b>1,073,265</b>	<b>157,666</b>	<b>51,346</b>	<b>1,282,277</b>
<i>Less: allowance for impairment</i>	(12,111)	(2,089)	(9,412)	(23,612)	(7,566)	(1,598)	(13,532)	(22,696)
<b>Net</b>	<b>1,169,988</b>	<b>153,937</b>	<b>36,563</b>	<b>1,360,488</b>	<b>1,065,699</b>	<b>156,068</b>	<b>37,814</b>	<b>1,259,581</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	869,935	13,262	-	883,197	826,362	16,198	-	842,560
<i>Watch</i>	312,164	29,375	-	341,539	246,921	31,743	-	278,664
<i>Substandard</i>	-	113,389	-	113,389	(18)	109,725	-	109,707
<i>Problem</i>	-	-	45,975	45,975	-	-	51,346	51,346
<b>Gross</b>	<b>1,182,099</b>	<b>156,026</b>	<b>45,975</b>	<b>1,384,100</b>	<b>1,073,265</b>	<b>157,666</b>	<b>51,346</b>	<b>1,282,277</b>
<i>Less: allowance for impairment</i>	(12,111)	(2,089)	(9,412)	(23,612)	(7,566)	(1,598)	(13,532)	(22,696)
<b>Net</b>	<b>1,169,988</b>	<b>153,937</b>	<b>36,563</b>	<b>1,360,488</b>	<b>1,065,699</b>	<b>156,068</b>	<b>37,814</b>	<b>1,259,581</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	89,586	1,768	-	91,354	72,453	455	-	72,908
<i>Watch</i>	-	1,047	-	1,047	1,822	8,005	-	9,827
<i>Substandard</i>	-	243	-	243	(18)	21,504	-	21,486
<i>Problem</i>	-	-	17,209	17,209	-	-	1,596	1,596
<b>Gross</b>	<b>89,586</b>	<b>3,058</b>	<b>17,209</b>	<b>109,853</b>	<b>74,257</b>	<b>29,964</b>	<b>1,596</b>	<b>105,817</b>
<i>Less: allowance for impairment</i>	(651)	(6)	(1,127)	(1,784)	(301)	(273)	(1,596)	(2,170)
<b>Net</b>	<b>88,935</b>	<b>3,052</b>	<b>16,082</b>	<b>108,069</b>	<b>73,956</b>	<b>29,691</b>	-	<b>103,647</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	89,586	1,768	-	91,354	72,453	455	-	72,908
<i>Watch</i>	-	1,047	-	1,047	1,822	8,005	-	9,827
<i>Substandard</i>	-	243	-	243	(18)	21,504	-	21,486
<i>Problem</i>	-	-	17,209	17,209	-	-	1,596	1,596
<b>Gross</b>	<b>89,586</b>	<b>3,058</b>	<b>17,209</b>	<b>109,853</b>	<b>74,257</b>	<b>29,964</b>	<b>1,596</b>	<b>105,817</b>
<i>Less: allowance for impairment</i>	(651)	(6)	(1,127)	(1,784)	(301)	(273)	(1,596)	(2,170)
<b>Net</b>	<b>88,935</b>	<b>3,052</b>	<b>16,082</b>	<b>108,069</b>	<b>73,956</b>	<b>29,691</b>	-	<b>103,647</b>

FINANCIAL RISK MANAGEMENT (CONTINUED)

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	718,128	9,384	-	727,512	673,520	15,175	-	688,695
<i>Watch</i>	311,571	28,328	-	339,899	245,088	23,738	-	268,826
<i>Substandard</i>	-	110,413	-	110,413	-	86,866	-	86,866
<i>Problem</i>	-	-	27,423	27,423	-	-	48,308	48,308
<b>Gross</b>	<b>1,029,699</b>	<b>148,125</b>	<b>27,423</b>	<b>1,205,247</b>	<b>918,608</b>	<b>125,779</b>	<b>48,308</b>	<b>1,092,695</b>
<i>Less: allowance for impairment</i>	(11,312)	(2,069)	(8,027)	(21,408)	(7,200)	(1,312)	(10,917)	(19,429)
<b>Net</b>	<b>1,018,387</b>	<b>146,056</b>	<b>19,396</b>	<b>1,183,839</b>	<b>911,408</b>	<b>124,467</b>	<b>37,391</b>	<b>1,073,266</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	718,128	9,384	-	727,512	673,520	15,175	-	688,695
<i>Watch</i>	311,571	28,328	-	339,899	245,088	23,738	-	268,826
<i>Substandard</i>	-	110,413	-	110,413	-	86,866	-	86,866
<i>Problem</i>	-	-	27,423	27,423	-	-	48,308	48,308
<b>Gross</b>	<b>1,029,699</b>	<b>148,125</b>	<b>27,423</b>	<b>1,205,247</b>	<b>918,608</b>	<b>125,779</b>	<b>48,308</b>	<b>1,092,695</b>
<i>Less: allowance for impairment</i>	(11,312)	(2,069)	(8,027)	(21,408)	(7,200)	(1,312)	(10,917)	(19,429)
<b>Net</b>	<b>1,018,387</b>	<b>146,056</b>	<b>19,396</b>	<b>1,183,839</b>	<b>911,408</b>	<b>124,467</b>	<b>37,391</b>	<b>1,073,266</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	62,221	2,110	-	64,331	80,389	568	-	80,957
<i>Watch</i>	593	-	-	593	11	-	-	11
<i>Substandard</i>	-	2,733	-	2,733	-	1,355	-	1,355
<i>Problem</i>	-	-	1,343	1,343	-	-	1,442	1,442
<b>Gross</b>	<b>62,814</b>	<b>4,843</b>	<b>1,343</b>	<b>69,000</b>	<b>80,400</b>	<b>1,923</b>	<b>1,442</b>	<b>83,765</b>
<i>Less: allowance for impairment</i>	(148)	(14)	(258)	(420)	(65)	(13)	(1,019)	(1,097)
<b>Net</b>	<b>62,666</b>	<b>4,829</b>	<b>1,085</b>	<b>68,580</b>	<b>80,335</b>	<b>1,910</b>	<b>423</b>	<b>82,668</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	62,221	2,110	-	64,331	80,389	568	-	80,957
<i>Watch</i>	593	-	-	593	11	-	-	11
<i>Substandard</i>	-	2,733	-	2,733	-	1,355	-	1,355
<i>Problem</i>	-	-	1,343	1,343	-	-	1,442	1,442
<b>Gross</b>	<b>62,814</b>	<b>4,843</b>	<b>1,343</b>	<b>69,000</b>	<b>80,400</b>	<b>1,923</b>	<b>1,442</b>	<b>83,765</b>
<i>Less: allowance for impairment</i>	(148)	(14)	(258)	(420)	(65)	(13)	(1,019)	(1,097)
<b>Net</b>	<b>62,666</b>	<b>4,829</b>	<b>1,085</b>	<b>68,580</b>	<b>80,335</b>	<b>1,910</b>	<b>423</b>	<b>82,668</b>

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.

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Not past due</i>	2,364,707	165,303	36,773	2,566,783	2,146,375	155,834	31,904	2,334,113
<i>Past due up to 30 days</i>	45,340	20,976	5,455	71,771	36,399	9,680	10,932	57,011
<i>Past due 31-90 days</i>	135	14,397	5,263	19,795	218	10,283	1,527	12,028
<i>Past due more than 90 days</i>	4	64	30,247	30,315	-	-	22,707	22,707
<b>Gross</b>	<b>2,410,186</b>	<b>200,740</b>	<b>77,738</b>	<b>2,688,664</b>	<b>2,182,992</b>	<b>175,797</b>	<b>67,070</b>	<b>2,425,859</b>
<i>Less: allowance for impairment</i>	(21,263)	(6,285)	(16,012)	(43,560)	(13,538)	(2,410)	(18,282)	(34,230)
<b>Net</b>	<b>2,388,923</b>	<b>194,455</b>	<b>61,726</b>	<b>2,645,104</b>	<b>2,169,454</b>	<b>173,387</b>	<b>48,788</b>	<b>2,391,629</b>

FINANCIAL RISK MANAGEMENT (CONTINUED)

	Bank loans to customers							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	2,130,579	412,310	35,118	2,578,007	1,961,096	332,429	30,030	2,323,555
Past due up to 30 days	35,340	6,877	4,065	46,282	25,618	9,340	9,992	44,950
Past due 31-90 days	-	8,965	1,930	10,895	-	7,615	875	8,490
Past due more than 90 days	4	4	29,052	29,060	-	-	20,472	20,472
<b>Gross</b>	<b>2,165,923</b>	<b>428,156</b>	<b>70,165</b>	<b>2,664,244</b>	<b>1,986,714</b>	<b>349,384</b>	<b>61,369</b>	<b>2,397,467</b>
Less: allowance for impairment	(15,955)	(2,279)	(12,528)	(30,762)	(9,426)	(1,674)	(15,605)	(26,705)
<b>Net</b>	<b>2,149,968</b>	<b>425,877</b>	<b>57,637</b>	<b>2,633,482</b>	<b>1,977,288</b>	<b>347,710</b>	<b>45,764</b>	<b>2,370,762</b>

	Group loans to individuals (retail)							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	1,177,876	14,435	11,574	1,203,885	1,070,574	9,237	4,570	1,084,381
Past due up to 30 days	23,474	15,952	2,892	42,318	20,847	1,100	1,501	23,448
Past due 31-90 days	135	14,264	4,801	19,200	218	7,796	1,196	9,210
Past due more than 90 days	4	64	12,496	12,564	-	-	8,456	8,456
<b>Gross</b>	<b>1,201,489</b>	<b>44,715</b>	<b>31,763</b>	<b>1,277,967</b>	<b>1,091,639</b>	<b>18,133</b>	<b>15,723</b>	<b>1,125,495</b>
Less: allowance for impairment	(8,969)	(4,196)	(6,599)	(19,764)	(5,963)	(813)	(4,750)	(11,526)
<b>Net</b>	<b>1,192,520</b>	<b>40,519</b>	<b>25,164</b>	<b>1,258,203</b>	<b>1,085,676</b>	<b>17,320</b>	<b>10,973</b>	<b>1,113,969</b>

	Bank loans to individuals (retail)							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	943,748	13,889	9,919	967,556	885,295	8,559	2,696	896,550
Past due up to 30 days	13,474	1,853	1,502	16,829	10,066	760	561	11,387
Past due 31-90 days	-	8,832	1,468	10,300	-	5,128	544	5,672
Past due more than 90 days	4	4	11,301	11,309	-	-	6,221	6,221
<b>Gross</b>	<b>957,226</b>	<b>24,578</b>	<b>24,190</b>	<b>1,005,994</b>	<b>895,361</b>	<b>14,447</b>	<b>10,022</b>	<b>919,830</b>
Less: allowance for impairment	(3,661)	(190)	(3,115)	(6,966)	(1,851)	(77)	(2,073)	(4,001)
<b>Net</b>	<b>953,565</b>	<b>24,388</b>	<b>21,075</b>	<b>999,028</b>	<b>893,510</b>	<b>14,370</b>	<b>7,949</b>	<b>915,829</b>

	Group loans to financial institutions							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	26,596	-	-	26,596	18,088	-	-	18,088
Past due up to 30 days	-	-	-	-	-	-	-	-
Past due 31-90 days	-	-	-	-	-	-	-	-
Past due more than 90 days	-	-	-	-	-	-	-	-
<b>Gross</b>	<b>26,596</b>	<b>-</b>	<b>-</b>	<b>26,596</b>	<b>18,088</b>	<b>-</b>	<b>-</b>	<b>18,088</b>
Less: allowance for impairment	(183)	-	-	(183)	(9)	-	-	(9)
<b>Net</b>	<b>26,413</b>	<b>-</b>	<b>-</b>	<b>26,413</b>	<b>18,079</b>	<b>-</b>	<b>-</b>	<b>18,079</b>

	Bank loans to financial institutions							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	26,596	247,553	-	274,149	18,088	177,273	-	195,361
Past due up to 30 days	-	-	-	-	-	-	-	-
Past due 31-90 days	-	-	-	-	-	-	-	-
Past due more than 90 days	-	-	-	-	-	-	-	-
<b>Gross</b>	<b>26,596</b>	<b>247,553</b>	<b>-</b>	<b>274,149</b>	<b>18,088</b>	<b>177,273</b>	<b>-</b>	<b>195,361</b>
Less: allowance for impairment	(183)	-	-	(183)	(9)	-	-	(9)
<b>Net</b>	<b>26,413</b>	<b>247,553</b>	<b>-</b>	<b>273,966</b>	<b>18,079</b>	<b>177,273</b>	<b>-</b>	<b>195,352</b>

	Group loans to business customers							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	1,160,235	150,868	25,199	1,336,302	1,057,713	146,597	27,334	1,231,644
Past due up to 30 days	21,866	5,024	2,563	29,453	15,552	8,580	9,431	33,563
Past due 31-90 days	-	133	462	595	-	2,487	331	2,818
Past due more than 90 days	-	-	17,751	17,751	-	-	14,251	14,251
<b>Gross</b>	<b>1,182,101</b>	<b>156,025</b>	<b>45,975</b>	<b>1,384,101</b>	<b>1,073,265</b>	<b>157,664</b>	<b>51,347</b>	<b>1,282,276</b>
Less: allowance for impairment	(12,111)	(2,089)	(9,413)	(23,613)	(7,566)	(1,597)	(13,532)	(22,695)
<b>Net</b>	<b>1,169,990</b>	<b>153,936</b>	<b>36,562</b>	<b>1,360,488</b>	<b>1,065,699</b>	<b>156,067</b>	<b>37,815</b>	<b>1,259,581</b>

FINANCIAL RISK MANAGEMENT (CONTINUED)

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Not past due</i>	1,160,235	150,868	25,199	1,336,302	1,057,713	146,597	27,334	1,231,644
<i>Past due up to 30 days</i>	21,866	5,024	2,563	29,453	15,552	8,580	9,431	33,563
<i>Past due 31-90 days</i>	-	133	462	595	-	2,487	331	2,818
<i>Past due more than 90 days</i>	-	-	17,751	17,751	-	-	14,251	14,251
<b>Gross</b>	<b>1,182,101</b>	<b>156,025</b>	<b>45,975</b>	<b>1,384,101</b>	<b>1,073,265</b>	<b>157,664</b>	<b>51,347</b>	<b>1,282,276</b>
<i>Less: allowance for impairment</i>	(12,111)	(2,089)	(9,413)	(23,613)	(7,566)	(1,597)	(13,532)	(22,695)
<b>Net</b>	<b>1,169,990</b>	<b>153,936</b>	<b>36,562</b>	<b>1,360,488</b>	<b>1,065,699</b>	<b>156,067</b>	<b>37,815</b>	<b>1,259,581</b>

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 2023

	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>	31,762	(6,598)	25,164	21,057	24,189	(3,115)	21,074	21,057
<i>Consumer loans</i>	7,752	(3,606)	4,146	6	179	(123)	56	6
<i>Mortgages</i>	10,929	(2,290)	8,639	10,765	10,929	(2,290)	8,639	10,765
<i>Other</i>	13,081	(702)	12,379	10,285	13,081	(702)	12,379	10,285
<i>Loans to business customers:</i>	45,975	(9,412)	36,563	45,328	45,975	(9,412)	36,563	45,328
<i>Large corporates</i>	17,209	(1,127)	16,082	17,209	17,209	(1,127)	16,082	17,209
<i>SME</i>	27,423	(8,027)	19,396	26,775	27,423	(8,027)	19,396	26,775
<i>Central and local authorities, administrative bodies and other</i>	1,343	(258)	1,085	1,343	1,343	(258)	1,085	1,343
<b>Total loans to customers</b>	<b>77,737</b>	<b>(16,010)</b>	<b>61,727</b>	<b>66,384</b>	<b>70,164</b>	<b>(12,527)</b>	<b>57,637</b>	<b>66,384</b>

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
<b>Total loans to customers</b>	<b>67,069</b>	<b>(18,282)</b>	<b>48,787</b>	<b>59,145</b>	<b>61,368</b>	<b>(15,606)</b>	<b>45,762</b>	<b>59,145</b>

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 2023 amounted to EUR 23 million (2022: EUR 33 million). Totally unsecured loans comprise only consumer loans and loans issued by the Bank to its subsidiaries.

31 December 2023

	Group loans to individuals (retail)			
	Consumer loans	Mortgages	Other	Total
<i>Unsecured loans</i>	273,916	-	67,266	341,182
<b>Loans collateralised by:</b>	-	<b>781,443</b>	<b>155,339</b>	<b>936,782</b>
<i>residential real estate -</i>	-	749,409	8,083	757,492
<i>other real estate -</i>	-	32,034	8,776	40,810
<i>securities -</i>	-	-	-	-
<i>guarantees -</i>	-	-	123,556	123,556
<i>cash deposits -</i>	-	-	7	7
<i>other assets -</i>	-	-	14,917	14,917
<b>Total</b>	<b>273,916</b>	<b>781,443</b>	<b>222,605</b>	<b>1,277,964</b>

	Group loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
<i>Unsecured loans</i>	-	-	-	49,103	49,103
<b>Loans collateralised by:</b>	<b>1,205,247</b>	<b>109,853</b>	<b>26,596</b>	<b>19,897</b>	<b>1,361,593</b>
<i>residential real estate -</i>	138,606	2,633	-	457	141,696
<i>other real estate -</i>	1,066,641	107,220	26,596	18,971	1,219,428
<i>securities -</i>	-	-	-	1	1
<i>guarantees -</i>	-	-	-	468	468
<i>cash deposits -</i>	-	-	-	-	-
<i>other assets -</i>	-	-	-	-	-
<b>Total</b>	<b>1,205,247</b>	<b>109,853</b>	<b>26,596</b>	<b>69,000</b>	<b>1,410,696</b>

	Bank loans to individuals (retail)			
	Consumer loans	Mortgages	Other	Total
<i>Unsecured loans</i>	1,945	-	67,266	69,211
<b>Loans collateralised by:</b>	-	<b>781,443</b>	<b>155,339</b>	<b>936,782</b>
<i>residential real estate -</i>	-	749,409	8,083	757,492
<i>other real estate -</i>	-	32,034	8,776	40,810
<i>securities -</i>	-	-	-	-
<i>guarantees -</i>	-	-	123,556	123,556
<i>cash deposits -</i>	-	-	7	7
<i>other assets -</i>	-	-	14,917	14,917
<b>Total</b>	<b>1,945</b>	<b>781,443</b>	<b>222,605</b>	<b>1,005,993</b>

	Bank loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
<i>Unsecured loans</i>	-	-	247,553	49,103	296,656
<b>Loans collateralised by:</b>	<b>1,205,247</b>	<b>109,853</b>	<b>26,596</b>	<b>19,897</b>	<b>1,361,593</b>
<i>residential real estate -</i>	138,606	2,633	-	457	141,696
<i>other real estate -</i>	1,066,641	107,220	26,596	18,971	1,219,428
<i>securities -</i>	-	-	-	1	1
<i>guarantees -</i>	-	-	-	468	468
<i>cash deposits -</i>	-	-	-	-	-
<i>other assets -</i>	-	-	-	-	-
<b>Total</b>	<b>1,205,247</b>	<b>109,853</b>	<b>274,149</b>	<b>69,000</b>	<b>1,658,249</b>

FINANCIAL RISK MANAGEMENT (CONTINUED)

31 December 2022

	Group loans to individuals (retail)			
	Consumer loans	Mortgages	Other	Total
<i>Unsecured loans</i>	208,855	-	115,789	324,644
<b>Loans collateralised by:</b>	-	<b>665,250</b>	<b>135,603</b>	<b>800,853</b>
<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
<b>Total</b>	<b>208,855</b>	<b>665,250</b>	<b>251,392</b>	<b>1,125,497</b>

	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
<b>Loans collateralised by:</b>	<b>1,092,695</b>	<b>105,817</b>	<b>18,088</b>	<b>19,624</b>	<b>1,236,224</b>
<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>	-	-	-	-	-
<b>Total</b>	<b>1,092,695</b>	<b>105,817</b>	<b>18,088</b>	<b>83,765</b>	<b>1,300,365</b>

	Bank loans to individuals (retail)			
	Consumer loans	Mortgages	Other	Total
<i>Unsecured loans</i>	3,191	-	115,789	118,980
<b>Loans collateralised by:</b>	-	<b>665,250</b>	<b>135,603</b>	<b>800,853</b>
<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
<b>Total</b>	<b>3,191</b>	<b>665,250</b>	<b>251,392</b>	<b>919,833</b>

	Bank loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
<i>Unsecured loans</i>	-	-	177,273	64,141	241,414
<b>Loans collateralised by:</b>	<b>1,092,695</b>	<b>105,817</b>	<b>18,088</b>	<b>19,624</b>	<b>1,236,224</b>
<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>	-	-	-	-	-
<b>Total</b>	<b>1,092,695</b>	<b>105,817</b>	<b>195,361</b>	<b>83,765</b>	<b>1,477,638</b>

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>LTV ratio:</b>								
<i>lower than 50%</i>	1,270,696	149,029	49,268	1,468,993	1,100,547	154,771	53,158	1,308,476
<i>50% to 60%</i>	150,592	14,578	2,835	168,005	135,814	3,817	1,773	141,404
<i>60% to 70%</i>	105,707	3,854	1,551	111,112	118,142	2,019	514	120,675
<i>70% to 80%</i>	173,230	2,396	1,555	177,181	150,547	2,379	268	153,194
<i>80% to 90%</i>	150,401	2,922	1,977	155,300	141,316	1,585	546	143,447
<i>90% to 100%</i>	13,704	838	85	14,627	13,084	529	53	13,666
<i>higher than 100%</i>	147,883	4,494	12,386	164,763	171,091	6,126	4,494	181,711
<i>no collateral</i>	397,973	22,629	8,081	428,683	352,451	4,571	6,264	363,286
<b>Total gross loans</b>	<b>2,410,186</b>	<b>200,740</b>	<b>77,738</b>	<b>2,688,664</b>	<b>2,182,992</b>	<b>175,797</b>	<b>67,070</b>	<b>2,425,859</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>LTV ratio:</b>								
<i>lower than 50%</i>	1,270,696	149,029	49,268	1,468,993	1,100,547	154,771	53,158	1,308,476
<i>50% to 60%</i>	150,592	14,578	2,835	168,005	135,814	3,817	1,773	141,404
<i>60% to 70%</i>	105,707	3,854	1,551	111,112	118,142	2,019	514	120,675
<i>70% to 80%</i>	173,230	2,396	1,555	177,181	150,547	2,379	268	153,194
<i>80% to 90%</i>	150,401	2,922	1,977	155,300	141,316	1,585	546	143,447
<i>90% to 100%</i>	13,704	838	85	14,627	13,085	529	53	13,667
<i>higher than 100%</i>	147,883	4,494	12,386	164,763	171,091	6,126	4,494	181,711
<i>no collateral</i>	153,710	250,045	508	404,263	156,172	178,158	563	334,893
<b>Total gross loans</b>	<b>2,165,923</b>	<b>428,156</b>	<b>70,165</b>	<b>2,664,244</b>	<b>1,986,714</b>	<b>349,384</b>	<b>61,369</b>	<b>2,397,467</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>LTV ratio:</b>								
<i>lower than 50%</i>	246,967	8,578	5,671	261,216	197,868	6,304	4,152	208,324
<i>50% to 60%</i>	85,306	2,615	1,529	89,450	66,256	371	1,068	67,695
<i>60% to 70%</i>	98,834	3,261	1,250	103,345	98,483	934	514	99,931
<i>70% to 80%</i>	169,164	2,395	1,555	173,114	148,017	2,043	190	150,250
<i>80% to 90%</i>	149,520	2,849	1,962	154,331	138,719	668	546	139,933
<i>90% to 100%</i>	2,155	83	85	2,323	2,302	6	53	2,361
<i>higher than 100%</i>	138,356	4,494	11,659	154,509	162,202	3,904	3,124	169,230
<i>no collateral</i>	311,187	20,440	8,052	339,679	277,792	3,903	6,076	287,771
<b>Total gross loans</b>	<b>1,201,489</b>	<b>44,715</b>	<b>31,763</b>	<b>1,277,967</b>	<b>1,091,639</b>	<b>18,133</b>	<b>15,723</b>	<b>1,125,495</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>LTV ratio:</b>								
<i>lower than 50%</i>	246,967	8,578	5,671	261,216	197,868	6,304	4,152	208,324
<i>50% to 60%</i>	85,306	2,615	1,529	89,450	66,256	371	1,068	67,695
<i>60% to 70%</i>	98,834	3,261	1,250	103,345	98,483	934	514	99,931
<i>70% to 80%</i>	169,164	2,395	1,555	173,114	148,017	2,043	190	150,250
<i>80% to 90%</i>	149,520	2,849	1,962	154,331	138,719	668	546	139,933
<i>90% to 100%</i>	2,155	83	85	2,323	2,303	6	53	2,362
<i>higher than 100%</i>	138,356	4,494	11,659	154,509	162,202	3,904	3,124	169,230
<i>no collateral</i>	66,924	303	479	67,706	81,513	217	375	82,105
<b>Total gross loans</b>	<b>957,226</b>	<b>24,578</b>	<b>24,190</b>	<b>1,005,994</b>	<b>895,361</b>	<b>14,447</b>	<b>10,022</b>	<b>919,830</b>

FINANCIAL RISK MANAGEMENT (CONTINUED)

Group loans to individuals (Retail) : Consumer loans – LTV distribution								
	2023				2022			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	-	-	1	1	-	-	-	-
50% to 60%	-	-	-	-	-	-	-	-
60% to 70%	-	-	-	-	-	-	-	-
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	-	-	-
90% to 100%	16	2	1	19	580	6	11	597
higher than 100%	16	1	4	21	85	15	23	123
no collateral	245,843	20,286	7,746	273,875	198,537	3,746	5,852	208,135
<b>Total gross loans</b>	<b>245,875</b>	<b>20,289</b>	<b>7,752</b>	<b>273,916</b>	<b>199,202</b>	<b>3,767</b>	<b>5,886</b>	<b>208,855</b>

Bank loans to individuals (Retail) : Consumer loans – LTV distribution								
	2023				2022			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	-	-	1	1	-	-	-	-
50% to 60%	-	-	-	-	-	-	-	-
60% to 70%	-	-	-	-	-	-	-	-
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	-	-	-
90% to 100%	16	2	1	19	580	6	11	597
higher than 100%	16	1	4	21	84	15	23	122
no collateral	1,581	150	173	1,904	2,260	60	152	2,472
<b>Total gross loans</b>	<b>1,613</b>	<b>153</b>	<b>179</b>	<b>1,945</b>	<b>2,924</b>	<b>81</b>	<b>186</b>	<b>3,191</b>

Group loans to individuals (Retail) : Mortgages – LTV distribution								
	2023				2022			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	244,611	7,319	4,786	256,716	193,191	5,752	3,684	202,627
50% to 60%	85,242	2,459	1,363	89,064	66,007	367	901	67,275
60% to 70%	98,807	3,252	1,126	103,185	98,141	922	404	99,467
70% to 80%	169,158	2,395	1,549	173,102	148,002	2,043	135	150,180
80% to 90%	149,137	2,849	1,936	153,922	138,719	668	527	139,914
90% to 100%	2,101	81	84	2,266	1,713	-	19	1,732
higher than 100%	1,482	24	-	1,506	1,837	13	92	1,942
no collateral	1,597	-	85	1,682	2,050	63	-	2,113
<b>Total gross loans</b>	<b>752,135</b>	<b>18,379</b>	<b>10,929</b>	<b>781,443</b>	<b>649,660</b>	<b>9,828</b>	<b>5,762</b>	<b>665,250</b>

Bank loans to individuals (Retail) : Mortgages – LTV distribution								
	2023				2022			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	244,611	7,319	4,786	256,716	193,191	5,752	3,684	202,627
50% to 60%	85,242	2,459	1,363	89,064	66,007	367	901	67,275
60% to 70%	98,807	3,252	1,126	103,185	98,141	922	404	99,467
70% to 80%	169,158	2,395	1,549	173,102	148,002	2,043	135	150,180
80% to 90%	149,137	2,849	1,936	153,922	138,719	668	527	139,914
90% to 100%	2,101	81	84	2,266	1,713	-	19	1,732
higher than 100%	1,482	24	-	1,506	1,837	13	92	1,942
no collateral	1,597	-	85	1,682	2,050	63	-	2,113
<b>Total gross loans</b>	<b>752,135</b>	<b>18,379</b>	<b>10,929</b>	<b>781,443</b>	<b>649,660</b>	<b>9,828</b>	<b>5,762</b>	<b>665,250</b>

Group loans to individuals (Retail) : Other – LTV distribution								
	2023				2022			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	2,356	1,258	883	4,497	4,677	552	468	5,697
50% to 60%	64	156	166	386	249	4	167	420
60% to 70%	27	9	124	160	342	12	110	464
70% to 80%	6	-	6	12	15	-	55	70
80% to 90%	383	-	26	409	-	-	19	19
90% to 100%	38	-	-	38	10	-	23	33
higher than 100%	136,858	4,469	11,655	152,982	160,281	3,877	3,008	167,166
no collateral	63,747	153	221	64,121	77,205	95	223	77,523
<b>Total gross loans</b>	<b>203,479</b>	<b>6,045</b>	<b>13,081</b>	<b>222,605</b>	<b>242,779</b>	<b>4,540</b>	<b>4,073</b>	<b>251,392</b>

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

Bank loans to individuals (Retail) : Other – LTV distribution								
	2023				2022			
<i>LTV ratio:</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>lower than 50%</i>	2,356	1,258	883	4,497	4,677	552	468	5,697
<i>50% to 60%</i>	64	156	166	386	249	4	167	420
<i>60% to 70%</i>	27	9	124	160	342	12	110	464
<i>70% to 80%</i>	6	-	6	12	15	-	55	70
<i>80% to 90%</i>	383	-	26	409	-	-	19	19
<i>90% to 100%</i>	38	-	-	38	10	-	23	33
<i>higher than 100%</i>	136,858	4,469	11,655	152,982	160,281	3,877	3,009	167,167
<i>no collateral</i>	63,747	153	221	64,121	77,204	95	223	77,522
<b>Total gross loans</b>	<b>203,479</b>	<b>6,045</b>	<b>13,081</b>	<b>222,605</b>	<b>242,778</b>	<b>4,540</b>	<b>4,074</b>	<b>251,392</b>

Group loans to financial institutions – LTV distribution								
	2023				2022			
<i>LTV ratio:</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>lower than 50%</i>	19,716	-	-	19,716	17,756	-	-	17,756
<i>50% to 60%</i>	1,054	-	-	1,054	317	-	-	317
<i>60% to 70%</i>	5,826	-	-	5,826	-	-	-	-
<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
<b>Total gross loans</b>	<b>26,596</b>	<b>-</b>	<b>-</b>	<b>26,596</b>	<b>18,088</b>	<b>-</b>	<b>-</b>	<b>18,088</b>

Bank loans to financial institutions – LTV distribution								
	2023				2022			
<i>LTV ratio:</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>lower than 50%</i>	19,716	-	-	19,716	17,756	-	-	17,756
<i>50% to 60%</i>	1,054	-	-	1,054	317	-	-	317
<i>60% to 70%</i>	5,826	-	-	5,826	-	-	-	-
<i>70% to 80%</i>	-	-	-	-	-	-	-	-
<i>80% to 90%</i>	-	-	-	-	-	-	-	-
<i>90% to 100%</i>	-	-	-	-	-	-	-	-
<i>higher than 100%</i>	-	-	-	-	-	-	-	-
<i>no collateral</i>	-	247,553	-	247,553	15	177,273	-	177,288
<b>Total gross loans</b>	<b>26,596</b>	<b>247,553</b>	<b>-</b>	<b>274,149</b>	<b>18,088</b>	<b>177,273</b>	<b>-</b>	<b>195,361</b>

Group loans to business customers – LTV distribution								
	2023				2022			
<i>LTV ratio:</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>lower than 50%</i>	1,004,012	140,451	43,597	1,188,060	884,923	148,467	49,006	1,082,396
<i>50% to 60%</i>	64,232	11,963	1,306	77,501	69,241	3,446	705	73,392
<i>60% to 70%</i>	1,047	593	301	1,941	19,659	1,085	-	20,744
<i>70% to 80%</i>	4,066	1	-	4,067	2,530	336	78	2,944
<i>80% to 90%</i>	881	73	15	969	2,597	917	-	3,514
<i>90% to 100%</i>	11,549	755	-	12,304	10,782	523	-	11,305
<i>higher than 100%</i>	9,527	-	727	10,254	8,889	2,223	1,370	12,482
<i>no collateral</i>	86,785	2,190	29	89,004	74,644	669	187	75,500
<b>Total gross loans</b>	<b>1,182,099</b>	<b>156,026</b>	<b>45,975</b>	<b>1,384,100</b>	<b>1,073,265</b>	<b>157,666</b>	<b>51,346</b>	<b>1,282,277</b>

Bank loans to business customers – LTV distribution								
	2023				2022			
<i>LTV ratio:</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>lower than 50%</i>	1,004,012	140,451	43,597	1,188,060	884,923	148,467	49,006	1,082,396
<i>50% to 60%</i>	64,232	11,963	1,306	77,501	69,241	3,446	705	73,392
<i>60% to 70%</i>	1,047	593	301	1,941	19,659	1,085	-	20,744
<i>70% to 80%</i>	4,066	1	-	4,067	2,530	336	78	2,944
<i>80% to 90%</i>	881	73	15	969	2,597	917	-	3,514
<i>90% to 100%</i>	11,549	755	-	12,304	10,782	523	-	11,305
<i>higher than 100%</i>	9,527	-	727	10,254	8,889	2,223	1,370	12,482
<i>no collateral</i>	86,785	2,190	29	89,004	74,644	669	187	75,500
<b>Total gross loans</b>	<b>1,182,099</b>	<b>156,026</b>	<b>45,975</b>	<b>1,384,100</b>	<b>1,073,265</b>	<b>157,666</b>	<b>51,346</b>	<b>1,282,277</b>

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

Group loans to business customers: Large corporates – LTV distribution

LTV ratio:	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	78,684	3,057	17,209	98,950	57,160	29,508	1,596	88,264
50% to 60%	1,100	-	-	1,100	6,518	-	-	6,518
60% to 70%	-	-	-	-	-	-	-	-
70% to 80%	-	1	-	1	-	1	-	1
80% to 90%	-	-	-	-	-	455	-	455
90% to 100%	9,776	-	-	9,776	9,754	-	-	9,754
higher than 100%	-	-	-	-	133	-	-	133
no collateral	26	-	-	26	692	-	-	692
<b>Total gross loans</b>	<b>89,586</b>	<b>3,058</b>	<b>17,209</b>	<b>109,853</b>	<b>74,257</b>	<b>29,964</b>	<b>1,596</b>	<b>105,817</b>

Bank loans to business customers: Large corporates – LTV distribution

LTV ratio:	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	78,684	3,057	17,209	98,950	57,160	29,508	1,596	88,264
50% to 60%	1,100	-	-	1,100	6,518	-	-	6,518
60% to 70%	-	-	-	-	-	-	-	-
70% to 80%	-	1	-	1	-	1	-	1
80% to 90%	-	-	-	-	-	455	-	455
90% to 100%	9,776	-	-	9,776	9,754	-	-	9,754
higher than 100%	-	-	-	-	133	-	-	133
no collateral	26	-	-	26	692	-	-	692
<b>Total gross loans</b>	<b>89,586</b>	<b>3,058</b>	<b>17,209</b>	<b>109,853</b>	<b>74,257</b>	<b>29,964</b>	<b>1,596</b>	<b>105,817</b>

Group loans to business customers: SME – LTV distribution

LTV ratio:	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	916,238	135,614	25,045	1,076,897	819,362	118,359	45,968	983,689
50% to 60%	63,132	11,312	1,306	75,750	62,723	3,446	705	66,874
60% to 70%	1,047	593	301	1,941	19,659	326	-	19,985
70% to 80%	4,066	-	-	4,066	2,530	335	78	2,943
80% to 90%	881	73	15	969	2,597	462	-	3,059
90% to 100%	1,773	454	-	2,227	1,028	523	-	1,551
higher than 100%	9,527	-	727	10,254	8,756	2,223	1,370	12,349
no collateral	33,035	79	29	33,143	1,953	105	187	2,245
<b>Total gross loans</b>	<b>1,029,699</b>	<b>148,125</b>	<b>27,423</b>	<b>1,205,247</b>	<b>918,608</b>	<b>125,779</b>	<b>48,308</b>	<b>1,092,695</b>

Bank loans to business customers: SME – LTV distribution

LTV ratio:	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	916,238	135,614	25,045	1,076,897	819,362	118,359	45,968	983,689
50% to 60%	63,132	11,312	1,306	75,750	62,723	3,446	705	66,874
60% to 70%	1,047	593	301	1,941	19,659	326	-	19,985
70% to 80%	4,066	-	-	4,066	2,530	335	78	2,943
80% to 90%	881	73	15	969	2,597	462	-	3,059
90% to 100%	1,773	454	-	2,227	1,028	523	-	1,551
higher than 100%	9,527	-	727	10,254	8,756	2,223	1,370	12,349
no collateral	33,035	79	29	33,143	1,953	105	187	2,245
<b>Total gross loans</b>	<b>1,029,699</b>	<b>148,125</b>	<b>27,423</b>	<b>1,205,247</b>	<b>918,608</b>	<b>125,779</b>	<b>48,308</b>	<b>1,092,695</b>

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

LTV ratio:	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	9,090	1,780	1,343	12,213	8,401	600	1,442	10,443
50% to 60%	-	651	-	651	-	-	-	-
60% to 70%	-	-	-	-	-	759	-	759
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	-	-	-
90% to 100%	-	301	-	301	-	-	-	-
higher than 100%	-	-	-	-	-	-	-	-
no collateral	53,724	2,111	-	55,835	71,999	564	-	72,563
<b>Total gross loans</b>	<b>62,814</b>	<b>4,843</b>	<b>1,343</b>	<b>69,000</b>	<b>80,400</b>	<b>1,923</b>	<b>1,442</b>	<b>83,765</b>

FINANCIAL RISK MANAGEMENT (CONTINUED)

Bank loans to business customers: Central and local authorities, administrative bodies and other – LTV distribution								
LTV ratio:	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	9,090	1,780	1,343	12,213	8,401	600	1,442	10,443
50% to 60%	-	651	-	651	-	-	-	-
60% to 70%	-	-	-	-	-	759	-	759
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	-	-	-
90% to 100%	-	301	-	301	-	-	-	-
higher than 100%	-	-	-	-	-	-	-	-
no collateral	53,724	2,111	-	55,835	71,999	564	-	72,563
<b>Total gross loans</b>	<b>62,814</b>	<b>4,843</b>	<b>1,343</b>	<b>69,000</b>	<b>80,400</b>	<b>1,923</b>	<b>1,442</b>	<b>83,765</b>

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 2023				Gross value	
	Stage 1	Stage 2	Stage 3	Total	LTV
Loans to financial institutions	-	-	-	-	0%
Loans to individuals:	147	713	455	1,315	6%
Mortgages -	61	-	-	61	5%
Other-	86	713	455	1,254	7%
Loans to business customers:	2,916	-	1,243	4,159	0%
Central and local authorities, administrative bodies and other -	-	-	-	-	0%
Large corporates -	-	-	-	-	0%
SME -	2,916	-	1,243	4,159	0%
<b>Total</b>	<b>3,063</b>	<b>713</b>	<b>1,698</b>	<b>5,474</b>	<b>3%</b>

Group, as at 31 December 2022				Gross value	
	Stage 1	Stage 2	Stage 3	Total	LTV
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%
<b>Total</b>	<b>1,088</b>	<b>11,591</b>	<b>121</b>	<b>12,800</b>	<b>6%</b>

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 2023			As at 31 December 2022		
	Gross value	Impairment	Carrying value	Gross value	Impairment	Carrying value
Loans to financial institutions	-	-	-	-	-	-
Loans to individuals:	87	(18)	69	98	(9)	89
Consumer loans -	-	-	-	-	-	-
Mortgages -	82	(17)	65	91	(7)	84
Other-	5	(1)	4	8	(2)	5
Loans to business customers:	1,472	(96)	1,376	1,494	(82)	1,412
Central and local authorities, administrative bodies and other -	-	-	-	-	-	-
Large corporates -	-	-	-	-	-	-
SME -	1,472	(96)	1,376	1,494	(82)	1,412
<b>Total</b>	<b>1,559</b>	<b>(114)</b>	<b>1,445</b>	<b>1,592</b>	<b>(91)</b>	<b>1,502</b>

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 2023 as part of Group's restructuring activities was EUR 78,774 thousand, these modifications resulted in a net gain of EUR 13 thousand. 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.

1.6. Finance lease receivables

Finance lease receivables are summarised as follows:

	2023		2022	
	Group	Bank	Group	Bank
<i>Business customers</i>	260,303	259,415	220,088	219,026
<i>Individuals</i>	33,804	33,804	27,660	27,660
<b>Gross</b>	<b>294,107</b>	<b>293,219</b>	<b>247,748</b>	<b>246,686</b>
<i>Subtract: Allowance for impairment</i>	(7,574)	(6,768)	(5,300)	(4,494)
<b>Net</b>	<b>286,533</b>	<b>286,451</b>	<b>242,448</b>	<b>242,192</b>

During the year ended 31 December 2023, finance lease receivables portfolio of the Group increased by 18.2% (2022: increased by 24.2%). Total impairment provisions for finance lease receivables of the Group amount to EUR 7,574 thousand (2022: EUR 5,300 thousand) and account for 2.58% of the respective portfolio (2022: 2.1%).

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							
	2023			2022				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	239,174	1,177	-	240,351	193,762	2,104	-	195,866
<i>Watch</i>	28,248	3,002	-	31,250	33,555	4,096	-	37,651
<i>Substandard</i>	40	14,914	-	14,954	130	6,463	-	6,593
<i>Problem</i>	-	-	7,552	7,552	-	-	7,638	7,638
<b>Gross</b>	<b>267,462</b>	<b>19,093</b>	<b>7,552</b>	<b>294,107</b>	<b>227,447</b>	<b>12,663</b>	<b>7,638</b>	<b>247,748</b>
<i>Less: allowance for impairment</i>	(2,941)	(1,077)	(3,556)	(7,574)	(1,881)	(285)	(3,134)	(5,300)
<b>Net</b>	<b>264,521</b>	<b>18,016</b>	<b>3,996</b>	<b>286,533</b>	<b>225,566</b>	<b>12,378</b>	<b>4,504</b>	<b>242,448</b>

	Bank finance lease receivables							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	239,174	1,177	-	240,351	193,762	1,844	-	195,606
<i>Watch</i>	28,248	3,002	-	31,250	33,555	4,096	-	37,651
<i>Substandard</i>	40	14,829	-	14,869	130	6,463	-	6,593
<i>Problem</i>	-	-	6,750	6,750	-	-	6,836	6,836
<b>Gross</b>	<b>267,462</b>	<b>19,008</b>	<b>6,750</b>	<b>293,220</b>	<b>227,447</b>	<b>12,403</b>	<b>6,836</b>	<b>246,686</b>
<i>Less: allowance for impairment</i>	(2,941)	(1,074)	(2,754)	(6,769)	(1,881)	(280)	(2,333)	(4,494)
<b>Net</b>	<b>264,521</b>	<b>17,934</b>	<b>3,996</b>	<b>286,451</b>	<b>225,566</b>	<b>12,123</b>	<b>4,503</b>	<b>242,192</b>

	Group finance lease receivables – business customers							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Standard</i>	208,188	813	-	209,001	169,026	1,642	-	170,668
<i>Watch</i>	28,119	1,221	-	29,340	33,288	2,502	-	35,790
<i>Substandard</i>	-	14,888	-	14,888	-	6,452	-	6,452
<i>Problem</i>	-	-	7,074	7,074	-	-	7,178	7,178
<b>Gross</b>	<b>236,307</b>	<b>16,922</b>	<b>7,074</b>	<b>260,303</b>	<b>202,314</b>	<b>10,596</b>	<b>7,178</b>	<b>220,088</b>
<i>Less: allowance for impairment</i>	(2,609)	(1,007)	(3,435)	(7,051)	(1,799)	(263)	(3,036)	(5,098)
<b>Net</b>	<b>233,698</b>	<b>15,915</b>	<b>3,639</b>	<b>253,252</b>	<b>200,515</b>	<b>10,333</b>	<b>4,142</b>	<b>214,990</b>

FINANCIAL RISK MANAGEMENT (CONTINUED)

	Bank finance lease receivables – business customers							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	208,188	813	-	209,001	169,026	1,382	-	170,408
Watch	28,119	1,221	-	29,340	33,288	2,502	-	35,790
Substandard	-	14,803	-	14,803	-	6,452	-	6,452
Problem	-	-	6,272	6,272	-	-	6,376	6,376
<b>Gross</b>	<b>236,307</b>	<b>16,837</b>	<b>6,272</b>	<b>259,416</b>	<b>202,314</b>	<b>10,336</b>	<b>6,376</b>	<b>219,026</b>
Less: allowance for impairment	(2,609)	(1,004)	(2,633)	(6,246)	(1,799)	(258)	(2,235)	(4,292)
<b>Net</b>	<b>233,698</b>	<b>15,833</b>	<b>3,639</b>	<b>253,170</b>	<b>200,515</b>	<b>10,078</b>	<b>4,141</b>	<b>214,734</b>

	Group finance lease receivables – individuals							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	30,986	364	-	31,350	24,736	462	-	25,198
Watch	129	1,781	-	1,910	267	1,594	-	1,861
Substandard	40	26	-	66	130	11	-	141
Problem	-	-	478	478	-	-	460	460
<b>Gross</b>	<b>31,155</b>	<b>2,171</b>	<b>478</b>	<b>33,804</b>	<b>25,133</b>	<b>2,067</b>	<b>460</b>	<b>27,660</b>
Less: allowance for impairment	(332)	(70)	(121)	(523)	(82)	(22)	(98)	(202)
<b>Net</b>	<b>30,823</b>	<b>2,101</b>	<b>357</b>	<b>33,281</b>	<b>25,051</b>	<b>2,045</b>	<b>362</b>	<b>27,458</b>

	Bank finance lease receivables – individuals							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	30,986	364	-	31,350	24,736	462	-	25,198
Watch	129	1,781	-	1,910	267	1,594	-	1,861
Substandard	40	26	-	66	130	11	-	141
Problem	-	-	478	478	-	-	460	460
<b>Gross</b>	<b>31,155</b>	<b>2,171</b>	<b>478</b>	<b>33,804</b>	<b>25,133</b>	<b>2,067</b>	<b>460</b>	<b>27,660</b>
Less: allowance for impairment	(332)	(70)	(121)	(523)	(82)	(22)	(98)	(202)
<b>Net</b>	<b>30,823</b>	<b>2,101</b>	<b>357</b>	<b>33,281</b>	<b>25,051</b>	<b>2,045</b>	<b>362</b>	<b>27,458</b>

b) Payment delays of finance lease receivables

	Group finance lease receivables							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	240,528	17,133	4,089	261,750	216,514	10,866	5,053	232,433
Past due up to 30 days	26,934	895	212	28,041	10,933	597	719	12,249
Past due 31-90 days	-	1,065	1,143	2,208	-	1,201	322	1,523
Past due more than 90 days	-	-	2,108	2,108	-	-	1,543	1,543
<b>Gross</b>	<b>267,462</b>	<b>19,093</b>	<b>7,552</b>	<b>294,107</b>	<b>227,447</b>	<b>12,664</b>	<b>7,637</b>	<b>247,748</b>
Less: allowance for impairment	(2,941)	(1,077)	(3,556)	(7,574)	(1,881)	(285)	(3,134)	(5,300)
<b>Net</b>	<b>264,521</b>	<b>18,016</b>	<b>3,996</b>	<b>286,533</b>	<b>225,566</b>	<b>12,379</b>	<b>4,503</b>	<b>242,448</b>

	Bank finance lease receivables							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	240,528	17,056	4,089	261,673	216,513	10,606	5,053	232,172
Past due up to 30 days	26,934	895	212	28,041	10,933	597	719	12,249
Past due 31-90 days	-	1,057	1,143	2,200	-	1,201	322	1,523
Past due more than 90 days	-	-	1,306	1,306	-	-	742	742
<b>Gross</b>	<b>267,462</b>	<b>19,008</b>	<b>6,750</b>	<b>293,220</b>	<b>227,446</b>	<b>12,404</b>	<b>6,836</b>	<b>246,686</b>
Less: allowance for impairment	(2,941)	(1,074)	(2,754)	(6,769)	(1,881)	(280)	(2,333)	(4,494)
<b>Net</b>	<b>264,521</b>	<b>17,934</b>	<b>3,996</b>	<b>286,451</b>	<b>225,565</b>	<b>12,124</b>	<b>4,503</b>	<b>242,192</b>

	Group finance lease receivables – business customers							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	210,277	15,198	3,894	229,369	191,904	9,053	4,751	205,708
Past due up to 30 days	26,030	761	184	26,975	10,410	519	718	11,647
Past due 31-90 days	-	963	1,112	2,075	-	1,025	322	1,347
Past due more than 90 days	-	-	1,884	1,884	-	-	1,386	1,386
<b>Gross</b>	<b>236,307</b>	<b>16,922</b>	<b>7,074</b>	<b>260,303</b>	<b>202,314</b>	<b>10,597</b>	<b>7,177</b>	<b>220,088</b>
Less: allowance for impairment	(2,609)	(1,007)	(3,435)	(7,051)	(1,799)	(263)	(3,036)	(5,098)
<b>Net</b>	<b>233,698</b>	<b>15,915</b>	<b>3,639</b>	<b>253,252</b>	<b>200,515</b>	<b>10,334</b>	<b>4,141</b>	<b>214,990</b>

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

	Bank finance lease receivables – business customers							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Not past due</i>	210,277	15,121	3,894	229,292	191,903	8,793	4,751	205,447
<i>Past due up to 30 days</i>	26,030	761	184	26,975	10,410	519	718	11,647
<i>Past due 31-90 days</i>	-	955	1,112	2,067	-	1,025	322	1,347
<i>Past due more than 90 days</i>	-	-	1,082	1,082	-	-	585	585
<b>Gross</b>	<b>236,307</b>	<b>16,837</b>	<b>6,272</b>	<b>259,416</b>	<b>202,313</b>	<b>10,337</b>	<b>6,376</b>	<b>219,026</b>
<i>Less: allowance for impairment</i>	(2,609)	(1,004)	(2,633)	(6,246)	(1,799)	(258)	(2,235)	(4,292)
<b>Net</b>	<b>233,698</b>	<b>15,833</b>	<b>3,639</b>	<b>253,170</b>	<b>200,514</b>	<b>10,079</b>	<b>4,141</b>	<b>214,734</b>

	Group finance lease receivables – individuals							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Not past due</i>	30,251	1,935	195	32,381	24,610	1,813	302	26,725
<i>Past due up to 30 days</i>	904	134	28	1,066	523	78	1	602
<i>Past due 31-90 days</i>	-	102	31	133	-	176	-	176
<i>Past due more than 90 days</i>	-	-	224	224	-	-	157	157
<b>Gross</b>	<b>31,155</b>	<b>2,171</b>	<b>478</b>	<b>33,804</b>	<b>25,133</b>	<b>2,067</b>	<b>460</b>	<b>27,660</b>
<i>Less: allowance for impairment</i>	(332)	(70)	(121)	(523)	(82)	(22)	(98)	(202)
<b>Net</b>	<b>30,823</b>	<b>2,101</b>	<b>357</b>	<b>33,281</b>	<b>25,051</b>	<b>2,045</b>	<b>362</b>	<b>27,458</b>

	Bank finance lease receivables – individuals							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Not past due</i>	30,251	1,935	195	32,381	24,610	1,813	302	26,725
<i>Past due up to 30 days</i>	904	134	28	1,066	523	78	1	602
<i>Past due 31-90 days</i>	-	102	31	133	-	176	-	176
<i>Past due more than 90 days</i>	-	-	224	224	-	-	157	157
<b>Gross</b>	<b>31,155</b>	<b>2,171</b>	<b>478</b>	<b>33,804</b>	<b>25,133</b>	<b>2,067</b>	<b>460</b>	<b>27,660</b>
<i>Less: allowance for impairment</i>	(332)	(70)	(121)	(523)	(82)	(22)	(98)	(202)
<b>Net</b>	<b>30,823</b>	<b>2,101</b>	<b>357</b>	<b>33,281</b>	<b>25,051</b>	<b>2,045</b>	<b>362</b>	<b>27,458</b>

c) Stage 3 Finance lease receivables

31 December 2023

	Group				Bank			
	Gross value	Allowance for impairment	Net value	Fair value of collateral	Gross value	Allowance for impairment	Net value	Fair value of collateral
<b>31 December 2023:</b>								
<i>Business customers</i>	7,074	(3,435)	3,639	473	6,272	(2,633)	3,639	473
<i>Individuals</i>	478	(121)	357	6,181	478	(121)	357	6,181
<b>Total finance lease receivables</b>	<b>7,552</b>	<b>(3,556)</b>	<b>3,996</b>	<b>6,653</b>	<b>6,750</b>	<b>(2,754)</b>	<b>3,996</b>	<b>6,653</b>

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
<b>31 December 2022:</b>								
<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
<b>Total finance lease receivables</b>	<b>7,638</b>	<b>(3,134)</b>	<b>4,504</b>	<b>6,748</b>	<b>6,836</b>	<b>(2,333)</b>	<b>4,503</b>	<b>6,748</b>

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.

	2023			The Group 2022		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Unsecured finance lease receivables	5,960	-	5,960	571	4,735	5,306
Finance lease receivables secured by:						
transport vehicles -	33,441	199,511	232,952	26,966	167,408	194,374
real estate -	626	18,822	19,448	107	15,459	15,566
equipment and other -	22	35,725	35,747	16	32,486	32,502
<b>Total</b>	<b>40,049</b>	<b>254,058</b>	<b>294,107</b>	<b>27,660</b>	<b>220,088</b>	<b>247,748</b>

	2023			The Bank 2022		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Unsecured finance lease receivables	5,960	-	5,960	571	4,735	5,306
Finance lease receivables secured by:						
transport vehicles -	33,441	199,511	232,952	26,966	167,408	194,374
real estate -	626	18,822	19,448	107	15,459	15,566
equipment and other -	22	34,837	34,859	16	31,424	31,440
<b>Total</b>	<b>40,049</b>	<b>253,170</b>	<b>293,219</b>	<b>27,660</b>	<b>219,026</b>	<b>246,686</b>

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

	Group finance lease receivables – LTV distribution							
	2023				2022			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	155,913	6,736	5,278	167,927	113,182	7,154	5,861	126,197
50% to 60%	41,962	2,384	462	44,808	42,931	1,527	166	44,624
60% to 70%	28,933	1,772	323	31,028	25,190	1,490	402	27,082
70% to 80%	23,407	3,418	496	27,321	23,583	882	178	24,643
80% to 90%	13,961	4,139	95	18,195	15,289	1,018	44	16,351
90% to 100%	1,937	491	-	2,428	4,477	259	75	4,811
higher than 100%	1,237	68	-	1,305	2,671	74	23	2,768
no collateral	112	85	898	1,095	124	260	888	1,272
<b>Total gross loans</b>	<b>267,462</b>	<b>19,093</b>	<b>7,552</b>	<b>294,107</b>	<b>227,447</b>	<b>12,664</b>	<b>7,637</b>	<b>247,748</b>

	Bank finance lease receivables – LTV distribution							
	2023				2022			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	155,914	6,736	5,278	167,928	113,182	7,154	5,861	126,197
50% to 60%	41,962	2,384	462	44,808	42,931	1,527	166	44,624
60% to 70%	28,933	1,772	323	31,028	25,190	1,490	402	27,082
70% to 80%	23,407	3,418	496	27,321	23,583	882	178	24,643
80% to 90%	13,961	4,139	95	18,195	15,289	1,018	44	16,351
90% to 100%	1,937	491	-	2,428	4,477	259	75	4,811
higher than 100%	1,237	68	-	1,305	2,671	74	23	2,768
no collateral	111	-	96	207	123	-	87	210
<b>Total gross loans</b>	<b>267,462</b>	<b>19,008</b>	<b>6,750</b>	<b>293,220</b>	<b>227,446</b>	<b>12,404</b>	<b>6,836</b>	<b>246,686</b>

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

Group finance lease receivables: Individuals – LTV distribution								
	2023				2022			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	21,514	1,392	269	23,175	17,200	1,399	381	18,980
50% to 60%	2,412	262	73	2,747	1,542	192	40	1,774
60% to 70%	2,660	170	5	2,835	1,980	247	21	2,248
70% to 80%	2,762	232	92	3,086	2,348	95	18	2,461
80% to 90%	1,312	84	34	1,430	922	122	-	1,044
90% to 100%	335	28	-	363	689	12	-	701
higher than 100%	53	3	-	56	345	-	-	345
no collateral	107	-	5	112	107	-	-	107
<b>Total gross loans</b>	<b>31,155</b>	<b>2,171</b>	<b>478</b>	<b>33,804</b>	<b>25,133</b>	<b>2,067</b>	<b>460</b>	<b>27,660</b>

Bank finance lease receivables: Individuals – LTV distribution								
	2023				2022			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	21,514	1,392	269	23,175	17,200	1,399	381	18,980
50% to 60%	2,412	262	73	2,747	1,542	192	40	1,774
60% to 70%	2,660	170	5	2,835	1,980	247	21	2,248
70% to 80%	2,762	232	92	3,086	2,348	95	18	2,461
80% to 90%	1,312	84	34	1,430	922	122	-	1,044
90% to 100%	335	28	-	363	689	12	-	701
higher than 100%	53	3	-	56	345	-	-	345
no collateral	107	-	5	112	107	-	-	107
<b>Total gross loans</b>	<b>31,155</b>	<b>2,171</b>	<b>478</b>	<b>33,804</b>	<b>25,133</b>	<b>2,067</b>	<b>460</b>	<b>27,660</b>

Group finance lease receivables: Business customers – LTV distribution								
	2023				2022			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	134,399	5,344	5,009	144,752	95,982	5,755	5,480	107,217
50% to 60%	39,550	2,122	389	42,061	41,389	1,335	126	42,850
60% to 70%	26,273	1,602	318	28,193	23,210	1,243	381	24,834
70% to 80%	20,645	3,186	404	24,235	21,235	787	160	22,182
80% to 90%	12,649	4,055	61	16,765	14,367	896	44	15,307
90% to 100%	1,602	463	-	2,065	3,788	247	75	4,110
higher than 100%	1,184	65	-	1,249	2,326	74	23	2,423
no collateral	5	85	893	983	17	260	888	1,165
<b>Total gross loans</b>	<b>236,307</b>	<b>16,922</b>	<b>7,074</b>	<b>260,303</b>	<b>202,314</b>	<b>10,597</b>	<b>7,177</b>	<b>220,088</b>

Bank finance lease receivables: Business customers – LTV distribution								
	2023				2022			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	134,400	5,344	5,009	144,753	95,982	5,755	5,480	107,217
50% to 60%	39,550	2,122	389	42,061	41,389	1,335	126	42,850
60% to 70%	26,273	1,602	318	28,193	23,210	1,243	381	24,834
70% to 80%	20,645	3,186	404	24,235	21,235	787	160	22,182
80% to 90%	12,649	4,055	61	16,765	14,367	896	44	15,307
90% to 100%	1,602	463	-	2,065	3,788	247	75	4,110
higher than 100%	1,184	65	-	1,249	2,326	74	23	2,423
no collateral	4	-	91	95	16	-	87	103
<b>Total gross loans</b>	<b>236,307</b>	<b>16,837</b>	<b>6,272</b>	<b>259,416</b>	<b>202,313</b>	<b>10,337</b>	<b>6,376</b>	<b>219,026</b>

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 loss allowance was recognized because of sufficiency of collateral. Such receivables are summarized in the following table:

<i>At 31 December 2023:</i>				<b>Gross value</b>	
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>	<b>LTV</b>
<i>Business customers</i>	1,217	-	-	1,217	28%
<i>Individuals</i>	303	-	-	303	15%
<b>Total</b>	<b>1,519</b>	<b>-</b>	<b>-</b>	<b>1,519</b>	<b>24%</b>

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

1.7. Other financial assets

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

	<b>2023</b>			<b>The Group 2022</b>		
	<b>Individuals</b>	<b>Business customers</b>	<b>Total</b>	<b>Individuals</b>	<b>Business customers</b>	<b>Total</b>
<i>Stage 1</i>	1,010	7,458	8,468	500	5,791	6,291
<i>Stage 2</i>	-	-	-	-	21	21
<i>Stage 3</i>	-	-	-	-	10	10
<b>Gross</b>	<b>1,010</b>	<b>7,458</b>	<b>8,468</b>	<b>500</b>	<b>5,822</b>	<b>6,322</b>
<i>Less: allowance for impairment</i>	-	(1,117)	(1,117)	-	(507)	(507)
<b>Net</b>	<b>1,010</b>	<b>6,341</b>	<b>7,351</b>	<b>500</b>	<b>5,315</b>	<b>5,815</b>

	<b>2023</b>			<b>The Bank 2022</b>		
	<b>Individuals</b>	<b>Business customers</b>	<b>Total</b>	<b>Individuals</b>	<b>Business customers</b>	<b>Total</b>
<i>Stage 1</i>	1,009	8,381	9,390	490	5,586	6,076
<i>Stage 2</i>	-	-	-	-	21	21
<i>Stage 3</i>	-	-	-	-	10	10
<b>Gross</b>	<b>1,009</b>	<b>8,381</b>	<b>9,390</b>	<b>490</b>	<b>5,617</b>	<b>6,107</b>
<i>Less: allowance for impairment</i>	-	(1,101)	(1,101)	-	(487)	(487)
<b>Net</b>	<b>1,009</b>	<b>7,280</b>	<b>8,289</b>	<b>490</b>	<b>5,130</b>	<b>5,620</b>

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
<b>At 31 December 2023:</b>												
Cash equivalents	608,675	-	-	-	-	-	71,135	-	-	-	-	679,810
Loans and advances to banks	3,013	-	-	-	-	-	-	-	-	-	-	3,013
Loans and advances to customers:	95,193	153,594	174,864	448,785	132,011	90,111	55,825	48,989	29,527	1,041,239	374,966	2,645,104
Loans and advances to financial institutions	26,413	-	-	-	-	-	-	-	-	-	-	26,413
Loans to individuals (Retail):	-	14	-	55,928	1,852	369	-	-	-	1,041,239	158,801	1,258,203
Consumer loans -	-	-	-	-	-	-	-	-	-	260,902	12	260,914
Mortgages -	-	14	-	-	25	-	-	-	-	772,076	6,816	778,931
Other -	-	-	-	55,928	1,827	369	-	-	-	8,261	151,973	218,358
Loans to business customers:	68,780	153,580	174,864	392,857	130,159	89,742	55,825	48,989	29,527	-	216,165	1,360,488
Large corporates -	-	-	58,945	2,018	7,825	-	-	8,641	17,024	-	13,616	108,069
SME -	68,780	153,576	115,919	386,106	122,334	89,742	-	40,348	6,301	-	200,733	1,183,839
Central and local authorities, administrative bodies and other -	-	4	-	4,733	-	-	55,825	-	6,202	-	1,816	68,580
Finance lease receivables:	1,232	25,171	11,380	15,204	15,510	13,510	-	58,740	3,474	33,281	109,031	286,533
Individuals -	-	-	-	-	-	-	-	-	-	33,281	-	33,281
Business customers -	1,232	25,171	11,380	15,204	15,510	13,510	-	58,740	3,474	-	109,031	253,252
Securities in the trading book:	132,717	204	24	12,125	403	-	9,604	32	-	-	52,568	207,677
Debt securities -	3,492	204	-	12,120	403	-	9,604	-	-	-	40,059	65,882
Equity securities -	129,225	-	24	5	-	-	-	32	-	-	12,509	141,795
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	251	251
Investment securities at fair value:	7,597	522	-	1,927	-	-	53,949	-	-	-	10,505	74,500
Equity securities -	2,588	-	-	-	-	-	-	-	-	-	172	2,760
Debt securities -	5,009	522	-	1,927	-	-	53,949	-	-	-	10,333	71,740
Investment securities at amortized cost:	29,451	199	23,769	-	-	-	663,211	-	3,211	-	31,386	751,227
Debt securities -	29,451	199	23,769	-	-	-	663,211	-	3,211	-	31,386	751,227
Other financial assets	3,732	116	47	271	20	4	6	16	1	42	3,096	7,351
Credit risk exposures relating to off-balance sheet items are as follows:												
Financial guarantees -	12,542	10,582	10,849	1,154	10,759	592	352	1,193	-	141	11,052	59,216
Letters of credit -	-	-	538	-	-	-	-	-	-	-	-	538
Loan commitments and other credit related liabilities -	25,464	41,871	82,600	77,162	50,727	7,575	2,392	11,933	3,493	21,442	157,368	482,027
<b>Total at 31 December 2023</b>	<b>919,616</b>	<b>232,259</b>	<b>304,071</b>	<b>556,628</b>	<b>209,430</b>	<b>111,792</b>	<b>856,474</b>	<b>120,903</b>	<b>39,706</b>	<b>1,096,145</b>	<b>750,223</b>	<b>5,197,247</b>
<b>At 31 December 2022:</b>												
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	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:	43,856	1,406	36,433	1,215	-	-	821,781	3,011	3,213	201	57,920	969,036
Debt securities - (restated)	43,856	1,406	36,433	1,215	-	-	821,781	3,011	3,213	201	57,920	969,036
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
<b>Total at 31 December 2022 (restated)</b>	<b>406,095</b>	<b>238,856</b>	<b>277,722</b>	<b>423,416</b>	<b>214,075</b>	<b>111,086</b>	<b>1,082,800</b>	<b>138,193</b>	<b>38,657</b>	<b>1,146,149</b>	<b>540,833</b>	<b>4,617,882</b>

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

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
<b>At 31 December 2023:</b>												
Cash equivalents	600,255	-	-	-	-	-	71,135	-	-	-	-	671,390
Loans and advances to banks	3,013	-	-	-	-	-	-	-	-	-	-	3,013
Loans and advances to customers:	342,746	153,594	174,864	448,785	132,011	90,111	55,825	48,989	29,527	782,065	374,965	2,633,482
Loans and advances to financial institutions	273,966	-	-	-	-	-	-	-	-	-	-	273,966
Loans to individuals (Retail):	-	14	-	55,928	1,852	369	-	-	-	782,065	158,800	999,028
Consumer loans -	-	-	-	-	-	-	-	-	-	1,728	11	1,739
Mortgages -	-	14	-	-	25	-	-	-	-	772,076	6,816	778,931
Other -	-	-	-	55,928	1,827	369	-	-	-	8,261	151,973	218,358
Loans to business customers:	68,780	153,580	174,864	392,857	130,159	89,742	55,825	48,989	29,527	-	216,165	1,360,488
Large corporates -	-	-	58,945	2,018	7,825	-	-	8,641	17,024	-	13,616	108,069
SME -	68,780	153,576	115,919	386,106	122,334	89,742	-	40,348	6,301	-	200,733	1,183,839
Central and local authorities, administrative bodies and other -	-	4	-	4,733	-	-	55,825	-	6,202	-	1,816	68,580
Finance lease receivables:	1,232	25,171	11,380	15,204	15,510	13,510	-	58,740	3,474	33,281	108,949	286,451
Individuals -	-	-	-	-	-	-	-	-	-	33,281	-	33,281
Business customers -	1,232	25,171	11,380	15,204	15,510	13,510	-	58,740	3,474	-	108,949	253,170
Securities in the trading book:	3,593	-	24	12,125	151	-	2,637	32	-	-	1,840	20,402
Debt securities -	3,492	-	-	12,120	151	-	2,637	-	-	-	1,840	20,240
Equity securities -	101	-	24	5	-	-	-	32	-	-	-	162
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	241	241
Investment securities at fair value:	7,597	522	-	1,927	-	-	53,949	-	-	-	10,387	74,382
Equity securities -	2,588	-	-	-	-	-	-	-	-	-	54	2,642
Debt securities -	5,009	522	-	1,927	-	-	53,949	-	-	-	10,333	71,740
Investment securities at amortized cost:	28,639	-	23,769	-	-	-	657,445	-	3,004	-	27,012	739,869
debt securities -	28,639	-	23,769	-	-	-	657,445	-	3,004	-	27,012	739,869
Other financial assets	5,022	27	43	271	20	4	6	16	1	42	2,837	8,289
Credit risk exposures relating to off-balance sheet items are as follows:												
Financial guarantees -	12,582	10,582	10,849	1,154	10,759	592	352	1,193	-	141	11,052	59,256
Letters of credit -	-	-	538	-	-	-	-	-	-	-	-	538
Loan commitments and other credit related liabilities -	41,103	41,871	82,600	77,162	50,727	7,575	2,392	11,933	3,493	21,442	149,357	489,655
<b>Total at 31 December 2023:</b>	<b>1,045,782</b>	<b>231,767</b>	<b>304,067</b>	<b>556,628</b>	<b>209,178</b>	<b>111,792</b>	<b>843,741</b>	<b>120,903</b>	<b>39,499</b>	<b>836,971</b>	<b>686,640</b>	<b>4,986,968</b>
<b>At 31 December 2022:</b>												
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
<b>Total at 31 December 2022:</b>	<b>561,164</b>	<b>237,662</b>	<b>276,242</b>	<b>423,212</b>	<b>213,821</b>	<b>111,017</b>	<b>1,082,800</b>	<b>138,193</b>	<b>38,449</b>	<b>947,669</b>	<b>523,186</b>	<b>4,553,415</b>

As at 31 December 2023 and 31 December 2022 the Group and the Bank were compliant with the internal limits.

## FINANCIAL RISK MANAGEMENT (CONTINUED)

*Concentration exposure*

As at 31 December 2023, the largest single exposure comprising loans to several related borrowers treated as a single borrower amounted to EUR 68 million, i.e. 12.6% of the Bank's calculated capital (2022: EUR 52 million or 14.2% 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 2023 the Group's ONOP to capital ratio was 0.54% (2022: 0.07%), the Bank's ONOP to capital ratio was 0.03% (2022: 0.07%).

### FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Open positions

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

	USD	Other currencies	Total currencies	EUR	Total
<b>At 31 December 2023:</b>					
<b>Assets</b>					
Cash and cash equivalents	16,452	9,121	25,573	725,926	751,499
Due from other banks	2,453	221	2,674	205,003	207,677
Securities in the trading book	95	-	95	2,918	3,013
Derivative financial instruments	-	-	-	251	251
Loans granted to customers, finance lease receivables	-	-	-	2,931,637	2,931,637
Investment securities at fair value	328	-	328	74,172	74,500
Investment securities at amortized cost	-	-	-	751,227	751,227
Investments in subsidiaries	-	-	-	100	100
Intangible assets	-	-	-	45,138	45,138
Property, plant and equipment and investment property	-	-	-	16,774	16,774
Other assets	3	9	12	27,493	27,505
<b>Total assets</b>	<b>19,331</b>	<b>9,351</b>	<b>28,682</b>	<b>4,780,639</b>	<b>4,809,321</b>
<b>Liabilities and shareholders' equity</b>					
Due to other banks and financial institutions	8,690	6	8,696	561,298	569,994
Derivative financial instruments	-	-	-	1,041	1,041
Due to customers	74,072	15,950	90,022	3,072,635	3,162,657
Debt securities in issue	-	-	-	276,480	276,480
Special and lending funds	-	-	-	15,718	15,718
Liabilities related to insurance activities	-	-	-	179,318	179,318
Other liabilities	1,959	103	2,062	58,923	60,985
Shareholders' equity	-	-	-	543,128	543,128
<b>Total liabilities and shareholders' equity</b>	<b>84,721</b>	<b>16,059</b>	<b>100,780</b>	<b>4,708,541</b>	<b>4,809,321</b>
<b>Net balance sheet position</b>	<b>(65,390)</b>	<b>(6,708)</b>	<b>(72,098)</b>	<b>72,098</b>	<b>-</b>
Open currency exchange transactions	67,783	6,929	74,712	(75,305)	(593)
<b>Net open position</b>	<b>2,393</b>	<b>221</b>	<b>2,614</b>	<b>(3,207)</b>	<b>(593)</b>
<b>At 31 December 2022:</b>					
<b>Assets</b>					
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	-	-	-	969,036	969,036
Investments in subsidiaries	-	-	-	100	100
Intangible assets	-	-	-	8,283	8,283
Property, plant and equipment and investment property	-	-	-	17,978	17,978
Other assets (restated)	5	9	14	16,254	16,268
<b>Total assets (restated)</b>	<b>15,753</b>	<b>8,130</b>	<b>23,883</b>	<b>4,158,773</b>	<b>4,182,656</b>
<b>Liabilities and shareholders' equity</b>					
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 (restated)	-	-	-	36,185	36,185
Other liabilities (restated)	1,010	24	1,034	39,921	40,955
Shareholders' equity (restated)	-	-	-	442,906	442,906
<b>Total liabilities and shareholders' equity (restated)</b>	<b>117,907</b>	<b>16,713</b>	<b>134,620</b>	<b>4,048,036</b>	<b>4,182,656</b>
<b>Net balance sheet position</b>	<b>(102,154)</b>	<b>(8,583)</b>	<b>(110,737)</b>	<b>110,737</b>	<b>-</b>
Open currency exchange transactions	102,180	8,782	110,962	(116,949)	(5,987)
<b>Net open position</b>	<b>26</b>	<b>199</b>	<b>225</b>	<b>(6,212)</b>	<b>(5,987)</b>

### FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	USD	Other currencies	Total currencies	EUR	Total
<b>At 31 December 2023:</b>					
<b>Assets</b>					
Cash and cash equivalents	16,413	9,117	25,530	717,439	742,969
Due from other banks	-	-	-	20,402	20,402
Securities in the trading book	95	-	95	2,918	3,013
Derivative financial instruments	-	-	-	241	241
Loans granted to customers, finance lease receivables	-	-	-	2,919,933	2,919,933
Investment securities at fair value	328	-	328	74,054	74,382
Investment securities at amortized cost	-	-	-	739,869	739,869
Investments in subsidiaries	-	-	-	76,672	76,672
Intangible assets	-	-	-	8,149	8,149
Property, plant and equipment and investment property	-	-	-	14,702	14,702
Other assets	3	9	12	22,766	22,778
<b>Total assets</b>	<b>16,839</b>	<b>9,126</b>	<b>25,965</b>	<b>4,597,145</b>	<b>4,623,110</b>
<b>Liabilities and shareholders' equity</b>					
Due to other banks and financial institutions	8,690	6	8,696	567,620	576,316
Derivative financial instruments	-	-	-	1,041	1,041
Due to customers	74,072	15,950	90,022	3,076,886	3,166,908
Debt securities in issue	-	-	-	276,480	276,480
Special and lending funds	-	-	-	15,718	15,718
Other liabilities	1,959	103	2,062	40,144	42,206
Shareholders' equity	-	-	-	544,441	544,441
<b>Total liabilities and shareholders' equity</b>	<b>84,721</b>	<b>16,059</b>	<b>100,780</b>	<b>4,522,330</b>	<b>4,623,110</b>
<b>Net balance sheet position</b>	<b>(67,882)</b>	<b>(6,933)</b>	<b>(74,815)</b>	<b>74,815</b>	<b>-</b>
Open currency exchange transactions	67,783	6,929	74,712	(75,305)	(593)
<b>Net open position</b>	<b>(99)</b>	<b>(4)</b>	<b>(103)</b>	<b>(490)</b>	<b>(593)</b>
<b>At 31 December 2022:</b>					
<b>Assets</b>					
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 (restated)	-	-	-	32,668	32,668
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
<b>Total assets (restated)</b>	<b>15,753</b>	<b>8,130</b>	<b>23,883</b>	<b>4,118,814</b>	<b>4,142,697</b>
<b>Liabilities and shareholders' equity</b>					
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 (restated)	-	-	-	444,011	444,011
<b>Total liabilities and shareholders' equity (restated)</b>	<b>117,907</b>	<b>16,713</b>	<b>134,620</b>	<b>4,008,077</b>	<b>4,142,697</b>
<b>Net balance sheet position</b>	<b>(102,154)</b>	<b>(8,583)</b>	<b>(110,737)</b>	<b>110,737</b>	<b>-</b>
Open currency exchange transactions	102,180	8,782	110,962	(116,949)	(5,987)
<b>Net open position</b>	<b>26</b>	<b>199</b>	<b>225</b>	<b>(6,212)</b>	<b>(5,987)</b>

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 2019 - 2023 and forecast that exchange rate fluctuations will have the same trends in 2024.

<i>Currency</i>	<b>Annual reasonable shift, 2024</b>	<b>Annual reasonable shift, 2023</b>
<i>GBP</i>	4.5%	10.0%
<i>USD</i>	6.0%	5.5%
<i>Other currencies</i>	5.5%	6.0%
<i>CIS countries currencies</i>	10.0%	15.0%

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>	<b>31 December 2023</b>		<b>31 December 2022</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
<i>USD</i>	144	144	1	1
<i>GBP</i>	1	1	3	3
<i>Other currencies</i>	7	7	8	8
<i>CIS countries currencies</i>	2	2	15	15
<b><i>Pre-tax impact</i></b>	<b>154</b>	<b>154</b>	<b>27</b>	<b>27</b>
<b><i>Total</i></b>	<b>154</b>	<b>154</b>	<b>27</b>	<b>27</b>

**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 2023. 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.

From the end of year 2022 the Bank and the Group has implemented more advanced methodology (SAS ALM tools) for interest rate risk in the banking book management:

- In the cashflow generation non-maturing deposits core part, term deposits run off and prepayment for fixed rate loans were included;
- Cash flows are calculated according to each of interest rate scenario, also forward curves are used in cash flows calculation.

Data of 31 December 2022 provided in further tables was restated to present comparable information after the new tools implementation.

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>	Overnight	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
<b>31 December 2023</b>							
<i>Total cashflow from interest rate sensitive assets</i>	121,316	1,611,282	1,746,334	1,423,568	162,463	872,890	5,937,853
<i>Total cashflow from interest rate sensitive liabilities</i>	1,055,306	121,331	259,950	491,233	1,558,071	990,553	4,476,444
<i>Net interest sensitivity gap at 31 December 2023</i>	(933,990)	1,489,951	1,486,384	932,335	(1,395,608)	(117,663)	-
<b>31 December 2022 (restated)</b>							
<i>Total cashflow from interest rate sensitive assets</i>	583,413	379,787	1,064,972	1,255,510	151,408	1,133,605	4,568,695
<i>Total cashflow from interest rate sensitive liabilities</i>	1,077,358	90,628	196,967	476,177	292,428	2,044,571	4,178,129
<i>Net interest sensitivity gap at 31 December 2022</i>	(493,945)	289,159	868,005	779,333	(141,020)	(910,966)	-

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 2 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 2023 and 31 December 2022.

	31 December 2023			31 December 2022 (restated)		
	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 2 p.p.</i>	31,866	(3,207)	28,659	18,876	(4,382)	14,494
<i>Interest rate decrease by 2 p.p.</i>	(31,867)	3,555	(28,312)	(18,894)	4,884	(14,010)

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>	Overnight	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
<b>31 December 2023</b>							
<i>Total cashflow from interest rate sensitive assets</i>	121,282	1,601,042	1,726,659	1,396,374	116,178	690,087	5,651,622
<i>Total cashflow from interest rate sensitive liabilities</i>	1,055,306	121,618	260,066	490,961	1,558,047	990,552	4,476,550
<i>Net interest sensitivity gap at 31 December 2023</i>	(934,024)	1,479,424	1,466,593	905,413	(1,441,869)	(300,465)	-
<b>31 December 2022 (restated)</b>							
<i>Total cashflow from interest rate sensitive assets</i>	583,382	371,390	1,050,655	1,236,235	120,369	998,678	4,360,709
<i>Total cashflow from interest rate sensitive liabilities</i>	1,077,367	90,317	197,170	476,166	292,424	2,044,566	4,178,010
<i>Net interest sensitivity gap at 31 December 2022</i>	(493,985)	281,073	853,485	760,069	(172,055)	(1,045,888)	-

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 2 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 2023 and 31 December 2022.

	31 December 2023			31 December 2022 (restated)		
	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 2 p.p.</i>	31,826	(3,207)	28,619	18,852	(4,382)	14,470
<i>Interest rate decrease by 2 p.p.</i>	(31,826)	3,555	(28,271)	(18,869)	4,884	(13,985)

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:									
			2023				2022		
	Name of the country	Public	Corporate	Total	Name of the country	Public	Corporate	Total	
1.	Lithuania	609,795	30,916	640,711	Lithuania	746,540	43,830	790,370	
2.	Latvia	96,572	9,507	106,079	Latvia	101,228	9,280	110,508	
3.	Netherlands	-	16,340	16,340	Germany	-	25,225	25,225	
4.	Poland	11,119	4,593	15,712	USA	-	20,370	20,370	
5.	Germany	702	14,043	14,745	Netherlands	-	20,359	20,359	
6.	France	496	13,903	14,399	France	-	17,038	17,038	
7.	USA	-	11,395	11,395	Estonia	-	15,219	15,219	
8.	Great Britain	211	9,890	10,101	Great Britain	213	12,322	12,535	
9.	Romania	6,034	2,813	8,847	Italy	6,429	3,686	10,115	
10.	Czech Republic	211	6,429	6,640	Poland	9,477	208	9,685	
11.	Ireland	-	5,251	5,251	Sweden	3,164	4,429	7,593	
12.	Italy	2,050	3,198	5,248	Ireland	-	7,292	7,292	
13.	Luxembourg	-	5,246	5,246	Luxembourg	-	5,243	5,243	
14.	Slovenia	3,252	1,481	4,733	Spain	4,852	-	4,852	
15.	Sweden	2,067	1,012	3,079	Austria	-	4,435	4,435	
16.	Estonia	-	3,019	3,019	Finland	-	4,030	4,030	
17.	Finland	496	2,218	2,714	Romania	4,004	-	4,004	
18.	Peru	2,160	-	2,160	Mexico	3,813	-	3,813	
19.	Mexico	1,686	-	1,686	Czech Republic	212	3,452	3,664	
20.	Spain	987	462	1,449	Slovenia	63	3,284	3,347	
	Other countries	6,251	3,044	9,295	Other countries	3,844	914	4,758	
	<b>Total</b>	<b>744,089</b>	<b>144,760</b>	<b>888,849</b>	<b>Total</b>	<b>883,839</b>	<b>200,616</b>	<b>1,084,455</b>	

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

				Top 20 countries in which the Bank has debt security exposures:			
			2023				2022
Name of the country	Public	Corporate	Total	Name of the country	Public	Corporate	Total
1. Lithuania	595,133	25,764	620,897	Lithuania	743,203	40,893	784,096
2. Latvia	96,572	9,507	106,079	Latvia	101,228	9,280	110,508
3. Netherlands	-	15,936	15,936	Germany	-	24,712	24,712
4. Germany	-	13,631	13,631	Netherlands	-	19,955	19,955
5. France	-	13,081	13,081	USA	-	19,735	19,735
6. USA	-	10,766	10,766	France	-	16,215	16,215
7. Poland	9,261	-	9,261	Estonia	-	15,031	15,031
8. Great Britain	-	8,648	8,648	Great Britain	-	12,120	12,120
9. Italy	2,050	3,198	5,248	Italy	6,329	3,182	9,511
10. Sweden	-	5,050	5,050	Poland	9,477	-	9,477
11. Luxembourg	-	4,996	4,996	Ireland	3,164	4,025	7,189
12. Slovenia	3,191	-	3,191	Sweden	-	7,091	7,091
13. Romania	3,089	-	3,089	Luxembourg	-	4,993	4,993
14. Ireland	2,067	1,012	3,079	Spain	4,357	-	4,357
15. Czech Republic	-	2,163	2,163	Austria	-	4,012	4,012
16. Peru	2,160	-	2,160	Finland	-	3,822	3,822
17. Finland	-	2,012	2,012	Slovenia	3,256	-	3,256
18. Austria	-	1,014	1,014	Czech Republic	-	3,248	3,248
19. Estonia	-	692	692	Romania	3,112	-	3,112
20. Spain	507	-	507	Mexico	-	3,081	3,081
Other countries	-	349	349	Other countries	2,827	311	3,138
<b>Total</b>	<b>714,030</b>	<b>117,819</b>	<b>831,849</b>	<b>Total</b>	<b>876,953</b>	<b>191,706</b>	<b>1,068,659</b>

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 2 percentage point is presented in the table below:

	31 December 2023			31 December 2022 (restated)		
	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)
<b>Group:</b>						
Interest rate increase by 2 p.p.	(283)	(3,207)	(3,490)	(613)	(4,382)	(4,995)
Interest rate decrease by 2 p.p.	293	3,555	3,848	637	4,884	5,521
<b>Bank:</b>						
Interest rate increase by 2 p.p.	(283)	(3,207)	(3,490)	(613)	(4,382)	(4,995)
Interest rate decrease by 2 p.p.	293	3,555	3,848	637	4,884	5,521

## 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 2023, Bank's LCR ratio (aggregate for all currencies) stood at 214% (31 December 2022: 189%).

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
<b>At 31 December 2023:</b>									
<b>Assets</b>									
Cash and cash equivalents	751,499	-	-	-	-	-	-	-	751,499
Due from other banks	-	393	2,520	4	5	90	1	-	3,013
Securities in the trading book	-	577	1,733	13,771	1,201	13,433	35,046	141,916	207,677
Derivative financial instruments	-	169	21	61	-	-	-	-	251
Loans to customers, finance lease receivables	-	77,529	125,566	124,389	258,024	821,828	1,512,652	11,649	2,931,637
Investment securities at fair value	-	133	17	19,712	13,513	13,448	25,035	2,642	74,500
Investment securities at amortized cost	-	62,396	13,289	174,341	69,116	418,739	13,346	-	751,227
Investments in subsidiaries	-	-	-	-	-	-	-	100	100
Intangible assets	-	-	-	-	-	-	-	45,138	45,138
Property, plant and equipment and investment property	-	-	-	-	-	-	-	16,774	16,774
Other assets	275	8,412	413	535	5,228	796	91	11,755	27,505
<b>Total assets</b>	<b>751,774</b>	<b>149,609</b>	<b>143,559</b>	<b>332,813</b>	<b>347,087</b>	<b>1,268,334</b>	<b>1,586,171</b>	<b>229,974</b>	<b>4,809,321</b>
<b>Liabilities and equity</b>									
Due to other banks and financial institutions	31,783	7,869	8,783	14,599	492,553	3,097	11,310	-	569,994
Due to customers	1,614,638	100,138	213,600	430,322	558,535	222,810	22,614	-	3,162,657
Special and lending funds	15,718	-	-	-	-	-	-	-	15,718
Debt securities in issue	-	-	-	-	203,617	-	72,863	-	276,480
Liabilities related to insurance activities	92,322	-	-	-	1,050	2,366	83,580	-	179,318
Other liabilities	29,079	11,664	934	7,248	5,882	5,171	2,048	-	62,026
Shareholders' equity	-	-	-	-	-	-	-	543,128	543,128
<b>Total liabilities and shareholders' equity</b>	<b>1,783,540</b>	<b>119,671</b>	<b>223,317</b>	<b>452,169</b>	<b>1,261,637</b>	<b>233,444</b>	<b>192,415</b>	<b>543,128</b>	<b>4,809,321</b>
<b>Net liquidity gap</b>	<b>(1,031,766)</b>	<b>29,938</b>	<b>(79,758)</b>	<b>(119,356)</b>	<b>(914,550)</b>	<b>1,034,890</b>	<b>1,393,756</b>	<b>(313,154)</b>	<b>-</b>
<b>At 31 December 2022:</b>									
<b>Assets</b>									
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	234,582	-	969,036
Investments in subsidiaries	-	-	-	-	-	-	-	100	100
Intangible assets	-	-	-	-	-	-	-	8,283	8,283
Property, plant and equipment and investment property	-	-	-	-	-	-	-	17,978	17,978
Other assets (restated)	231	5,934	437	530	867	886	32	7,351	16,268
<b>Total assets (restated)</b>	<b>384,989</b>	<b>66,841</b>	<b>125,136</b>	<b>339,293</b>	<b>328,261</b>	<b>1,232,280</b>	<b>1,628,499</b>	<b>77,357</b>	<b>4,182,656</b>
<b>Liabilities and equity</b>									
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 (restated)	91	495	147	199	586	2,573	32,094	-	36,185
Other liabilities (restated)	7,922	12,777	2,794	2,264	4,930	7,836	9,584	-	48,107
Shareholders' equity (restated)	-	-	-	-	-	-	-	442,906	442,906
<b>Total liabilities and shareholders' equity</b>	<b>1,920,926</b>	<b>101,132</b>	<b>180,183</b>	<b>312,743</b>	<b>329,869</b>	<b>801,214</b>	<b>93,683</b>	<b>442,906</b>	<b>4,182,656</b>
<b>Net liquidity gap</b>	<b>(1,535,937)</b>	<b>(34,291)</b>	<b>(55,047)</b>	<b>26,550</b>	<b>(1,608)</b>	<b>431,066</b>	<b>1,534,816</b>	<b>(365,549)</b>	<b>-</b>

### 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
<b>At 31 December 2023:</b>									
<b>Assets</b>									
Cash and cash equivalents	742,969	-	-	-	-	-	-	-	742,969
Due from other banks	-	393	2,520	4	5	90	1	-	3,013
Securities in the trading book	-	255	10	13,455	751	5,768	-	163	20,402
Derivative financial instruments	-	169	21	51	-	-	-	-	241
Loans to customers, finance lease receivables	-	69,465	351,975	102,330	225,087	727,726	1,442,278	1,072	2,919,933
Investment securities at fair value	-	15	17	19,712	13,513	13,448	25,035	2,642	74,382
Investment securities at amortized cost	-	62,391	13,270	173,872	69,096	416,212	5,028	-	739,869
Investments in subsidiaries	-	-	-	-	-	-	-	76,672	76,672
Intangible assets	-	-	-	-	-	-	-	8,149	8,149
Property, plant and equipment and investment property	-	-	-	-	-	-	-	14,702	14,702
Other assets	275	9,190	398	526	5,227	268	90	6,804	22,778
<b>Total assets</b>	<b>743,244</b>	<b>141,878</b>	<b>368,211</b>	<b>309,950</b>	<b>313,679</b>	<b>1,163,512</b>	<b>1,472,432</b>	<b>110,204</b>	<b>4,623,110</b>
<b>Liabilities and equity</b>									
Due to other banks and financial institutions	38,105	7,869	8,783	14,599	492,553	3,097	11,310	-	576,316
Due to customers	1,614,638	100,138	214,100	434,073	558,535	222,810	22,614	-	3,166,908
Special and lending funds	15,718	-	-	-	-	-	-	-	15,718
Debt securities in issue	-	-	-	-	203,617	-	72,863	-	276,480
Other liabilities	28,797	886	795	7,165	1,155	2,693	1,756	-	43,247
Shareholders' equity	-	-	-	-	-	-	-	544,441	544,441
<b>Total liabilities and shareholders' equity</b>	<b>1,697,258</b>	<b>108,893</b>	<b>223,678</b>	<b>455,837</b>	<b>1,255,860</b>	<b>228,600</b>	<b>108,543</b>	<b>544,441</b>	<b>4,623,110</b>
<b>Net liquidity gap</b>	<b>(954,014)</b>	<b>32,985</b>	<b>144,533</b>	<b>(145,887)</b>	<b>(942,181)</b>	<b>934,912</b>	<b>1,363,889</b>	<b>(434,237)</b>	<b>-</b>
<b>At 31 December 2022:</b>									
<b>Assets</b>									
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 (restated)	-	-	-	-	-	-	-	32,668	32,668
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
<b>Total assets (restated)</b>	<b>383,749</b>	<b>59,231</b>	<b>284,777</b>	<b>321,057</b>	<b>300,353</b>	<b>1,158,883</b>	<b>1,568,370</b>	<b>66,277</b>	<b>4,142,697</b>
<b>Liabilities and equity</b>									
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 (restated)	-	-	-	-	-	-	-	444,011	444,011
<b>Total liabilities and shareholders' equity (restated)</b>	<b>1,925,706</b>	<b>93,833</b>	<b>179,885</b>	<b>312,514</b>	<b>327,040</b>	<b>798,457</b>	<b>61,251</b>	<b>444,011</b>	<b>4,142,697</b>
<b>Net liquidity gap</b>	<b>(1,541,957)</b>	<b>(34,602)</b>	<b>104,892</b>	<b>8,543</b>	<b>(26,687)</b>	<b>360,426</b>	<b>1,507,119</b>	<b>(377,734)</b>	<b>-</b>

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 2023	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Liabilities</b>								
Due to banks	-	34,792	5,981	524,368	3,316	811	569,268	
Due to customers	-	1,715,713	215,814	1,010,423	254,513	3,961	3,200,424	
Debt securities in issue	-	186	360	217,741	26,420	95,256	339,963	
Special and lending funds	-	15,718	-	-	-	-	15,718	
Liabilities related to insurance activities	-	92,331	-	1,050	8,887	77,059	179,327	
<b>Total liabilities (contractual maturity dates)</b>	-	<b>1,858,740</b>	<b>222,155</b>	<b>1,753,582</b>	<b>293,136</b>	<b>177,087</b>	<b>4,304,700</b>	

Group	31 December 2022	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Liabilities</b>								
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	
<b>Total liabilities (contractual maturity dates)</b>	-	<b>1,985,915</b>	<b>177,732</b>	<b>656,756</b>	<b>843,417</b>	<b>69,013</b>	<b>3,732,833</b>	

Bank	31 December 2023	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Liabilities</b>								
Due to banks	-	41,114	5,981	524,368	3,316	811	575,590	
Due to customers	-	1,715,713	216,314	1,014,174	254,513	3,961	3,204,675	
Debt securities in issue	-	186	360	217,741	26,420	95,256	339,963	
Special and lending funds	-	15,718	-	-	-	-	15,718	
<b>Total liabilities (contractual maturity dates)</b>	-	<b>1,772,731</b>	<b>222,655</b>	<b>1,756,283</b>	<b>284,249</b>	<b>100,028</b>	<b>4,135,946</b>	

Bank	31 December 2022	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Liabilities</b>								
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	
<b>Total liabilities (contractual maturity dates)</b>	-	<b>1,990,632</b>	<b>177,585</b>	<b>656,032</b>	<b>837,365</b>	<b>37,770</b>	<b>3,699,384</b>	

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		Up to one month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
<b>At 31 December 2023</b>								
Loan commitments		476,294	-	-	-	-	-	476,294
Guarantees		59,216	-	-	-	-	-	59,216
Other commitments		2,235	1,020	2,458	335	223	-	6,271
<b>Total</b>		<b>537,745</b>	<b>1,020</b>	<b>2,458</b>	<b>335</b>	<b>223</b>	<b>-</b>	<b>541,781</b>

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

Bank		Up to one month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
<b>At 31 December 2023</b>								
Loan commitments		483,922	-	-	-	-	-	483,922
Guarantees		59,256	-	-	-	-	-	59,256
Other commitments		2,235	1,020	2,458	335	223	-	6,271
<b>Total</b>		<b>545,413</b>	<b>1,020</b>	<b>2,458</b>	<b>335</b>	<b>223</b>	<b>-</b>	<b>549,449</b>

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

## 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 2023		As of 31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
<i>Due from other banks</i>	3,013	3,013	2,733	2,733
<b>Loans</b>	2,645,104	2,680,780	2,391,629	2,506,401
<b>Loans to individuals:</b>	1,258,203	1,284,883	1,113,969	1,177,560
Consumer loans -	260,914	272,531	201,152	209,224
Mortgages -	778,931	790,663	663,328	717,006
Other -	218,358	221,689	249,489	251,330
<b>Loans to business customers</b>	1,360,488	1,371,906	1,259,581	1,311,294
Central and other authorities -	68,580	66,991	82,668	82,936
Large corporates -	108,069	107,434	103,647	105,571
SME -	1,183,839	1,197,481	1,073,266	1,122,787
<b>Loans and advances to financial institutions</b>	26,413	23,991	18,079	17,547
Finance lease receivables	286,533	326,840	242,448	254,733
<b>Investment securities at amortized cost</b>	751,227	712,594	969,036	914,070
Government bonds -	663,211	633,163	827,764	785,192
Corporate bonds -	88,016	79,431	141,272	128,878
<b>Other financial assets</b>	7,351	7,351	5,815	5,815
<b>Liabilities</b>				
<i>Due to other banks and financial institutions</i>	569,994	557,412	685,075	673,102
<b>Due to customers</b>	3,162,657	3,161,733	2,784,968	2,784,796
Due to individuals	1,912,137	1,910,526	1,533,559	1,533,134
Due to private companies	965,352	966,058	950,874	951,163
Due to other enterprises	285,168	285,149	300,535	300,499
<b>Debt securities in issue</b>	276,480	263,810	171,231	180,405
<b>Special and lending funds</b>	15,718	15,718	14,184	14,184
<b>Other financial liabilities</b>	40,017	40,317	27,419	27,463

Bank	As of 31 December 2023		As of 31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
<i>Due from other banks</i>	3,013	3,013	2,733	2,733
<b>Loans</b>	2,633,482	2,658,814	2,370,762	2,478,019
<b>Loans to individuals:</b>	999,028	1,014,079	915,829	971,361
Consumer loans -	1,739	1,727	3,012	3,025
Mortgages -	778,931	790,663	663,328	717,006
Other -	218,358	221,689	249,489	251,330
<b>Loans to business customers</b>	1,360,488	1,371,906	1,259,581	1,311,294
Central and other authorities -	68,580	66,991	82,668	82,936
Large corporates -	108,069	107,434	103,647	105,571
SME -	1,183,839	1,197,481	1,073,266	1,122,787
<b>Loans and advances to financial institutions</b>	273,966	272,829	195,352	195,364
Finance lease receivables	286,451	326,754	242,192	254,466
<b>Investment securities at amortized cost</b>	739,869	713,437	956,332	915,508
Government bonds -	657,445	633,642	821,781	785,884
Corporate bonds -	82,424	79,795	134,551	129,624
<b>Other financial assets</b>	8,289	8,289	5,620	5,620
<b>Liabilities</b>				
<i>Due to other banks and financial institutions</i>	576,316	563,734	686,559	674,586
<b>Due to customers</b>	3,166,908	3,165,984	2,789,348	2,789,176
Due to individuals	1,912,137	1,910,526	1,533,559	1,533,134
Due to private companies	969,103	969,809	954,733	955,022
Other	285,668	285,649	301,056	301,020
<b>Debt securities in issue</b>	276,480	263,810	171,231	180,405
<b>Special and lending funds</b>	15,718	15,718	14,184	14,184
<b>Other financial liabilities</b>	34,359	34,687	24,491	24,549

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

	2023		2022	
	Group	Bank	Group (restated)	Bank
<b>LEVEL I</b>				
<b>Financial assets in the trading book</b>				
Listed equity securities	2,748	162	213	213
Units of investment funds	87,049	-	-	-
Government bonds	26,306	2,637	2,880	2,602
Corporate bonds	24,215	2,615	8,873	6,566
<b>Investment securities at fair value</b>				
Government bonds	53,949	53,949	52,570	52,570
Corporate bonds	16,105	16,105	31,052	31,052
Investment fund units	-	-	-	-
<b>Total Level I financial assets</b>	<b>210,372</b>	<b>75,468</b>	<b>95,588</b>	<b>93,003</b>
<b>LEVEL II</b>				
<b>Financial assets in the trading book</b>				
Derivative financial instruments	251	241	897	897
<b>Total Level II financial assets</b>	<b>251</b>	<b>241</b>	<b>897</b>	<b>897</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial instruments	1,041	1,041	7,152	7,152
<b>Total Level II financial liabilities</b>	<b>1,041</b>	<b>1,041</b>	<b>7,152</b>	<b>7,152</b>
<b>LEVEL III</b>				
<b>Financial assets in the trading book</b>				
Corporate bonds	15,240	14,988	19,126	17,888
Units of investment funds	51,862	-	27,191	-
Unlisted equity securities	257	-	18	18
<b>Investment securities at fair value</b>				
Corporate bonds	1,927	1,927	1,935	1,935
Unlisted equity securities	501	383	243	243
Investment fund units	2,018	2,018	4,425	4,425
<b>Securitisation related financial assets (see Notes 13, 16)</b>				
Unlisted equity securities	100	100	100	100
Loans granted	3,208	3,208	2,058	2,058
<b>Total Level III financial assets</b>	<b>75,113</b>	<b>22,624</b>	<b>55,096</b>	<b>26,667</b>

Except for reclassifications described on following page, there were no transfers between fair value hierarchy levels during 2023 and 2022.

FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table presents the changes in Level III instruments during 2023 and 2022:

The Group

	Financial assets in the trading book						Investment securities at fair value					
	Corporate bonds		Investment fund units		Unlisted equities		Corporate bonds		Unlisted equities		Investment fund units	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<i>Value as of 1 January</i>	19,126	6,918	27,191	23,878	18	28	1,935	-	243	455	4,425	4,117
<i>Additions / Recognition</i>	18,313	45,172	2,290	9,962	278	7	-	2,000	-	-	-	31
<i>Disposals</i>	(19,416)	(33,979)	(22)	(6,712)	(48)	(6)	-	-	-	(212)	(2,058)	(98)
<i>Obtained during business acquisition transaction (see Note 16)</i>	-	-	35,835	-	-	-	-	-	-	-	-	-
<i>Reclassification</i>	(983)	1,238	(13,585)	-	-	-	-	-	-	-	-	-
<i>Changes due to interest accrued/paid</i>	309	550	-	-	-	-	56	23	-	-	-	-
<i>Revaluations through profit or loss</i>	(2,109)	(773)	153	63	9	(11)	(64)	(88)	258	-	(349)	375
<b><i>Value as of 31 December</i></b>	<b>15,240</b>	<b>19,126</b>	<b>51,862</b>	<b>27,191</b>	<b>257</b>	<b>18</b>	<b>1,927</b>	<b>1,935</b>	<b>501</b>	<b>243</b>	<b>2,018</b>	<b>4,425</b>

To unify distribution into fair value hierarchy levels after business combination described in Note 16 for the Group trading book securities with value of EUR 1,238 thousand were transferred from Level I of fair value hierarchy to Level III in 2022 and Group trading book securities with value of EUR 14,568 thousand were transferred from Level III of fair value hierarchy to Level I in 2023.

The Bank

	Financial assets in the trading book				Investment securities at fair value					
	Corporate bonds		Unlisted equities		Corporate bonds		Unlisted equities		Investment fund units	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<i>Value as of 1 January</i>	17,888	6,918	18	28	1,935	-	243	455	4,425	4,080
<i>Additions / Recognition</i>	18,313	45,172	21	7	-	2,000	-	-	-	31
<i>Disposals</i>	(19,416)	(33,979)	(48)	(6)	-	-	-	(212)	(2,058)	(61)
<i>Conversion to shares Derecognition</i>	-	-	-	-	-	-	-	-	-	-
<i>Changes due to interest accrued/paid</i>	301	550	-	-	56	23	-	-	-	-
<i>Revaluations through profit or loss</i>	(2,098)	(773)	9	(11)	(64)	(88)	140	-	(349)	375
<b><i>Value as of 31 December</i></b>	<b>14,988</b>	<b>17,888</b>	<b>-</b>	<b>18</b>	<b>1,927</b>	<b>1,935</b>	<b>383</b>	<b>243</b>	<b>2,018</b>	<b>4,425</b>

	2023		2022	
	Group	Bank	Group (restated)	Bank (restated)
<i>Total result from revaluation of Level III instruments included in the income statement</i>	<b>(2,102)</b>	<b>(2,362)</b>	<b>(434)</b>	<b>(497)</b>
<i>from trading securities (corporate bonds)</i>	(2,109)	(2,098)	(773)	(773)
<i>from investment securities at fair value (corporate bonds)</i>	(64)	(64)	(88)	(88)
<i>from trading securities (unlisted equities)</i>	9	9	(11)	(11)
<i>from investment securities at fair value (unlisted equities)</i>	258	140	-	-
<i>from trading securities (investment fund units)</i>	153	-	63	-
<i>from investment securities at fair value (investment fund units)</i>	(349)	(349)	375	375

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.

*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.

FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3. Offsetting financial assets and financial liabilities

As of 31 December 2023 and 31 December 2022, only currency derivative instruments were subject to master netting arrangements and similar arrangements. As of 31 December 2023, derivative financial instruments classified as assets in amount of EUR 251 thousand and derivative financial instruments classified as liabilities in amount of EUR 1,041 thousand were subject to those agreements. 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.

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 2023: EUR 2,920 thousand; 31 December 2022: EUR 18,846 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 2023 and 2022.

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 2023		31 December 2022	
	Group	Bank	Group (restated)	Bank
<b>FINANCIAL ASSETS</b>				
<b>Financial assets mandatorily measured at fair value through profit or loss:</b>	<b>213,896</b>	<b>26,493</b>	<b>66,210</b>	<b>35,196</b>
Trading securities	63,190	20,402	27,646	27,287
trading debt securities: government bonds -	24,839	2,637	2,880	2,602
trading debt securities: corporate bonds -	38,189	17,603	24,535	24,454
trading equities -	162	162	231	231
Other trading book securities	144,487	-	30,655	-
other trading book debt securities: government bonds -	2,733	-	2,733	-
other trading book equities -	141,754	-	27,922	-
Investment securities at fair value	2,760	2,642	4,954	4,954
non-trading equities -	2,760	2,642	4,954	4,954
Derivative financial instruments	251	241	897	897
Investment securities at fair value	3,208	3,208	2,058	2,058
loans granted -	3,208	3,208	2,058	2,058
<b>Financial assets measured at fair value through other comprehensive income:</b>	<b>71,740</b>	<b>71,740</b>	<b>85,271</b>	<b>85,271</b>
Debt securities at fair value through other comprehensive income	71,740	71,740	85,271	85,271
government bonds -	53,949	53,949	52,570	52,570
corporate bonds -	17,791	17,791	32,701	32,701
<b>Financial assets measured at amortized cost:</b>	<b>4,154,986</b>	<b>4,124,414</b>	<b>3,751,913</b>	<b>3,716,907</b>
Cash and cash equivalents	751,499	742,969	384,758	383,518
Due from other banks	3,013	3,013	2,733	2,733
Loans to customers	<b>2,641,896</b>	<b>2,630,274</b>	<b>2,389,571</b>	<b>2,368,704</b>
loans to financial institutions -	23,205	270,758	16,021	193,294
loans to individuals (retail): consumer loans -	260,914	1,739	201,152	3,012
loans to individuals (retail): mortgages -	778,931	778,931	663,328	663,328
loans to individuals (retail): other -	218,358	218,358	249,489	249,489
loans to business customers: SME -	1,183,839	1,183,839	1,073,266	1,073,266
loans to business customers: large corporates -	108,069	108,069	103,647	103,647
loans to business customers: central and local authorities and other -	68,580	68,580	82,668	82,668
Investment securities at amortized cost	751,227	739,869	969,036	956,332
government bonds -	663,211	657,445	827,764	821,781
corporate bonds -	88,016	82,424	141,272	134,551
Other financial assets	7,351	8,289	5,815	5,620
Finance lease receivables:	<b>286,533</b>	<b>286,451</b>	<b>242,448</b>	<b>242,192</b>
Finance lease receivables	286,533	286,451	242,448	242,192
individuals -	33,281	33,281	27,458	27,458
business customers -	253,252	253,170	214,990	214,734
<b>TOTAL FINANCIAL ASSETS</b>	<b>4,727,155</b>	<b>4,509,098</b>	<b>4,145,842</b>	<b>4,079,566</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial liabilities mandatorily measured at fair value through profit or loss:</b>	<b>1,041</b>	<b>1,041</b>	<b>7,152</b>	<b>7,152</b>
Derivative financial instruments	1,041	1,041	7,152	7,152
<b>Financial liabilities measured at amortized cost:</b>	<b>4,064,866</b>	<b>4,069,781</b>	<b>3,682,877</b>	<b>3,685,813</b>
Due to banks and financial institutions	569,994	576,316	685,075	686,559
Due to customers	3,162,657	3,166,908	2,784,968	2,789,348
due to individuals -	1,912,137	1,912,137	1,533,559	1,533,559
due to private companies -	965,352	969,103	950,874	954,733
other -	285,168	285,668	300,535	301,056
Special and lending funds	15,718	15,718	14,184	14,184
Debt securities in issue	276,480	276,480	171,231	171,231
Other financial liabilities	40,017	34,359	27,462	24,491
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4,065,907</b>	<b>4,070,822</b>	<b>3,690,072</b>	<b>3,692,965</b>

## 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

An insurance risk is a loss risk, or a risk associated with adverse changes in the value of insurance obligations, which are caused by improper pricing and provisioning assumptions. Based on the insurance contract, the Company assumes the protection of a person's financial interests for the insurance premium in the event of insured events, therefore, there is a risk of incurring losses due to improper assessment of the assumed insurance risk, calculated insurance premiums, which may not be sufficient to cover the actual insurance benefits and expenses, in case of insurance risk assumed by the Company.

The Company assumes the risks of mortality, morbidity, survival, mortality and injuries due to accidents, termination, expenses, catastrophes.

The risks of mortality, morbidity, injuries are due to optimistic assumptions about future mortality, morbidity, and frequency of injuries, used in the calculations of insurance premiums, which would lead to the fact that future insurance premiums will be insufficient to cover future benefits in case of death, illness, injury. The increase in the risk of mortality, morbidity can be influenced by epidemics (AIDS, SARS), pandemics, lifestyle changes - a change in the habits of eating, smoking, moving. The risk of survival is due to longer life expectancy than planned. This increase is due to the development of medical science, the improvement of the health care system, the growing standard of living. The increase in the risk of injury can be influenced by non-compliance with occupational safety in workplaces, the use of outdated technologies, increasing accident rates.

The Company manages the assumed insurance risks by assessing the state of health of the insured person, life habits, history of the state of family health. The company has a multi-level risk assessment system, depending on the size of the risks assumed. This system ensures that the insurance premium paid by the policyholder corresponds to the insured person's health.

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

<i>Risk</i>	<b>2023 (EUR)</b>	<b>2023 (%)</b>	<b>2022 (EUR)</b>	<b>2022 (%)</b>
<i>Term</i>	9	0.47	9	2.03
<i>Death</i>	512	25.98	159	34.40
<i>Critical illness</i>	342	17.39	43	9.30
<i>Death due to accident</i>	299	15.19	68	14.74
<i>Trauma</i>	807	40.97	183	39.53
<b>Total</b>	<b>1,969</b>	<b>100</b>	<b>462</b>	<b>100</b>

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.

#### Insurance risk sensitivity analysis

Sensitivity analysis is carried out by changing the corresponding assumption with the indicated value, leaving the sizes of other variables unchanged. The reinsurance effect on the performed sensitivity analysis is immaterial.

The Company's sensitivity to changes in variables that have a significant impact on December 31, 2023:

For the Company's portfolio before the business merger, which occurred on 1 December 2023

<i>In thousand EUR</i>	<b>Change in variables</b>	<b>Change Contractual service margin</b>	<b>Change in Profit or loss</b>	<b>Change in Equity</b>
<i>Mortality rates</i>	+10%	(193)	(121)	121
<i>Mortality rates</i>	-10%	206	125	(125)
<i>Disability/Morbidity</i>	+10%	(218)	(162)	162
<i>Disability/Morbidity</i>	-10%	218	162	(162)
<i>Lapse rates</i>	+10%	(252)	(42)	42
<i>Lapse rates</i>	-10%	288	35	(35)
<i>Expenses</i>	+10%	(477)	(582)	582
<i>Expenses</i>	-10%	488	571	(571)

FINANCIAL RISK MANAGEMENT (CONTINUED)

For acquired portfolio, acquired on on 1 December 2023

<i>In thousand EUR</i>	Change in variables	Change Contractual service margin	Change in Profit or loss	Change in Equity
<i>Mortality rates</i>	+10%	(1,768)	(42)	42
<i>Mortality rates</i>	-10%	1,643	34	(34)
<i>Disability/Morbidity</i>	+10%	(1,612)	(45)	45
<i>Disability/Morbidity</i>	-10%	1,613	45	(45)
<i>Lapse rates</i>	+10%	(2,470)	(17)	17
<i>Lapse rates</i>	-10%	2,797	25	(25)
<i>Expenses</i>	+10%	(2,643)	(113)	113
<i>Expenses</i>	-10%	2,643	113	(113)

The Company's sensitivity to changes in variables that have a significant impact on 31 December 2022 (restated):

<i>In thousand EUR</i>	Change in variables	Change Contractual service margin	Change in Profit or loss	Change in Equity
<i>Mortality rates</i>	+10%	(150)	(91)	91
<i>Mortality rates</i>	-10%	171	95	(95)
<i>Disability/Morbidity</i>	+10%	(181)	(126)	126
<i>Disability/Morbidity</i>	-10%	181	128	(128)
<i>Lapse rates</i>	+10%	(165)	(87)	87
<i>Lapse rates</i>	-10%	226	74	(74)
<i>Expenses</i>	+10%	(491)	(508)	508
<i>Expenses</i>	-10%	515	484	(484)

## 6. OPERATIONAL RISK

Operational risk is the risk of experiencing losses due to improper or unimplemented internal control processes, employee errors and/or illegal actions, disruptions in information system operations, or the influence of external events. Operational risk, unlike other types of risks (credit, market, liquidity), is not intentionally assumed with the expectation of gaining benefits; it arises naturally in the course of the Bank's activities.

In the year 2023, the Bank continued to enhance the operational and reputational risk management systems, as well as incident recording systems for the Bank and its Group companies. Starting from December 1, 2023, operational risk incidents are recorded in the Service Bank. The decision to migrate to the Service Bank was made for the convenience of JIRA functionalities and a unified registration location. From now on, operational risk incidents in the Service Bank can be recorded by all employees of the Bank, UAB "SB Leasing," Life Insurance "SB Draudimas," and "SB Asset Management" UAB. E-learning modules on Operational Risk were prepared at the beginning of 2023.

On October 25-26, 2023, a Comprehensive Testing was conducted in the Bank, showing that the Business Continuity Plans and processes in place are suitable, with no significant deficiencies identified in ensuring business continuity.

Throughout this year, significant attention will continue to be given to Business Continuity Management, Risk Management, and monitoring of Critical Outsourced Services, as well as strengthening the operational and reputational risk culture across the entire Bank Group.

## 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. This risk incorporates security risk arising due to improper or poor internal processes or external events including cyberattacks and insufficient physical security.

Main goal of Bank's IT risk management – to assess probability of possible losses, balance risk and investments to IT risk management, to detect and manage weak points early, ensure effectiveness of IT risk management measures (in line with appetite of IT risk of Bank's group and legal requirements) and permanent improvement of it, provide timely information to management of Bank's group. IT risk management goal is accomplished by employing risk management and control system, which include implementation of IT risk management functions, processes and management measures, monitoring system of IT risk management indicators and set limits, also IT risk identification, monitoring and risk management internal control. Risk management and control system is permanently improved according to best practises of the world and experience gained while implementing and exercising monitoring of this system.

Digital technologies not only increase efficiency of operational processes and improve experience of users of financial services but also contribute to increase in IT risk therefore the Bank reacting to changes in digital environment and trends improves and develops process and systems continuously ensuring Bank's digital resilience towards cyber threats and IT disorders. Priority is given to organisational and technical IT and information security including cyber security risk management measures (preventive, detective and corrective) installation and reinforcement. Effectiveness of these measures is regularly reviewed by organizing tests of operational continuity of critical systems, cyber resilience tests, performing other reviews, looking for high availability, safety and continuous improvement of data handled and systems used.

In 2023 Bank updated IT risk management procedure and has implemented other measures dedicated for improvement of systems availability, continuous monitoring of systems performance, safety status and reaction to security threats.

## 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, other legal acts, guidelines and positions of Bank of Lithuania and/or other regulatory bodies, also internal legal acts and codes of conduct and because of such incompliance the Bank could be imposed with enforcement measures, incur financial losses or damage to reputation or credibility. 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 once per year and informs Bank's management about the identified risks and their mitigation measures. During 2023 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. Compliance function is divided into two departments within structure of Legal, compliance and prevention service – Compliance department and Anti-monetary laundering prevention compliance department. Compliance department performs second line of defence (compliance assurance) function in general regulatory and investment services compliance areas. Anti-monetary laundering prevention compliance department performs second line of defence (compliance assurance) function in anti-monetary laundering and terrorist financing prevention, international sanctions implementation areas.

## 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. Model risk management is regulated by model risk policy which is regularly reviewed and enhanced. 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. Acceptable level of model risk is defined in risk appetite statement.

## FINANCIAL RISK MANAGEMENT (CONTINUED)

## 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.

## 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 2023 and 31 December 2022, 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 2023 and 31 December 2022, 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 2023 and 31 December 2022, 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 2023 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 funds management and real estate development subsidiaries are based on estimated inflow from management and 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.

*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 not result in additional impairment of goodwill (2022: increase of discount rate by 2% would decrease the value by EUR 797 thousand).

*Liabilities related to insurance activities.* The value of liabilities related to insurance activities 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 2023 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.

*Business combinations.* During year 2023 Group companies have acquired two separate business units (see Note 16). Both business units were acquired during single transaction. Group management has applied judgement in defining if business units acquired meet definition of business as described in IFRS 3 also if from Group perspective separate business units acquisition should be accounted as one transaction. Significant inputs and assumptions were applied to perform purchase price allocation and calculate fair value of net assets acquired during business combination. Changes in these judgements and estimates can significantly affect amounts accounted because of this business combination. Decrease of discount rate used in fair value assessment of assets and liabilities acquired through business combination by 0.5% (other factors held constant) would decrease goodwill accounted from the business combination by EUR 2,131 thousand.

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 2023 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
<b>Continuing operations</b>						
Internal	(556)	-	(10)	84	482	-
External	193,929	23,544	(900)	459	-	217,032
<b>Interest income</b>	<b>193,373</b>	<b>23,544</b>	<b>(910)</b>	<b>543</b>	<b>482</b>	<b>217,032</b>
Internal	-	-	-	-	-	-
External	(40,037)	(19,953)	(189)	-	-	(60,179)
<b>Interest expenses</b>	<b>(40,037)</b>	<b>(19,953)</b>	<b>(189)</b>	<b>-</b>	<b>-</b>	<b>(60,179)</b>
Internal	(556)	-	(10)	84	482	-
External	153,892	3,591	(1,089)	459	-	156,853
<b>Net interest income</b>	<b>153,336</b>	<b>3,591</b>	<b>(1,099)</b>	<b>543</b>	<b>482</b>	<b>156,853</b>
Internal	759	-	-	125	(884)	-
External	19,979	-	-	273	-	20,252
<b>Net fee and commission income</b>	<b>20,738</b>	<b>-</b>	<b>-</b>	<b>398</b>	<b>(884)</b>	<b>20,252</b>
Internal	203	-	(10)	209	(402)	-
External	173,871	3,591	(1,089)	732	-	177,105
<b>Net interest, fee and commissions income</b>	<b>174,074</b>	<b>3,591</b>	<b>(1,099)</b>	<b>941</b>	<b>(402)</b>	<b>177,105</b>
Internal	(115)	-	-	(1,900)	2,015	-
External	(59,545)	(5,856)	-	(14,586)	-	(79,987)
<b>Operating expenses</b>	<b>(59,660)</b>	<b>(5,856)</b>	<b>-</b>	<b>(16,486)</b>	<b>2,015</b>	<b>(79,987)</b>
Amortisation charges	(1,259)	(140)	-	(153)	-	(1,552)
Depreciation charges	(3,464)	(373)	-	(101)	-	(3,938)
Internal	-	-	-	-	-	-
External	(15,264)	-	(245)	277	-	(15,232)
<b>Impairment expenses</b>	<b>(15,264)</b>	<b>-</b>	<b>(245)</b>	<b>277</b>	<b>-</b>	<b>(15,232)</b>
Internal	(608)	-	(1,668)	(7)	2,283	-
External	4,426	(1,738)	4,390	12,268	-	19,346
<b>Net other income</b>	<b>3,818</b>	<b>(1,738)</b>	<b>2,722</b>	<b>12,261</b>	<b>2,283</b>	<b>19,346</b>
<b>Profit (loss) before tax from continuing operations</b>	<b>98,245</b>	<b>(4,516)</b>	<b>1,378</b>	<b>(3,261)</b>	<b>3,896</b>	<b>95,742</b>
Income tax	(18,449)	(1,923)	-	5	-	(20,367)
<b>Profit (loss) per segment after tax from continuing operations</b>	<b>79,796</b>	<b>(6,439)</b>	<b>1,378</b>	<b>(3,256)</b>	<b>3,896</b>	<b>75,375</b>
Profit or (loss) per segment after tax from discontinued operations	-	-	-	-	-	-
<b>Profit (loss) per segment</b>	<b>79,796</b>	<b>(6,439)</b>	<b>1,378</b>	<b>(3,256)</b>	<b>3,896</b>	<b>75,375</b>
Non-controlling interest	-	-	-	-	-	-
<b>Profit (loss) for the year attributable to the owners of the Bank</b>	<b>79,796</b>	<b>(6,439)</b>	<b>1,378</b>	<b>(3,256)</b>	<b>3,896</b>	<b>75,375</b>
Total segment assets	3,247,733	1,601,231	36,263	259,948	(335,854)	4,809,321
Total segment liabilities	2,893,049	1,412,662	31,992	188,791	(260,301)	4,266,193
<b>Net segment assets (shareholders' equity)</b>	<b>354,684</b>	<b>188,569</b>	<b>4,271</b>	<b>71,157</b>	<b>(75,553)</b>	<b>543,128</b>

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 2022 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
<b>Continuing operations</b>						
Internal	(703)	-	(16)	10	709	-
External	106,361	11,063	1,890	369	-	119,683
<b>Interest income</b>	<b>105,658</b>	<b>11,063</b>	<b>1,874</b>	<b>379</b>	<b>709</b>	<b>119,683</b>
Internal	-	-	-	-	-	-
External	(8,251)	(4,630)	(21)	-	-	(12,902)
<b>Interest expenses</b>	<b>(8,251)</b>	<b>(4,630)</b>	<b>(21)</b>	<b>-</b>	<b>-</b>	<b>(12,902)</b>
Internal	(703)	-	(16)	10	709	-
External	98,110	6,433	1,869	369	-	106,781
<b>Net interest income</b>	<b>97,407</b>	<b>6,433</b>	<b>1,853</b>	<b>379</b>	<b>709</b>	<b>106,781</b>
Internal	801	-	-	51	(852)	-
External (restated)	18,912	-	-	(163)	-	18,749
<b>Net fee and commission income (restated)</b>	<b>19,713</b>	<b>-</b>	<b>-</b>	<b>(112)</b>	<b>(852)</b>	<b>18,749</b>
Internal	98	-	(16)	61	(143)	-
External (restated)	117,022	6,433	1,869	206	-	125,530
<b>Net interest, fee and commissions income (restated)</b>	<b>117,120</b>	<b>6,433</b>	<b>1,853</b>	<b>267</b>	<b>(143)</b>	<b>125,530</b>
Internal	(208)	-	-	(144)	352	-
External (restated)	(46,494)	(4,487)	-	(5,338)	-	(56,319)
<b>Operating expenses (restated)</b>	<b>(46,702)</b>	<b>(4,487)</b>	<b>-</b>	<b>(5,482)</b>	<b>352</b>	<b>(56,319)</b>
Amortisation charges (restated)	(1,261)	(140)	-	(28)	-	(1,429)
Depreciation charges (restated)	(2,830)	(300)	-	(83)	-	(3,213)
Internal	-	-	-	-	-	-
External	(4,952)	-	(462)	458	-	(4,956)
<b>Impairment expenses</b>	<b>(4,952)</b>	<b>-</b>	<b>(462)</b>	<b>458</b>	<b>-</b>	<b>(4,956)</b>
Internal (restated)	9,207	-	134	(20)	(7,825)	1,496
External	10,357	(539)	2,130	7,308	-	19,256
<b>Net other income (restated)</b>	<b>19,564</b>	<b>(539)</b>	<b>2,264</b>	<b>7,288</b>	<b>(7,825)</b>	<b>20,752</b>
<b>Profit (loss) before tax from continuing operations (restated)</b>	<b>80,939</b>	<b>967</b>	<b>3,655</b>	<b>2,629</b>	<b>(7,825)</b>	<b>80,365</b>
Income tax	(11,771)	(1,170)	-	25	-	(12,916)
<b>Profit (loss) per segment after tax from continuing operations (restated)</b>	<b>69,168</b>	<b>(203)</b>	<b>3,655</b>	<b>2,654</b>	<b>(7,825)</b>	<b>67,449</b>
Profit or (loss) per segment after tax from discontinued operations	-	-	-	-	-	-
<b>Profit (loss) per segment (restated)</b>	<b>69,168</b>	<b>(203)</b>	<b>3,655</b>	<b>2,654</b>	<b>(7,825)</b>	<b>67,449</b>
Non-controlling interest	-	-	-	-	-	-
<b>Profit (loss) for the year attributable to the owners of the Bank (restated)</b>	<b>69,168</b>	<b>(203)</b>	<b>3,655</b>	<b>2,654</b>	<b>(7,825)</b>	<b>67,449</b>
Total segment assets (restated)	2,859,786	1,479,122	4,731	52,950	(213,933)	4,182,656
Total segment liabilities (restated)	2,560,536	1,320,982	4,225	37,813	(183,806)	3,739,750
<b>Net segment assets (shareholders' equity) (restated)</b>	<b>299,250</b>	<b>158,140</b>	<b>506</b>	<b>15,137</b>	<b>(30,127)</b>	<b>442,906</b>

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**

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

**NOTE 2**  
**NET FEE AND COMMISSION INCOME**

	2023		2022	
	Group	Bank	Group	Bank
<i>Fee and commission income:</i>			(restated)	
<i>for administration of loans of third parties</i>	5,249	5,249	4,195	4,195
<i>for settlement services</i>	5,428	5,443	5,960	5,976
<i>for cash operations</i>	4,750	4,750	5,459	5,459
<i>for account administration</i>	6,271	6,271	4,794	4,794
<i>for guarantees, letters of credit, documentary collection</i>	888	888	808	808
<i>for collection of utility and similar payments</i>	259	259	256	256
<i>for services related to securities</i>	3,978	3,980	3,862	3,967
<i>for services related to pension and investment funds management</i>	795	290	-	-
<i>other fee and commission income</i>	992	1,838	961	1,784
<b>Total fee and commission income</b>	<b>28,610</b>	<b>28,968</b>	<b>26,295</b>	<b>27,239</b>
<i>Fee and commission expense:</i>				
<i>for payment cards</i>	(5,126)	(5,126)	(4,528)	(4,528)
<i>for cash operations</i>	(838)	(838)	(975)	(975)
<i>for correspondent bank and payment system fees</i>	(583)	(458)	(618)	(505)
<i>for services of financial data vendors</i>	(304)	(304)	(231)	(231)
<i>for services related to securities</i>	(888)	(938)	(780)	(780)
<i>for services related to pension and investment funds management</i>	(49)	-	-	-
<i>other fee and commission expenses</i>	(570)	(450)	(414)	(390)
<b>Total fee and commission expense</b>	<b>(8,358)</b>	<b>(8,114)</b>	<b>(7,546)</b>	<b>(7,409)</b>
<b>Net fee and commission income</b>	<b>20,252</b>	<b>20,854</b>	<b>18,749</b>	<b>19,830</b>

**NOTE 3**  
**NET GAIN FROM TRADING ACTIVITIES**

	2023		2022	
	Group	Bank	Group (restated)	Bank
<i>Net gain (losses) from operations with securities</i>	4,471	(1,738)	1,190	(538)
<i>Net gain from foreign exchange and related derivatives</i>	8,574	8,567	(577)	(702)
<i>Net gain (loss) from other derivatives</i>	(1,097)	(1,097)	10,219	10,213
<b><i>Total net gain from trading activities</i></b>	<b>11,948</b>	<b>5,732</b>	<b>10,832</b>	<b>8,973</b>

**NET GAIN FROM OPERATIONS WITH SECURITIES**

	2023		2022	
	Group	Bank	Group (restated)	Bank
<b><i>Securities in the trading book:</i></b>				
<i>Realised gain (loss) on equity securities</i>	161	(135)	(198)	(36)
<i>Unrealised gain (loss) on equity securities</i>	5,481	16	1,881	(50)
<i>Realised gain on debt securities</i>	148	98	(248)	(261)
<i>Unrealised gain (loss) on debt securities</i>	(1,229)	(1,628)	(890)	(837)
<i>Dividend and other income from equity securities in the trading book</i>	2	3	11	12
<b><i>Net gain (loss) on securities in the trading book</i></b>	<b>4,563</b>	<b>(1,646)</b>	<b>556</b>	<b>(1,172)</b>
<b><i>Investment securities:</i></b>				
<i>Realised gain (loss) on investment equities at fair value through profit or loss</i>	158	158	(43)	(43)
<i>Unrealised gain on investment equities at fair value through profit or loss</i>	(249)	(249)	363	363
<i>Realised gain on debt securities at fair value through other comprehensive income</i>	(13)	(13)	(179)	(179)
<i>Realised gain on debt securities at amortized cost</i>	-	-	480	480
<i>Dividend and other income from investment equities</i>	12	12	13	13
<b><i>Net gain on investment securities</i></b>	<b>(92)</b>	<b>(92)</b>	<b>634</b>	<b>634</b>
<b><i>Total</i></b>	<b>4,471</b>	<b>(1,738)</b>	<b>1,190</b>	<b>(538)</b>

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 gain of EUR 5,883 thousand in 2023 and net loss of EUR 3,776 thousand in 2022.

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**

	2023		2022	
	Group	Bank	Group	Bank
<i>Net gain from foreign exchange</i>	8,574	8,567	(577)	(702)
<i>Net gain (loss) from derivatives related with foreign exchange</i>	(1,097)	(1,097)	10,219	10,213
<b><i>Total</i></b>	<b>7,477</b>	<b>7,470</b>	<b>9,642</b>	<b>9,511</b>

Group's net gain from foreign exchange includes investment result of the insurance company assets under unit-linked contracts (see Note 5): a net gain of EUR 7 thousand in 2023 and a net loss of EUR 2 thousand in 2022.

**NOTE 4  
OTHER OPERATING EXPENSES**

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

**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**

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

**EXPENSES RELATED TO INSURANCE ACTIVITIES**

	2023		2022 (restated)	
	Group	Bank	Group	Bank
<i>Expenses related to insurance activities:</i>				
<i>Incurred claims expenses</i>	(2,186)	-	(3,236)	-
<i>Losses on onerous contracts and reversal of those losses</i>	(927)	-	88	-
<i>Insurance acquisition costs</i>	(519)	-	(828)	-
<i>Other expenses</i>	(1,878)	-	-	-
<i>Interest accrued to insurance contracts</i>	(1,018)	-	(795)	-
<i>Change in financial assumptions through P&amp;L</i>	(4,972)	-	901	-
<i>Changes related to effect of discount rates applied on initial recognition</i>	122	-	(119)	-
<i>Change in financial liabilities</i>	(35)	-	-	-
<i>Commissions for investment contracts</i>	(1,100)	-	19	-
<i>Costs of insurance policies</i>	(1)	-	(2)	-
<b>Total</b>	<b>(12,514)</b>	<b>-</b>	<b>(3,972)</b>	<b>-</b>

**NOTE 5**

**REVENUE AND EXPENSES RELATED TO INSURANCE ACTIVITIES (CONTINUED)**

**RESULT FROM REINSURANCE CONTRACTS HELD**

	<b>2023</b>	<b>2022</b>
	<b>Group</b>	<b>Group</b>
<i>Amounts relating to changes in LFRC</i>		
- Expected recovery of claims and other expenses	(196)	(9)
- Change in the risk adjustment	(5)	-
- CSM recognized	26	34
Allocation of reinsurer premium	(176)	25
Amounts recovered for claims and other expenses	95	131
Incurred directly attributable expenses	-	-
Changes that relate to past service - recoverable claims and other expenses	(68)	(119)
Amounts recoverable from reinsurer and incurred expenses	27	12
<b>Total</b>	<b>(149)</b>	<b>37</b>

**INSURANCE FINANCE RESULT**

	<b>2023</b>	<b>2022</b>
	<b>Group</b>	<b>Group</b>
Interest accrued to insurance contracts	(1,018)	103
Change in financial assumptions through P&L	(4,972)	5,389
Effect of unlocking CSM at locked-in rates and FCF at current rates	122	(29)
Change in assets covering insurance contract liabilities	6,027	(3,617)
<b>Insurance finance result</b>	<b>159</b>	<b>1,846</b>

	<b>2023</b>	<b>2022</b>
	<b>Group</b>	<b>Group</b>
Interest accrued to insurance contracts	1	(1)
Change in financial assumptions through P&L	-	118
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-
Change in assets covering reinsurance contract liabilities	-	-
<b>Reinsurance finance result</b>	<b>1</b>	<b>117</b>

**NOTE 6**

**OTHER INCOME**

**NET GAIN FROM DISPOSAL OF TANGIBLE ASSETS**

In 2023 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 864 thousand (Bank: net gain of EUR 97 thousand). 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).

**NET GAIN FROM DERECOGNITION OF FINANCIAL ASSETS**

Net gain from derecognition of financial assets (for the year ended 31 December 2023: Group EUR 809 thousand, Bank EUR 532 thousand; for the year ended 31 December 2022: Group EUR 1,034 thousand, Bank EUR 254 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**

	<b>2023</b>		<b>2022</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Income from rent of investment property and other income from investment property	171	-	171	100
Income from rent of other assets	92	286	80	185
Net gain (loss) from modification of financial assets	(11)	(20)	33	(3)
Portion of TLTRO III negative interest attributable to grant	-	-	910	910
Other income	(211)	1,456	464	304
<b>Total</b>	<b>41</b>	<b>1,722</b>	<b>1,658</b>	<b>1,496</b>

**NOTE 7  
IMPAIRMENT LOSSES**

	2023		2022	
	Group	Bank	Group (restated)	Bank
<b>Impairment losses on loans:</b>				
<i>Impairment charge for the year, net (see Note 13)</i>	13,198	5,745	3,839	2,010
<i>Recoveries of loans previously written off</i>	(210)	(208)	(395)	(230)
<b>Total impairment losses (reversals) on loans</b>	<b>12,988</b>	<b>5,537</b>	<b>3,444</b>	<b>1,780</b>
<b>Impairment losses on finance lease receivables:</b>				
<i>Impairment charge for the year, net (see Note 14)</i>	2,273	2,274	1,512	1,454
<i>Recovered previously written-off finance lease receivables</i>	-	-	-	-
<b>Total impairment losses (reversals) on finance lease receivables</b>	<b>2,273</b>	<b>2,274</b>	<b>1,512</b>	<b>1,454</b>
<b>Total impairment losses (reversals) on loans and finance lease receivables</b>	<b>15,261</b>	<b>7,811</b>	<b>4,956</b>	<b>3,234</b>
<b>Impairment losses on financial assets other than loans and finance lease receivables:</b>				
<i>Due from other banks: impairment charge, net (see Note 10)</i>	8	8	(68)	(68)
<i>Debt securities: impairment charge, net (see Note 15)</i>	(369)	(378)	279	268
<i>Other financial assets: impairment charge, net (see Note 19)</i>	618	618	253	257
<b>Total impairment losses on financial assets other than loans and finance lease receivables:</b>	<b>257</b>	<b>248</b>	<b>464</b>	<b>457</b>
<b>Non-financial assets:</b>				
<i>Goodwill: impairment charge</i>	-	-	-	-
<i>Non-financial assets other than goodwill: impairment charge</i>	-	-	1	1
<i>Non-financial assets other than goodwill: reversal of impairment charge</i>	-	-	-	-
<b>Total impairment losses on non-financial assets:</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>Provisions (see Note 25):</b>				
<i>Provisions for pending legal issues: charge</i>	-	-	-	-
<i>Provisions for commitments and guarantees given: charge / (reversal)</i>	(286)	-	(465)	-
<b>Total provisions:</b>	<b>(286)</b>	<b>-</b>	<b>(465)</b>	<b>-</b>
<b>Total impairment losses on other assets</b>	<b>(29)</b>	<b>248</b>	<b>-</b>	<b>458</b>
<b>Impairment losses on subsidiaries (see Note 16):</b>				
<i>Investments in subsidiaries: impairment charge</i>	-	-	-	-
<i>Investments in subsidiaries: reversal of impairment charge</i>	-	-	-	-
<b>Total impairment losses on subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>15,232</b>	<b>8,059</b>	<b>4,956</b>	<b>3,692</b>

The Bank and the Group held no significant direct loan positions in Russia, Belarus and Ukraine. However due to geopolitical factors and indirect impact of Russia/Ukraine war impairment loss of EUR 390 thousand was recognized for year 2022. Because of these circumstances exposures with carrying value of EUR 6,036 thousand and EUR 5,840 thousand, respectively, were added to Watch List or Not Performing Exposures (NPE) list as of 31 December 2022. Since then financial position of part of clients improved and risks related to geopolitical circumstances were managed therefore carrying value of loans still in Watch List decreased to EUR 406 thousand as at 31 December 2023 compared to EUR 6,036 thousand loans in Watch list as of 31 December 2022. Due to NPE status removal or partial repayment of loans there were no loans in NPE list as at 31 December 2023 from NPE list which at 31 December 2022 amounted to EUR 5,840 thousand. From EUR 390 thousand impairment losses recognized at 31 December 2022 impairment reversal of EUR 293 thousand was accounted as at 31 December 2023. No new clients were added to Watchlist during year 2023 because of geopolitical situation.

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**

	2023		2022	
	Group	Bank	Group	Bank
Current tax	19,662	18,608	15,203	13,919
Deferred taxes	984	905	(2,177)	(2,106)
Deferred tax adjustment due to change in tax rate	-	-	-	-
Adjustment of previous year income tax	(279)	(279)	(110)	(110)
<b>Total</b>	<b>20,367</b>	<b>19,234</b>	<b>12,916</b>	<b>11,703</b>

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:

	2023		2022	
	Group	Bank	Group	Bank
Profit before income tax from continuing operations	95,742	94,854	76,531	75,282
Tax calculated at a tax rate of 15%	14,361	14,228	11,480	11,292
Tax calculated at a tax rate of 5%	4,346	4,346	2,748	2,748
Income not subject to tax	(2,866)	(300)	(4,133)	(2,042)
Expenses not deductible for tax purposes	4,971	1,405	4,086	970
Additional deduction of film, charity expenses	(166)	(166)	(1,155)	(1,155)
Adjustments of previous year income tax	(279)	(279)	(110)	(110)
<b>Income tax charge</b>	<b>20,367</b>	<b>19,234</b>	<b>12,916</b>	<b>11,703</b>

**Deferred tax assets**

	Group							Bank			
	Revaluation of financial instruments and other assets	Impairment of investment property and inventories	Accruals	Right of use	Goodwill (see Note 16)	Carry forward of unused tax losses	Total	Accruals	Right of use	Revaluation of financial instruments and other assets	Total
<b>At 1 January 2022</b>	<b>628</b>	<b>210</b>	<b>618</b>	<b>7</b>	<b>-</b>	<b>130</b>	<b>1,593</b>	<b>615</b>	<b>7</b>	<b>628</b>	<b>1,250</b>
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
<b>At 31 December 2022</b>	<b>4,327</b>	<b>208</b>	<b>902</b>	<b>7</b>	<b>-</b>	<b>215</b>	<b>5,659</b>	<b>900</b>	<b>7</b>	<b>4,327</b>	<b>5,234</b>
To be credited/(charged) to net profit	(776)	(2)	(126)	-	3,501	(7)	2,590	(125)	(3)	(776)	(904)
To be credited/(charged) to other comprehensive income	(672)	-	-	-	-	-	(672)	-	-	(672)	(672)
<b>At 31 December 2023</b>	<b>2,879</b>	<b>206</b>	<b>776</b>	<b>7</b>	<b>3,501</b>	<b>208</b>	<b>7,577</b>	<b>775</b>	<b>4</b>	<b>2,879</b>	<b>3,658</b>

**NOTE 8**  
**INCOME TAX (CONTINUED)**

**Deferred tax liabilities**

<i>Group</i>	<b>Funds management rights (see Note 16)</b>	<b>Revaluation of financial instruments and other assets</b>	<b>Total</b>
<b>At 1 January 2022</b>	-	<b>(1,452)</b>	<b>(1,452)</b>
<i>To be credited/(charged) to net profit</i>	-	(11)	(11)
<i>To be credited/ (charged) to other comprehensive income</i>	-	-	-
<b>At 31 December 2022</b>	-	<b>(1,463)</b>	<b>(1,463)</b>
<i>To be credited/(charged) to net profit</i>	(4,574)	(88)	(4,662)
<i>To be credited/ (charged) to other comprehensive income</i>	-	-	-
<b>At 31 December 2023</b>	<b>(4,574)</b>	<b>(1,551)</b>	<b>(6,125)</b>

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:

	<b>2023</b>		<b>2022</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
<i>Up to 1 year</i>	1,225	3,227	841	2,184
<i>2-5 years</i>	227	431	3,355	3,050
<b>Total</b>	<b>1,452</b>	<b>3,658</b>	<b>4,196</b>	<b>5,234</b>

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:

	<b>2023</b>		<b>2022</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
<i>Deferred tax assets</i>	7,577	3,658	5,659	5,234
<i>Deferred tax liabilities</i>	(6,125)	-	(1,463)	-

**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 2023 and 31 December 2022, therefore the Group had no dilutive potential ordinary shares and diluted earnings per share are equal to basic earnings per share.

The number of shares in issue for the year ended 31 December 2023 was 662,997 and for the year ended 31 December 2022 was 600,726 thousand. Weighted average number of shares in issue for the year ended 31 December 2023 was 602,693 thousand (2022: 599,840 thousand).

**Basic earnings per share**

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

**NOTE 10**  
**CASH AND CASH EQUIVALENTS**

	2023		2022	
	Group	Bank	Group	Bank
<i>Cash and other valuables</i>	71,689	71,579	77,315	77,215
<i>Balances in bank correspondent accounts:</i>				
<i>Gross value</i>	608,719	600,299	179,260	178,120
<i>Allowance for impairment</i>	(44)	(44)	(25)	(25)
<i>Total balances in bank correspondent accounts, net value</i>	608,675	600,255	179,235	178,095
<i>Placements with Central Bank:</i>				
<i>Correspondent account with Central Bank</i>	40,519	40,519	80,302	80,302
<i>Mandatory reserves in local currency, gross value</i>	30,618	30,618	47,919	47,919
<i>Mandatory reserves in local currency, allowance for impairment</i>	(2)	(2)	(13)	(13)
<i>Total placements with Central Bank, net value</i>	71,135	71,135	128,208	128,208
<b>Total</b>	<b>751,499</b>	<b>742,969</b>	<b>384,758</b>	<b>383,518</b>

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 \***

	2023		2022	
	Group	Bank	Group	Bank
<i>From AA- to AA+</i>	9,981	2,727	68,637	67,818
<i>From A- to A+</i>	27,051	25,890	87,292	86,980
<i>From BBB- to BBB+</i>	1,935	1,935	17,033	17,033
<i>Lower than BBB-</i>	10	10	386	386
<i>No external credit rating (Standard internal rating)</i>	209	209	179	179
<i>No external rating (Substandard internal rating)</i>	332	327	5,733	5,724
<b>Total</b>	<b>39,518</b>	<b>31,098</b>	<b>179,260</b>	<b>178,120</b>

\* 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
<b>Allowance for impairment of cash equivalents and due from banks as of 1 January 2022:</b>	<b>106</b>	<b>106</b>
<i>Change in allowance for impairment</i>	(68)	(68)
<i>FX and other movements</i>	-	-
<b>Allowance for impairment of cash equivalents and due from banks as of 31 December 2022:</b>	<b>38</b>	<b>38</b>
<i>Change in allowance for impairment</i>	8	8
<i>FX and other movements</i>	-	-
<b>Allowance for impairment of cash equivalents and due from banks as of 31 December 2023:</b>	<b>46</b>	<b>46</b>

As of 31 December 2023, balances in correspondent accounts in amount of EUR 1,199 thousand (as of 31 December 2022 - EUR 5,737 thousand) were pledged for derivatives contracts.

**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.

	2023				2022			
	Dividends payable	Debt securities in issue	Lease liabilities	Total	Dividends payable	Debt securities in issue	Lease liabilities	Total
<b>As at 1 January</b>	<b>94</b>	<b>180,422</b>	<b>7,603</b>	<b>188,119</b>	<b>50</b>	<b>95,212</b>	<b>6,093</b>	<b>101,355</b>
<i>Dividends declared</i>	15,919	-	-	15,919	20,425	-	-	20,425
<i>Issuance in cash</i>	-	100,000	-	100,000	-	85,000	-	85,000
<i>Contract additions / terminations</i>	-	-	653	653	-	-	2,525	2,525
<i>Payment in cash</i>	(15,919)	-	(1,066)	(16,985)	(20,381)	-	(1,040)	(21,421)
<i>Redemption in cash</i>	-	-	-	-	-	-	-	-
<i>Accrued interest</i>	-	5,795	34	5,829	-	2,225	25	2,250
<i>Coupon payments in cash</i>	-	(2,905)	-	(2,905)	-	(2,015)	-	(2,015)
<b>As at of 31 December</b>	<b>94</b>	<b>283,312</b>	<b>7,224</b>	<b>290,630</b>	<b>94</b>	<b>180,422</b>	<b>7,603</b>	<b>188,119</b>

**NOTE 10**  
**CASH AND CASH EQUIVALENTS (CONTINUED)**

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.

	2023				2022			
	Dividends payable	Debt securities in issue	Lease liabilities	Total	Dividends payable	Debt securities in issue	Lease liabilities	Total
<b>As at 1 January</b>	<b>94</b>	<b>180,422</b>	<b>7,328</b>	<b>187,844</b>	<b>50</b>	<b>95,212</b>	<b>5,818</b>	<b>101,080</b>
<i>Dividends declared</i>	15,919	-	-	15,919	20,425	-	-	20,425
<i>Issuance in cash</i>	-	100,000	-	100,000	-	85,000	-	85,000
<i>Contract additions / terminations</i>	-	-	559	559	-	-	2,578	2,578
<i>Payment in cash</i>	(15,919)	-	(1,524)	(17,443)	(20,381)	-	(1,089)	(21,470)
<i>Redemption in cash</i>	-	-	-	-	-	-	-	-
<i>Accrued interest</i>	-	5,795	30	5,825	-	2,225	21	2,246
<i>Coupon payments in cash</i>	-	(2,905)	-	(2,905)	-	(2,015)	-	(2,015)
<b>As at of 31 December</b>	<b>94</b>	<b>283,312</b>	<b>6,393</b>	<b>289,799</b>	<b>94</b>	<b>180,422</b>	<b>7,328</b>	<b>187,844</b>

**NOTE 11**  
**DUE FROM OTHER BANKS**

	2023		2022	
	Group	Bank	Group	Bank
<i>Pledged deposits</i>	2,520	2,520	2,520	2,520
<i>Term deposits</i>	109	109	103	103
<i>Loans</i>	384	384	110	110
<b>Gross value</b>	<b>3,013</b>	<b>3,013</b>	<b>2,733</b>	<b>2,733</b>
<i>Allowance for impairment</i>	-	-	-	-
<b>Net value</b>	<b>3,013</b>	<b>3,013</b>	<b>2,733</b>	<b>2,733</b>
<i>Breakdown due from other banks by the maturity:</i>				
<i>Short-term (up to 1 year)</i>	2,922	2,922	2,633	2,633
<i>Long-term (over 1 year)</i>	91	91	100	100
<b>Total</b>	<b>3,013</b>	<b>3,013</b>	<b>2,733</b>	<b>2,733</b>

As of 31 December 2023 pledged deposits consisted of funds pledged for derivatives contracts. As of 31 December 2023, term deposits amounting to EUR 109 thousand were pledged for the guarantees or letters of credit issued for the Bank's clients. 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.

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 \***

	2023		2022	
	Group	Bank	Group	Bank
<i>From AA- to AA+</i>	99	99	99	99
<i>From A- to A+</i>	2,787	2,787	110	110
<i>From BBB- to BBB+</i>	127	127	2,524	2,524
<b>Total</b>	<b>3,013</b>	<b>3,013</b>	<b>2,733</b>	<b>2,733</b>

\* 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:

	2023		2022	
	Group	Bank	Group	Bank
<b>Assets:</b>				
Derivatives:	251	241	897	897
currency derivatives	251	241	897	897
derivatives related to prices of financial instruments	-	-	-	-
Securities in the trading book	207,677	20,402	58,301	27,287
<b>Liabilities:</b>				
Derivatives:	(1,041)	(1,041)	(7,152)	(7,152)
currency derivatives	(1,041)	(1,041)	(7,152)	(7,152)
derivatives related to prices of financial instruments	-	-	-	-

**Derivative Financial Instruments – Currency Derivatives**

As of 31 December 2023 and 31 December 2022, 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.

	2023		2022	
	Group	Bank	Group	Bank
<b>Currency forwards:</b>				
Assets	251	241	897	897
Liabilities	(1,041)	(1,041)	(7,152)	(7,152)
Notional amount	127,829	127,799	193,915	193,915
Net gain (loss) from currency derivatives in profit or loss	(1,097)	(1,097)	10,219	10,213

**Securities in the Trading Book**

	2023		2022	
	Group	Bank	Group	Bank
<b>Trading debt securities:</b>				
Government bonds	24,839	2,637	2,880	2,602
Corporate bonds	38,189	17,603	24,535	24,454
<b>Other trading book debt securities:</b>				
Government bonds	2,733	-	2,733	-
<b>Total debt securities</b>	<b>65,761</b>	<b>20,240</b>	<b>30,148</b>	<b>27,056</b>
<b>Trading equity securities</b>	<b>162</b>	<b>162</b>	<b>231</b>	<b>231</b>
Other trading book equity securities	141,754	-	27,922	-
<b>Total equity securities</b>	<b>141,916</b>	<b>162</b>	<b>28,153</b>	<b>231</b>
<b>Total securities in the trading book</b>	<b>207,677</b>	<b>20,402</b>	<b>58,301</b>	<b>27,287</b>
<b>Breakdown of debt securities by time remaining to maturity:</b>				
Short-term (up to 1 year)	17,282	14,472	12,522	10,625
Long-term (over 1 year)	48,479	5,768	17,626	16,431
<b>Total</b>	<b>65,761</b>	<b>20,240</b>	<b>30,148</b>	<b>27,056</b>

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 2023 and 2022.

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 2023 and 2022:

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

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:

	2023		2022	
	During the year	Cumulative	During the year	Cumulative
Change in fair value attributable to credit risk	-	-	4	-

**NOTE 13**  
**LOANS TO CUSTOMERS**

	2023		2022	
	Group	Bank	Group	Bank
Gross loans to customers	2,685,454	2,661,035	2,423,800	2,395,409
Allowance for loan impairment	(43,558)	(30,761)	(34,229)	(26,705)
<b>Net loans at amortized cost</b>	<b>2,641,896</b>	<b>2,630,274</b>	<b>2,389,571</b>	<b>2,368,704</b>
Loans at fair value	3,208	3,208	2,058	2,058
<b>NET LOANS TO CUSTOMERS</b>	<b>2,645,104</b>	<b>2,633,482</b>	<b>2,391,629</b>	<b>2,370,762</b>
Breakdown of loans to customers according to maturity				
Short-term (up to 1 year)	490,392	653,801	466,285	576,003
Long-term (over 1 year)	2,154,712	1,979,681	1,925,344	1,794,759
<b>Total</b>	<b>2,645,104</b>	<b>2,633,482</b>	<b>2,391,629</b>	<b>2,370,762</b>

Due to strained macroeconomic environment, Group was more cautious in its lending than in previous year - in 2023, Group's loan portfolio increased by 11% driven by high demand for retail consumer and mortgage loans (in 2022, Group's loan portfolio increased by 25%). Large focus was on maintaining the quality of loan portfolio, and despite unfavourable environment, the Stage 2 or Stage 3 loan shares in loan portfolio did not significantly increase. As weak economic environment is projected to continue for year 2024, the Group increased its impairment coverage for its exposures – significant part of the impairment provision increase is attributable to revision of the forward-looking parameters.

The Bank has provided loans as investment to securitization vehicle through Banks's subsidiary SB Modernizavimo Fondas UAB for financing multiapartment buildings renovation projects. Bank's investments in securitization are provided in several tranches to different investment layers bearing different risk levels. Part of investments made so far were made into layer bearing highest level of risk, therefore according to clauses in IFRS 9 applicable to contractually linked instruments, loans to SB Modernizavimo Fondas UAB are accounted at fair value through profit and loss and are disclosed in statement of financial position within line "Loans to customers". At initial recognition it was considered that fair value of these loans is equal to its acquisition value. During twelve months period ended 31 December 2023 losses from fair value change of such loans of EUR 374 thousand were recognized.

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

	Group gross loans to customers							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 1 January</b>	<b>2,182,994</b>	<b>175,801</b>	<b>67,067</b>	<b>2,425,862</b>	<b>1,642,451</b>	<b>235,609</b>	<b>66,318</b>	<b>1,944,378</b>
Transfer between stages:								
from Stage 1 to Stage 2	(113,847)	113,847	-	-	(57,904)	57,904	-	-
from Stage 1 to Stage 3	(15,963)	-	15,963	-	(8,730)	-	8,730	-
from Stage 2 to Stage 1	69,792	(69,792)	-	-	90,457	(90,457)	-	-
from Stage 2 to Stage 3	-	(22,264)	22,264	-	-	(12,589)	12,589	-
from Stage 3 to Stage 1	1,849	-	(1,849)	-	424	-	(424)	-
from Stage 3 to Stage 2	-	13,642	(13,642)	-	-	4,665	(4,665)	-
New loans originated or loan amounts increased	918,841	48,687	13,939	981,467	949,285	40,037	8,427	997,749
Loans derecognized during the period (other than write-offs)	(633,478)	(59,131)	(22,190)	(714,799)	(432,987)	(59,305)	(18,664)	(510,956)
Loans written-off during the period	(4)	(51)	(3,815)	(3,870)	(1)	(61)	(5,244)	(5,306)
Reclassifications, FX and other movements	-	-	-	-	(1)	(2)	-	(3)
<b>Gross carrying amount as at 31 December</b>	<b>2,410,184</b>	<b>200,739</b>	<b>77,737</b>	<b>2,688,660</b>	<b>2,182,994</b>	<b>175,801</b>	<b>67,067</b>	<b>2,425,862</b>

	Bank gross loans to customers							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 1 January</b>	<b>1,986,715</b>	<b>349,388</b>	<b>61,368</b>	<b>2,397,471</b>	<b>1,505,673</b>	<b>349,980</b>	<b>62,112</b>	<b>1,917,765</b>
Transfer between stages:								
from Stage 1 to Stage 2	(101,434)	101,434	-	-	(55,860)	55,860	-	-
from Stage 1 to Stage 3	(11,657)	-	11,657	-	(6,077)	-	6,077	-
from Stage 2 to Stage 1	69,074	(69,074)	-	-	89,275	(89,275)	-	-
from Stage 2 to Stage 3	-	(21,357)	21,357	-	-	(11,846)	11,846	-
from Stage 3 to Stage 1	1,200	-	(1,200)	-	401	-	(401)	-
from Stage 3 to Stage 2	-	13,118	(13,118)	-	-	4,663	(4,663)	-
New loans originated or loan amounts increased	775,147	109,289	12,347	896,783	819,808	97,451	6,999	924,258
Loans derecognized during the period (other than write-offs)	(553,123)	(54,642)	(20,556)	(628,321)	(366,503)	(57,442)	(17,162)	(441,107)
Loans written-off during the period	-	-	(1,690)	(1,690)	-	(3)	(3,439)	(3,442)
Reclassifications, FX and other movements	-	-	(1)	(1)	(2)	-	(1)	(3)
<b>Gross carrying amount as at 31 December</b>	<b>2,165,922</b>	<b>428,156</b>	<b>70,164</b>	<b>2,664,242</b>	<b>1,986,715</b>	<b>349,388</b>	<b>61,368</b>	<b>2,397,471</b>

**NOTE 13**  
**LOANS TO CUSTOMERS (CONTINUED)**

	<i>Group gross loans to individuals (retail)</i>							
				2023				2022
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 1 January</b>	<b>1,091,641</b>	<b>18,135</b>	<b>15,721</b>	<b>1,125,497</b>	<b>678,808</b>	<b>13,120</b>	<b>7,899</b>	<b>699,827</b>
Transfer between stages:								
from Stage 1 to Stage 2	(24,011)	24,011	-	-	(8,772)	8,772	-	-
from Stage 1 to Stage 3	(15,003)	-	15,003	-	(5,895)	-	5,895	-
from Stage 2 to Stage 1	4,486	(4,486)	-	-	2,885	(2,885)	-	-
from Stage 2 to Stage 3	-	(4,168)	4,168	-	-	(2,880)	2,880	-
from Stage 3 to Stage 1	1,771	-	(1,771)	-	424	-	(424)	-
from Stage 3 to Stage 2	-	1,808	(1,808)	-	-	195	(195)	-
New loans originated or loan amounts increased	387,341	16,058	6,881	410,280	494,845	5,931	3,875	504,651
Loans derecognized during the period (other than write-offs)	(244,732)	(6,594)	(4,239)	(255,565)	(184,503)	(4,312)	(2,673)	(191,488)
Loans written-off during the period	(4)	(51)	(2,193)	(2,248)	(1)	(61)	(1,942)	(2,004)
Reclassifications, FX and other movements	-	-	-	-	113,850	255	406	114,511
<b>Gross carrying amount as at 31 December</b>	<b>1,201,489</b>	<b>44,713</b>	<b>31,762</b>	<b>1,277,964</b>	<b>1,091,641</b>	<b>18,135</b>	<b>15,721</b>	<b>1,125,497</b>
	<i>Bank gross loans to individuals (retail)</i>							
				2023				2022
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 1 January</b>	<b>895,362</b>	<b>14,449</b>	<b>10,022</b>	<b>919,833</b>	<b>542,030</b>	<b>9,623</b>	<b>3,693</b>	<b>555,346</b>
Transfer between stages:								
from Stage 1 to Stage 2	(11,598)	11,598	-	-	(6,728)	6,728	-	-
from Stage 1 to Stage 3	(10,697)	-	10,697	-	(3,242)	-	3,242	-
from Stage 2 to Stage 1	3,768	(3,768)	-	-	1,703	(1,703)	-	-
from Stage 2 to Stage 3	-	(3,261)	3,261	-	-	(2,137)	2,137	-
from Stage 3 to Stage 1	1,122	-	(1,122)	-	401	-	(401)	-
from Stage 3 to Stage 2	-	1,284	(1,284)	-	-	193	(193)	-
New loans originated or loan amounts increased	243,647	6,380	5,289	255,316	365,367	3,940	2,447	371,754
Loans derecognized during the period (other than write-offs)	(164,377)	(2,105)	(2,605)	(169,087)	(118,018)	(2,449)	(1,171)	(121,638)
Loans written-off during the period	-	-	(68)	(68)	-	(3)	(137)	(140)
Reclassifications, FX and other movements	-	-	(1)	(1)	113,849	257	405	114,511
<b>Gross carrying amount as at 31 December</b>	<b>957,227</b>	<b>24,577</b>	<b>24,189</b>	<b>1,005,993</b>	<b>895,362</b>	<b>14,449</b>	<b>10,022</b>	<b>919,833</b>
	<i>Group gross loans to individuals (retail): Consumer loans</i>							
				2023				2022
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 1 January</b>	<b>199,202</b>	<b>3,767</b>	<b>5,886</b>	<b>208,855</b>	<b>143,285</b>	<b>3,678</b>	<b>4,304</b>	<b>151,267</b>
Transfer between stages:								
from Stage 1 to Stage 2	(12,533)	12,533	-	-	(2,162)	2,162	-	-
from Stage 1 to Stage 3	(4,429)	-	4,429	-	(2,770)	-	2,770	-
from Stage 2 to Stage 1	728	(728)	-	-	1,234	(1,234)	-	-
from Stage 2 to Stage 3	-	(946)	946	-	-	(803)	803	-
from Stage 3 to Stage 1	650	-	(650)	-	24	-	(24)	-
from Stage 3 to Stage 2	-	528	(528)	-	-	8	(8)	-
New loans originated or loan amounts increased	144,610	9,749	1,627	155,986	130,287	2,006	1,457	133,750
Loans derecognized during the period (other than write-offs)	(82,349)	(4,563)	(1,796)	(88,708)	(70,696)	(1,987)	(1,616)	(74,299)
Loans written-off during the period	(4)	(51)	(2,162)	(2,217)	(1)	(61)	(1,801)	(1,863)
Reclassifications, FX and other movements	-	-	-	-	1	(2)	1	-
<b>Gross carrying amount as at 31 December</b>	<b>245,875</b>	<b>20,289</b>	<b>7,752</b>	<b>273,916</b>	<b>199,202</b>	<b>3,767</b>	<b>5,886</b>	<b>208,855</b>

**NOTE 13**  
**LOANS TO CUSTOMERS (CONTINUED)**

	<b>Bank gross loans to individuals (retail): Consumer loans</b>							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 1 January</b>	<b>2,924</b>	<b>81</b>	<b>186</b>	<b>3,191</b>	<b>6,510</b>	<b>180</b>	<b>117</b>	<b>6,807</b>
Transfer between stages:								
from Stage 1 to Stage 2	(120)	120	-	-	(118)	118	-	-
from Stage 1 to Stage 3	(123)	-	123	-	(117)	-	117	-
from Stage 2 to Stage 1	10	(10)	-	-	52	(52)	-	-
from Stage 2 to Stage 3	-	(39)	39	-	-	(60)	60	-
from Stage 3 to Stage 1	1	-	(1)	-	1	-	(1)	-
from Stage 3 to Stage 2	-	4	(4)	-	-	6	(6)	-
New loans originated or loan amounts increased	915	71	35	1,021	809	15	29	853
Loans derecognized during the period (other than write-offs)	(1,994)	(74)	(162)	(2,230)	(4,213)	(123)	(113)	(4,449)
Loans written-off during the period	-	-	(37)	(37)	-	(3)	(17)	(20)
Reclassifications, FX and other movements	-	-	-	-	-	-	-	-
<b>Gross carrying amount as at 31 December</b>	<b>1,613</b>	<b>153</b>	<b>179</b>	<b>1,945</b>	<b>2,924</b>	<b>81</b>	<b>186</b>	<b>3,191</b>

	<b>Group gross loans to individuals (retail): Mortgages</b>							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 1 January</b>	<b>649,660</b>	<b>9,828</b>	<b>5,762</b>	<b>665,250</b>	<b>445,092</b>	<b>8,225</b>	<b>2,759</b>	<b>456,076</b>
Transfer between stages:								
from Stage 1 to Stage 2	(9,904)	9,904	-	-	(4,684)	4,684	-	-
from Stage 1 to Stage 3	(5,462)	-	5,462	-	(2,040)	-	2,040	-
from Stage 2 to Stage 1	2,890	(2,890)	-	-	1,546	(1,546)	-	-
from Stage 2 to Stage 3	-	(1,073)	1,073	-	-	(1,711)	1,711	-
from Stage 3 to Stage 1	392	-	(392)	-	-	-	-	-
from Stage 3 to Stage 2	-	1,063	(1,063)	-	-	177	(177)	-
New loans originated or loan amounts increased	179,876	3,120	997	183,993	252,717	1,228	233	254,178
Loans derecognized during the period (other than write-offs)	(65,317)	(1,573)	(910)	(67,800)	(42,971)	(1,229)	(737)	(44,937)
Loans written-off during the period	-	-	-	-	-	-	(67)	(67)
Reclassifications, FX and other movements	-	-	-	-	-	-	-	-
<b>Gross carrying amount as at 31 December</b>	<b>752,135</b>	<b>18,379</b>	<b>10,929</b>	<b>781,443</b>	<b>649,660</b>	<b>9,828</b>	<b>5,762</b>	<b>665,250</b>

	<b>Bank gross loans to individuals (retail): Mortgages</b>							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 1 January</b>	<b>649,660</b>	<b>9,828</b>	<b>5,762</b>	<b>665,250</b>	<b>445,092</b>	<b>8,225</b>	<b>2,759</b>	<b>456,076</b>
Transfer between stages:								
from Stage 1 to Stage 2	(9,904)	9,904	-	-	(4,684)	4,684	-	-
from Stage 1 to Stage 3	(5,462)	-	5,462	-	(2,040)	-	2,040	-
from Stage 2 to Stage 1	2,890	(2,890)	-	-	1,546	(1,546)	-	-
from Stage 2 to Stage 3	-	(1,073)	1,073	-	-	(1,711)	1,711	-
from Stage 3 to Stage 1	392	-	(392)	-	-	-	-	-
from Stage 3 to Stage 2	-	1,063	(1,063)	-	-	177	(177)	-
New loans originated or loan amounts increased	179,876	3,120	997	183,993	252,717	1,228	233	254,178
Loans derecognized during the period (other than write-offs)	(65,317)	(1,573)	(910)	(67,800)	(42,971)	(1,229)	(737)	(44,937)
Loans written-off during the period	-	-	-	-	-	-	(67)	(67)
Reclassifications, FX and other movements	-	-	-	-	-	-	-	-
<b>Gross carrying amount as at 31 December</b>	<b>752,135</b>	<b>18,379</b>	<b>10,929</b>	<b>781,443</b>	<b>649,660</b>	<b>9,828</b>	<b>5,762</b>	<b>665,250</b>

**NOTE 13**  
**LOANS TO CUSTOMERS (CONTINUED)**

	<i>Group gross loans to individuals (retail): Other</i>							
	Stage 1	Stage 2	Stage 3	2023 Total	Stage 1	Stage 2	Stage 3	2022 Total
<b>Gross carrying amount as at 1 January</b>	<b>242,779</b>	<b>4,540</b>	<b>4,073</b>	<b>251,392</b>	<b>90,431</b>	<b>1,217</b>	<b>836</b>	<b>92,484</b>
Transfer between stages:								
from Stage 1 to Stage 2	(1,574)	1,574	-	-	(1,926)	1,926	-	-
from Stage 1 to Stage 3	(5,112)	-	5,112	-	(1,085)	-	1,085	-
from Stage 2 to Stage 1	868	(868)	-	-	105	(105)	-	-
from Stage 2 to Stage 3	-	(2,149)	2,149	-	-	(366)	366	-
from Stage 3 to Stage 1	729	-	(729)	-	400	-	(400)	-
from Stage 3 to Stage 2	-	217	(217)	-	-	10	(10)	-
New loans originated or loan amounts increased	62,855	3,189	4,257	70,301	111,841	2,697	2,185	116,723
Loans derecognized during the period (other than write-offs)	(97,066)	(458)	(1,533)	(99,057)	(70,836)	(1,096)	(320)	(72,252)
Loans written-off during the period	-	-	(31)	(31)	-	-	(74)	(74)
Reclassifications, FX and other movements	-	-	-	-	113,849	257	405	114,511
<b>Gross carrying amount as at 31 December</b>	<b>203,479</b>	<b>6,045</b>	<b>13,081</b>	<b>222,605</b>	<b>242,779</b>	<b>4,540</b>	<b>4,073</b>	<b>251,392</b>

	<i>Bank gross loans to individuals (retail): Other</i>							
	Stage 1	Stage 2	Stage 3	2023 Total	Stage 1	Stage 2	Stage 3	2022 Total
<b>Gross carrying amount as at 1 January</b>	<b>242,779</b>	<b>4,540</b>	<b>4,073</b>	<b>251,392</b>	<b>90,430</b>	<b>1,217</b>	<b>816</b>	<b>92,463</b>
Transfer between stages:								
from Stage 1 to Stage 2	(1,574)	1,574	-	-	(1,926)	1,926	-	-
from Stage 1 to Stage 3	(5,112)	-	5,112	-	(1,085)	-	1,085	-
from Stage 2 to Stage 1	868	(868)	-	-	105	(105)	-	-
from Stage 2 to Stage 3	-	(2,149)	2,149	-	-	(366)	366	-
from Stage 3 to Stage 1	729	-	(729)	-	400	-	(400)	-
from Stage 3 to Stage 2	-	217	(217)	-	-	10	(10)	-
New loans originated or loan amounts increased	62,855	3,189	4,257	70,301	111,841	2,697	2,185	116,723
Loans derecognized during the period (other than write-offs)	(97,066)	(458)	(1,533)	(99,057)	(70,836)	(1,096)	(320)	(72,252)
Loans written-off during the period	-	-	(31)	(31)	-	-	(53)	(53)
Reclassifications, FX and other movements	-	-	-	-	113,849	257	405	114,511
<b>Gross carrying amount as at 31 December</b>	<b>203,479</b>	<b>6,045</b>	<b>13,081</b>	<b>222,605</b>	<b>242,778</b>	<b>4,540</b>	<b>4,074</b>	<b>251,392</b>

	<i>Group gross loans to financial institutions</i>							
	Stage 1	Stage 2	Stage 3	2023 Total	Stage 1	Stage 2	Stage 3	2022 Total
<b>Gross carrying amount as at 1 January</b>	<b>18,088</b>	<b>-</b>	<b>-</b>	<b>18,088</b>	<b>3,210</b>	<b>3,819</b>	<b>-</b>	<b>7,029</b>
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	26,596	-	-	26,596	18,073	-	-	18,073
Loans derecognized during the period (other than write-offs)	(18,088)	-	-	(18,088)	(3,194)	(3,819)	-	(7,013)
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	-	-	-	-	(1)	-	-	(1)
<b>Gross carrying amount as at 31 December</b>	<b>26,596</b>	<b>-</b>	<b>-</b>	<b>26,596</b>	<b>18,088</b>	<b>-</b>	<b>-</b>	<b>18,088</b>

**NOTE 13**  
**LOANS TO CUSTOMERS (CONTINUED)**

	<i>Bank gross loans to financial institutions</i>							
	Stage 1	Stage 2	Stage 3	2023 Total	Stage 1	Stage 2	Stage 3	2022 Total
<b>Gross carrying amount as at 1 January</b>	<b>18,088</b>	<b>177,273</b>	<b>-</b>	<b>195,361</b>	<b>3,210</b>	<b>121,687</b>	<b>-</b>	<b>124,897</b>
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	26,596	70,280	-	96,876	18,073	59,405	-	77,478
Loans derecognized during the period (other than write-offs)	(18,088)	-	-	(18,088)	(3,194)	(3,819)	-	(7,013)
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	-	-	-	-	(1)	-	-	(1)
<b>Gross carrying amount as at 31 December</b>	<b>26,596</b>	<b>247,553</b>	<b>-</b>	<b>274,149</b>	<b>18,088</b>	<b>177,273</b>	<b>-</b>	<b>195,361</b>

	<i>Group gross loans to business customers</i>							
	Stage 1	Stage 2	Stage 3	2023 Total	Stage 1	Stage 2	Stage 3	2022 Total
<b>Gross carrying amount as at 1 January</b>	<b>1,073,265</b>	<b>157,666</b>	<b>51,346</b>	<b>1,282,277</b>	<b>960,433</b>	<b>218,670</b>	<b>58,419</b>	<b>1,237,522</b>
Transfer between stages:								
from Stage 1 to Stage 2	(89,836)	89,836	-	-	(49,132)	49,132	-	-
from Stage 1 to Stage 3	(960)	-	960	-	(2,835)	-	2,835	-
from Stage 2 to Stage 1	65,306	(65,306)	-	-	87,572	(87,572)	-	-
from Stage 2 to Stage 3	-	(18,096)	18,096	-	-	(9,709)	9,709	-
from Stage 3 to Stage 1	78	-	(78)	-	-	-	-	-
from Stage 3 to Stage 2	-	11,834	(11,834)	-	-	4,470	(4,470)	-
New loans originated or loan amounts increased	504,904	32,629	7,058	544,591	436,367	34,106	4,552	475,025
Loans derecognized during the period (other than write-offs)	(370,658)	(52,537)	(17,951)	(441,146)	(245,290)	(51,174)	(15,991)	(312,455)
Loans written-off during the period	-	-	(1,622)	(1,622)	-	-	(3,302)	(3,302)
Reclassifications, FX and other movements	-	-	-	-	(113,850)	(257)	(406)	(114,513)
<b>Gross carrying amount as at 31 December</b>	<b>1,182,099</b>	<b>156,026</b>	<b>45,975</b>	<b>1,384,100</b>	<b>1,073,265</b>	<b>157,666</b>	<b>51,346</b>	<b>1,282,277</b>

	<i>Bank gross loans to business customers</i>							
	Stage 1	Stage 2	Stage 3	2023 Total	Stage 1	Stage 2	Stage 3	2022 Total
<b>Gross carrying amount as at 1 January</b>	<b>1,073,265</b>	<b>157,666</b>	<b>51,346</b>	<b>1,282,277</b>	<b>960,433</b>	<b>218,670</b>	<b>58,419</b>	<b>1,237,522</b>
Transfer between stages:								
from Stage 1 to Stage 2	(89,836)	89,836	-	-	(49,132)	49,132	-	-
from Stage 1 to Stage 3	(960)	-	960	-	(2,835)	-	2,835	-
from Stage 2 to Stage 1	65,306	(65,306)	-	-	87,572	(87,572)	-	-
from Stage 2 to Stage 3	-	(18,096)	18,096	-	-	(9,709)	9,709	-
from Stage 3 to Stage 1	78	-	(78)	-	-	-	-	-
from Stage 3 to Stage 2	-	11,834	(11,834)	-	-	4,470	(4,470)	-
New loans originated or loan amounts increased	504,904	32,629	7,058	544,591	436,367	34,106	4,552	475,025
Loans derecognized during the period (other than write-offs)	(370,658)	(52,537)	(17,951)	(441,146)	(245,290)	(51,174)	(15,991)	(312,455)
Loans written-off during the period	-	-	(1,622)	(1,622)	-	-	(3,302)	(3,302)
Reclassifications, FX and other movements	-	-	-	-	(113,850)	(257)	(406)	(114,513)
<b>Gross carrying amount as at 31 December</b>	<b>1,182,099</b>	<b>156,026</b>	<b>45,975</b>	<b>1,384,100</b>	<b>1,073,265</b>	<b>157,666</b>	<b>51,346</b>	<b>1,282,277</b>

**NOTE 13**  
**LOANS TO CUSTOMERS (CONTINUED)**

	<i>Group gross loans to business customers: Large corporates</i>							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 1 January</b>	<b>74,257</b>	<b>29,964</b>	<b>1,596</b>	<b>105,817</b>	<b>91,658</b>	<b>35,744</b>	<b>1,925</b>	<b>129,327</b>
Transfer between stages:								
from Stage 1 to Stage 2	(4,808)	4,808	-	-	(9,612)	9,612	-	-
from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
from Stage 2 to Stage 1	8,005	(8,005)	-	-	9,079	(9,079)	-	-
from Stage 2 to Stage 3	-	(15,558)	15,558	-	-	-	-	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	52,549	-	1,575	54,124	10,820	1,732	18	12,570
Loans derecognized during the period (other than write-offs)	(40,417)	(8,151)	(1,520)	(50,088)	(24,941)	(8,045)	(347)	(33,333)
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	-	-	-	-	(2,747)	-	-	(2,747)
<b>Gross carrying amount as at 31 December</b>	<b>89,586</b>	<b>3,058</b>	<b>17,209</b>	<b>109,853</b>	<b>74,257</b>	<b>29,964</b>	<b>1,596</b>	<b>105,817</b>

	<i>Bank gross loans to business customers: Large corporates</i>							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 1 January</b>	<b>74,257</b>	<b>29,964</b>	<b>1,596</b>	<b>105,817</b>	<b>91,658</b>	<b>35,744</b>	<b>1,925</b>	<b>129,327</b>
Transfer between stages:								
from Stage 1 to Stage 2	(4,808)	4,808	-	-	(9,612)	9,612	-	-
from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
from Stage 2 to Stage 1	8,005	(8,005)	-	-	9,079	(9,079)	-	-
from Stage 2 to Stage 3	-	(15,558)	15,558	-	-	-	-	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	52,549	-	1,575	54,124	10,820	1,732	18	12,570
Loans derecognized during the period (other than write-offs)	(40,417)	(8,151)	(1,520)	(50,088)	(24,941)	(8,045)	(347)	(33,333)
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	-	-	-	-	(2,747)	-	-	(2,747)
<b>Gross carrying amount as at 31 December</b>	<b>89,586</b>	<b>3,058</b>	<b>17,209</b>	<b>109,853</b>	<b>74,257</b>	<b>29,964</b>	<b>1,596</b>	<b>105,817</b>

	<i>Group gross loans to business customers: SME</i>							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 1 January</b>	<b>918,608</b>	<b>125,779</b>	<b>48,308</b>	<b>1,092,695</b>	<b>736,774</b>	<b>179,223</b>	<b>55,029</b>	<b>971,026</b>
Transfer between stages:								
from Stage 1 to Stage 2	(81,238)	81,238	-	-	(39,508)	39,508	-	-
from Stage 1 to Stage 3	(960)	-	960	-	(2,835)	-	2,835	-
from Stage 2 to Stage 1	57,301	(57,301)	-	-	76,979	(76,979)	-	-
from Stage 2 to Stage 3	-	(2,538)	2,538	-	-	(9,709)	9,709	-
from Stage 3 to Stage 1	78	-	(78)	-	-	-	-	-
from Stage 3 to Stage 2	-	11,834	(11,834)	-	-	4,470	(4,470)	-
New loans originated or loan amounts increased	433,108	32,321	5,483	470,912	411,168	31,828	4,534	447,530
Loans derecognized during the period (other than write-offs)	(297,198)	(43,208)	(16,332)	(356,738)	(185,291)	(42,363)	(15,621)	(243,275)
Loans written-off during the period	-	-	(1,622)	(1,622)	-	-	(3,302)	(3,302)
Reclassifications, FX and other movements	-	-	-	-	(78,679)	(199)	(406)	(79,284)
<b>Gross carrying amount as at 31 December</b>	<b>1,029,699</b>	<b>148,125</b>	<b>27,423</b>	<b>1,205,247</b>	<b>918,608</b>	<b>125,779</b>	<b>48,308</b>	<b>1,092,695</b>

**NOTE 13**  
**LOANS TO CUSTOMERS (CONTINUED)**

	<b>Bank gross loans to business customers: SME</b>							
	<b>2023</b>				<b>2022</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying amount as at 1 January</b>	<b>918,608</b>	<b>125,779</b>	<b>48,308</b>	<b>1,092,695</b>	<b>736,774</b>	<b>179,223</b>	<b>55,029</b>	<b>971,026</b>
Transfer between stages:								
from Stage 1 to Stage 2	(81,238)	81,238	-	-	(39,508)	39,508	-	-
from Stage 1 to Stage 3	(960)	-	960	-	(2,835)	-	2,835	-
from Stage 2 to Stage 1	57,301	(57,301)	-	-	76,979	(76,979)	-	-
from Stage 2 to Stage 3	-	(2,538)	2,538	-	-	(9,709)	9,709	-
from Stage 3 to Stage 1	78	-	(78)	-	-	-	-	-
from Stage 3 to Stage 2	-	11,834	(11,834)	-	-	4,470	(4,470)	-
New loans originated or loan amounts increased	433,108	32,321	5,483	470,912	411,168	31,828	4,534	447,530
Loans derecognized during the period (other than write-offs)	(297,198)	(43,208)	(16,332)	(356,738)	(185,291)	(42,363)	(15,621)	(243,275)
Loans written-off during the period	-	-	(1,622)	(1,622)	-	-	(3,302)	(3,302)
Reclassifications, FX and other movements	-	-	-	-	(78,679)	(199)	(406)	(79,284)
<b>Gross carrying amount as at 31 December</b>	<b>1,029,699</b>	<b>148,125</b>	<b>27,423</b>	<b>1,205,247</b>	<b>918,608</b>	<b>125,779</b>	<b>48,308</b>	<b>1,092,695</b>

	<b>Group gross loans to business customers: Central and local authorities and other</b>							
	<b>2023</b>				<b>2022</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying amount as at 1 January</b>	<b>80,400</b>	<b>1,923</b>	<b>1,442</b>	<b>83,765</b>	<b>132,001</b>	<b>3,703</b>	<b>1,465</b>	<b>137,169</b>
Transfer between stages:								
from Stage 1 to Stage 2	(3,790)	3,790	-	-	(12)	12	-	-
from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
from Stage 2 to Stage 1	-	-	-	-	1,514	(1,514)	-	-
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	19,247	308	-	19,555	14,379	546	-	14,925
Loans derecognized during the period (other than write-offs)	(33,043)	(1,178)	(99)	(34,320)	(35,058)	(766)	(23)	(35,847)
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	-	-	-	-	(32,424)	(58)	-	(32,482)
<b>Gross carrying amount as at 31 December</b>	<b>62,814</b>	<b>4,843</b>	<b>1,343</b>	<b>69,000</b>	<b>80,400</b>	<b>1,923</b>	<b>1,442</b>	<b>83,765</b>

	<b>Bank gross loans to business customers: Central and local authorities and other</b>							
	<b>2023</b>				<b>2022</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying amount as at 1 January</b>	<b>80,400</b>	<b>1,923</b>	<b>1,442</b>	<b>83,765</b>	<b>132,001</b>	<b>3,703</b>	<b>1,465</b>	<b>137,169</b>
Transfer between stages:								
from Stage 1 to Stage 2	(3,790)	3,790	-	-	(12)	12	-	-
from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
from Stage 2 to Stage 1	-	-	-	-	1,514	(1,514)	-	-
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	19,247	308	-	19,555	14,379	546	-	14,925
Loans derecognized during the period (other than write-offs)	(33,043)	(1,178)	(99)	(34,320)	(35,058)	(766)	(23)	(35,847)
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	-	-	-	-	(32,424)	(58)	-	(32,482)
<b>Gross carrying amount as at 31 December</b>	<b>62,814</b>	<b>4,843</b>	<b>1,343</b>	<b>69,000</b>	<b>80,400</b>	<b>1,923</b>	<b>1,442</b>	<b>83,765</b>

**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>							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>13,539</b>	<b>2,412</b>	<b>18,282</b>	<b>34,233</b>	<b>12,468</b>	<b>3,911</b>	<b>19,318</b>	<b>35,697</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	10,088	1,220	122	11,430	11,548	1,855	132	13,535
Loans derecognized during the period (other than write-offs)	(1,683)	(1,043)	(4,548)	(7,274)	(1,513)	(1,251)	(2,348)	(5,112)
Changes due to change in credit risk (net)	(6,107)	1,041	6,929	1,863	(6,649)	(745)	7,627	233
Update in the methodology for loss allowance estimation	5,429	2,705	(960)	7,174	(2,315)	(1,298)	(1,204)	(4,817)
<b>Total movements with impact to profit or loss:</b>	<b>7,727</b>	<b>3,923</b>	<b>1,543</b>	<b>13,193</b>	<b>1,071</b>	<b>(1,439)</b>	<b>4,207</b>	<b>3,839</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	(4)	(51)	(3,815)	(3,870)	(1)	(61)	(5,244)	(5,306)
Reclassifications, FX and other movements	-	-	-	-	1	1	1	3
<b>Total movements without impact to profit or loss:</b>	<b>(4)</b>	<b>(51)</b>	<b>(3,815)</b>	<b>(3,870)</b>	<b>-</b>	<b>(60)</b>	<b>(5,243)</b>	<b>(5,303)</b>
<b>Amount as at 31 December</b>	<b>21,262</b>	<b>6,284</b>	<b>16,010</b>	<b>43,556</b>	<b>13,539</b>	<b>2,412</b>	<b>18,282</b>	<b>34,233</b>
	<i>Bank loss allowance against loans to customers</i>							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>9,427</b>	<b>1,676</b>	<b>15,606</b>	<b>26,709</b>	<b>8,275</b>	<b>2,659</b>	<b>17,204</b>	<b>28,138</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	7,162	585	31	7,778	7,939	1,543	10	9,492
Loans derecognized during the period (other than write-offs)	(1,158)	(503)	(2,931)	(4,592)	(821)	(623)	(938)	(2,382)
Changes due to change in credit risk (net)	(4,903)	131	2,868	(1,904)	(5,828)	(1,376)	3,996	(3,208)
Update in the methodology for loss allowance estimation	5,427	390	(1,357)	4,460	(138)	(525)	(1,227)	(1,890)
<b>Total movements with impact to profit or loss:</b>	<b>6,528</b>	<b>603</b>	<b>(1,389)</b>	<b>5,742</b>	<b>1,152</b>	<b>(981)</b>	<b>1,841</b>	<b>2,012</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	(1,690)	(1,690)	-	(3)	(3,439)	(3,442)
Reclassifications, FX and other movements	(1)	-	-	(1)	-	1	-	1
<b>Total movements without impact to profit or loss:</b>	<b>(1)</b>	<b>-</b>	<b>(1,690)</b>	<b>(1,691)</b>	<b>-</b>	<b>(2)</b>	<b>(3,439)</b>	<b>(3,441)</b>
<b>Amount as at 31 December</b>	<b>15,954</b>	<b>2,279</b>	<b>12,527</b>	<b>30,760</b>	<b>9,427</b>	<b>1,676</b>	<b>15,606</b>	<b>26,709</b>
	<i>Group loss allowance against loans to customers: Loans to individuals (Retail)</i>							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>5,964</b>	<b>814</b>	<b>4,750</b>	<b>11,528</b>	<b>5,575</b>	<b>1,357</b>	<b>2,887</b>	<b>9,819</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	3,969	671	106	4,746	4,304	336	130	4,770
Loans derecognized during the period (other than write-offs)	(573)	(543)	(1,821)	(2,937)	(731)	(647)	(1,520)	(2,898)
Changes due to change in credit risk (net)	(2,183)	1,020	6,796	5,633	(1,636)	617	5,582	4,563
Update in the methodology for loss allowance estimation	1,794	2,284	(1,040)	3,038	(2,360)	(789)	(481)	(3,630)
<b>Total movements with impact to profit or loss:</b>	<b>3,007</b>	<b>3,432</b>	<b>4,041</b>	<b>10,480</b>	<b>(423)</b>	<b>(483)</b>	<b>3,711</b>	<b>2,805</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	(4)	(51)	(2,193)	(2,248)	(1)	(61)	(1,942)	(2,004)
Reclassifications, FX and other movements	1	-	-	1	813	1	94	908
<b>Total movements without impact to profit or loss:</b>	<b>(3)</b>	<b>(51)</b>	<b>(2,193)</b>	<b>(2,247)</b>	<b>812</b>	<b>(60)</b>	<b>(1,848)</b>	<b>(1,096)</b>
<b>Amount as at 31 December</b>	<b>8,968</b>	<b>4,195</b>	<b>6,598</b>	<b>19,761</b>	<b>5,964</b>	<b>814</b>	<b>4,750</b>	<b>11,528</b>

**NOTE 13**  
**LOANS TO CUSTOMERS (CONTINUED)**

	<b>Bank loss allowance against loans to customers: Loans to individuals (Retail)</b>							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>1,852</b>	<b>78</b>	<b>2,074</b>	<b>4,004</b>	<b>1,382</b>	<b>105</b>	<b>773</b>	<b>2,260</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	1,043	36	15	1,094	695	24	8	727
Loans derecognized during the period (other than write-offs)	(48)	(3)	(204)	(255)	(39)	(19)	(110)	(168)
Changes due to change in credit risk (net)	(979)	110	2,735	1,866	(815)	(14)	1,950	1,121
Update in the methodology for loss allowance estimation	1,792	(31)	(1,437)	324	(183)	(16)	(504)	(703)
<b>Total movements with impact to profit or loss:</b>	<b>1,808</b>	<b>112</b>	<b>1,109</b>	<b>3,029</b>	<b>(342)</b>	<b>(25)</b>	<b>1,344</b>	<b>977</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	(68)	(68)	-	(3)	(137)	(140)
Reclassifications, FX and other movements	-	-	-	-	812	1	94	907
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>(68)</b>	<b>(68)</b>	<b>812</b>	<b>(2)</b>	<b>(43)</b>	<b>767</b>
<b>Amount as at 31 December</b>	<b>3,660</b>	<b>190</b>	<b>3,115</b>	<b>6,965</b>	<b>1,852</b>	<b>78</b>	<b>2,074</b>	<b>4,004</b>

	<b>Group loss allowance against loans to customers: Loans to individuals (Retail) – Consumer loans</b>							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>4,169</b>	<b>739</b>	<b>2,795</b>	<b>7,703</b>	<b>4,336</b>	<b>1,288</b>	<b>2,181</b>	<b>7,805</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	2,936	636	99	3,671	3,618	313	128	4,059
Loans derecognized during the period (other than write-offs)	(535)	(541)	(1,701)	(2,777)	(711)	(636)	(1,423)	(2,770)
Changes due to change in credit risk (net)	(1,221)	922	4,174	3,875	(865)	611	3,715	3,461
Update in the methodology for loss allowance estimation	24	2,321	401	2,746	(2,209)	(776)	(5)	(2,990)
<b>Total movements with impact to profit or loss:</b>	<b>1,204</b>	<b>3,338</b>	<b>2,973</b>	<b>7,515</b>	<b>(167)</b>	<b>(488)</b>	<b>2,415</b>	<b>1,760</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	(4)	(51)	(2,162)	(2,217)	(1)	(61)	(1,801)	(1,863)
Reclassifications, FX and other movements	1	-	-	1	1	-	-	1
<b>Total movements without impact to profit or loss:</b>	<b>(3)</b>	<b>(51)</b>	<b>(2,162)</b>	<b>(2,216)</b>	<b>-</b>	<b>(61)</b>	<b>(1,801)</b>	<b>(1,862)</b>
<b>Amount as at 31 December</b>	<b>5,370</b>	<b>4,026</b>	<b>3,606</b>	<b>13,002</b>	<b>4,169</b>	<b>739</b>	<b>2,795</b>	<b>7,703</b>

	<b>Bank loss allowance against loans to customers: Loans to individuals (Retail) – Consumer loans</b>							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>57</b>	<b>3</b>	<b>119</b>	<b>179</b>	<b>143</b>	<b>36</b>	<b>88</b>	<b>267</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	10	1	8	19	9	1	6	16
Loans derecognized during the period (other than write-offs)	(10)	(1)	(84)	(95)	(19)	(8)	(34)	(61)
Changes due to change in credit risk (net)	(17)	12	113	108	(44)	(20)	104	40
Update in the methodology for loss allowance estimation	22	6	4	32	(32)	(3)	(28)	(63)
<b>Total movements with impact to profit or loss:</b>	<b>5</b>	<b>18</b>	<b>41</b>	<b>64</b>	<b>(86)</b>	<b>(30)</b>	<b>48</b>	<b>(68)</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	(37)	(37)	-	(3)	(17)	(20)
Reclassifications, FX and other movements	-	-	-	-	-	-	-	-
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>(37)</b>	<b>(37)</b>	<b>-</b>	<b>(3)</b>	<b>(17)</b>	<b>(20)</b>
<b>Amount as at 31 December</b>	<b>62</b>	<b>21</b>	<b>123</b>	<b>206</b>	<b>57</b>	<b>3</b>	<b>119</b>	<b>179</b>

**NOTE 13**  
**LOANS TO CUSTOMERS (CONTINUED)**

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

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>759</b>	<b>37</b>	<b>1,126</b>	<b>1,922</b>	<b>448</b>	<b>59</b>	<b>443</b>	<b>950</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	329	2	7	338	422	-	2	424
Loans derecognized during the period (other than write-offs)	(29)	(2)	(109)	(140)	(16)	(8)	(26)	(50)
Changes due to change in credit risk (net)	(183)	111	1,254	1,182	(111)	(22)	981	848
Update in the methodology for loss allowance estimation	(699)	(103)	12	(790)	16	8	(207)	(183)
<b>Total movements with impact to profit or loss:</b>	<b>(582)</b>	<b>8</b>	<b>1,164</b>	<b>590</b>	<b>311</b>	<b>(22)</b>	<b>750</b>	<b>1,039</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	-	-	-	-	(67)	(67)
Reclassifications, FX and other movements	-	-	-	-	-	-	-	-
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(67)</b>	<b>(67)</b>
<b>Amount as at 31 December</b>	<b>177</b>	<b>45</b>	<b>2,290</b>	<b>2,512</b>	<b>759</b>	<b>37</b>	<b>1,126</b>	<b>1,922</b>

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

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>759</b>	<b>37</b>	<b>1,126</b>	<b>1,922</b>	<b>448</b>	<b>59</b>	<b>443</b>	<b>950</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	329	2	7	338	422	-	2	424
Loans derecognized during the period (other than write-offs)	(29)	(2)	(109)	(140)	(16)	(8)	(26)	(50)
Changes due to change in credit risk (net)	(183)	111	1,254	1,182	(111)	(22)	981	848
Update in the methodology for loss allowance estimation	(699)	(103)	12	(790)	16	8	(207)	(183)
<b>Total movements with impact to profit or loss:</b>	<b>(582)</b>	<b>8</b>	<b>1,164</b>	<b>590</b>	<b>311</b>	<b>(22)</b>	<b>750</b>	<b>1,039</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	-	-	-	-	(67)	(67)
Reclassifications, FX and other movements	-	-	-	-	-	-	-	-
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(67)</b>	<b>(67)</b>
<b>Amount as at 31 December</b>	<b>177</b>	<b>45</b>	<b>2,290</b>	<b>2,512</b>	<b>759</b>	<b>37</b>	<b>1,126</b>	<b>1,922</b>

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

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>1,036</b>	<b>38</b>	<b>829</b>	<b>1,903</b>	<b>791</b>	<b>10</b>	<b>263</b>	<b>1,064</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	704	33	-	737	264	23	-	287
Loans derecognized during the period (other than write-offs)	(9)	-	(11)	(20)	(4)	(3)	(71)	(78)
Changes due to change in credit risk (net)	(779)	(13)	1,368	576	(660)	28	886	254
Update in the methodology for loss allowance estimation	2,469	66	(1,453)	1,082	(167)	(21)	(269)	(457)
<b>Total movements with impact to profit or loss:</b>	<b>2,385</b>	<b>86</b>	<b>(96)</b>	<b>2,375</b>	<b>(567)</b>	<b>27</b>	<b>546</b>	<b>6</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	(31)	(31)	-	-	(74)	(74)
Reclassifications, FX and other movements	-	-	-	-	812	1	94	907
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>(31)</b>	<b>(31)</b>	<b>812</b>	<b>1</b>	<b>20</b>	<b>833</b>
<b>Amount as at 31 December</b>	<b>3,421</b>	<b>124</b>	<b>702</b>	<b>4,247</b>	<b>1,036</b>	<b>38</b>	<b>829</b>	<b>1,903</b>

**NOTE 13**  
**LOANS TO CUSTOMERS (CONTINUED)**

	Bank loss allowance against loans to customers: Loans to individuals (Retail) – Other							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>1,036</b>	<b>38</b>	<b>829</b>	<b>1,903</b>	<b>791</b>	<b>10</b>	<b>242</b>	<b>1,043</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	704	33	-	737	264	23	-	287
Loans derecognized during the period (other than write-offs)	(9)	-	(11)	(20)	(4)	(3)	(50)	(57)
Changes due to change in credit risk (net)	(779)	(13)	1,368	576	(660)	28	865	233
Update in the methodology for loss allowance estimation	2,469	66	(1,453)	1,082	(167)	(21)	(269)	(457)
<b>Total movements with impact to profit or loss:</b>	<b>2,385</b>	<b>86</b>	<b>(96)</b>	<b>2,375</b>	<b>(567)</b>	<b>27</b>	<b>546</b>	<b>6</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	(31)	(31)	-	-	(53)	(53)
Reclassifications, FX and other movements	-	-	-	-	812	1	94	907
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>(31)</b>	<b>(31)</b>	<b>812</b>	<b>1</b>	<b>41</b>	<b>854</b>
<b>Amount as at 31 December</b>	<b>3,421</b>	<b>124</b>	<b>702</b>	<b>4,247</b>	<b>1,036</b>	<b>38</b>	<b>829</b>	<b>1,903</b>

	Group loss allowance against loans to customers: Loans to financial institutions							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>64</b>	<b>18</b>	<b>-</b>	<b>82</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	15	54	-	69	76	4	-	80
Loans derecognized during the period (other than write-offs)	(8)	(1)	-	(9)	(141)	-	-	(141)
Changes due to change in credit risk (net)	22	(53)	-	(31)	37	(22)	-	15
Update in the methodology for loss allowance estimation	145	-	-	145	(27)	-	-	(27)
<b>Total movements with impact to profit or loss:</b>	<b>174</b>	<b>-</b>	<b>-</b>	<b>174</b>	<b>(55)</b>	<b>(18)</b>	<b>-</b>	<b>(73)</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	-	-	-	-	-	-	-	-
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Amount as at 31 December</b>	<b>183</b>	<b>-</b>	<b>-</b>	<b>183</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>9</b>

	Bank loss allowance against loans to customers: Loans to financial institutions							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>64</b>	<b>18</b>	<b>-</b>	<b>82</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	15	54	-	69	76	4	-	80
Loans derecognized during the period (other than write-offs)	(8)	(1)	-	(9)	(141)	-	-	(141)
Changes due to change in credit risk (net)	22	(53)	-	(31)	37	(22)	-	15
Update in the methodology for loss allowance estimation	145	-	-	145	(27)	-	-	(27)
<b>Total movements with impact to profit or loss:</b>	<b>174</b>	<b>-</b>	<b>-</b>	<b>174</b>	<b>(55)</b>	<b>(18)</b>	<b>-</b>	<b>(73)</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	-	-	-	-	-	-	-	-
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Amount as at 31 December</b>	<b>183</b>	<b>-</b>	<b>-</b>	<b>183</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>9</b>

**NOTE 13**  
**LOANS TO CUSTOMERS (CONTINUED)**

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

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>7,566</b>	<b>1,598</b>	<b>13,532</b>	<b>22,696</b>	<b>6,829</b>	<b>2,536</b>	<b>16,431</b>	<b>25,796</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	6,104	495	16	6,615	7,168	1,515	2	8,685
Loans derecognized during the period (other than write-offs)	(1,102)	(499)	(2,727)	(4,328)	(641)	(604)	(828)	(2,073)
Changes due to change in credit risk (net)	(3,946)	74	133	(3,739)	(5,050)	(1,340)	2,045	(4,345)
Update in the methodology for loss allowance estimation	3,490	421	80	3,991	72	(509)	(723)	(1,160)
<b>Total movements with impact to profit or loss:</b>	<b>4,546</b>	<b>491</b>	<b>(2,498)</b>	<b>2,539</b>	<b>1,549</b>	<b>(938)</b>	<b>496</b>	<b>1,107</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	(1,622)	(1,622)	-	-	(3,302)	(3,302)
Reclassifications, FX and other movements	(1)	-	-	(1)	(812)	-	(93)	(905)
<b>Total movements without impact to profit or loss:</b>	<b>(1)</b>	<b>-</b>	<b>(1,622)</b>	<b>(1,623)</b>	<b>(812)</b>	<b>-</b>	<b>(3,395)</b>	<b>(4,207)</b>
<b>Amount as at 31 December</b>	<b>12,111</b>	<b>2,089</b>	<b>9,412</b>	<b>23,612</b>	<b>7,566</b>	<b>1,598</b>	<b>13,532</b>	<b>22,696</b>

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

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>7,566</b>	<b>1,598</b>	<b>13,532</b>	<b>22,696</b>	<b>6,829</b>	<b>2,536</b>	<b>16,431</b>	<b>25,796</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	6,104	495	16	6,615	7,168	1,515	2	8,685
Loans derecognized during the period (other than write-offs)	(1,102)	(499)	(2,727)	(4,328)	(641)	(604)	(828)	(2,073)
Changes due to change in credit risk (net)	(3,946)	74	133	(3,739)	(5,050)	(1,340)	2,045	(4,345)
Update in the methodology for loss allowance estimation	3,490	421	80	3,991	72	(509)	(723)	(1,160)
<b>Total movements with impact to profit or loss:</b>	<b>4,546</b>	<b>491</b>	<b>(2,498)</b>	<b>2,539</b>	<b>1,549</b>	<b>(938)</b>	<b>496</b>	<b>1,107</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	(1,622)	(1,622)	-	-	(3,302)	(3,302)
Reclassifications, FX and other movements	(1)	-	-	(1)	(812)	-	(93)	(905)
<b>Total movements without impact to profit or loss:</b>	<b>(1)</b>	<b>-</b>	<b>(1,622)</b>	<b>(1,623)</b>	<b>(812)</b>	<b>-</b>	<b>(3,395)</b>	<b>(4,207)</b>
<b>Amount as at 31 December</b>	<b>12,111</b>	<b>2,089</b>	<b>9,412</b>	<b>23,612</b>	<b>7,566</b>	<b>1,598</b>	<b>13,532</b>	<b>22,696</b>

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

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>301</b>	<b>273</b>	<b>1,596</b>	<b>2,170</b>	<b>537</b>	<b>140</b>	<b>878</b>	<b>1,555</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	385	221	16	622	152	128	-	280
Loans derecognized during the period (other than write-offs)	(39)	(272)	(1)	(312)	(76)	(445)	(19)	(540)
Changes due to change in credit risk (net)	292	(214)	(581)	(503)	(334)	504	737	907
Update in the methodology for loss allowance estimation	(288)	(2)	97	(193)	50	(54)	-	(4)
<b>Total movements with impact to profit or loss:</b>	<b>350</b>	<b>(267)</b>	<b>(469)</b>	<b>(386)</b>	<b>(208)</b>	<b>133</b>	<b>718</b>	<b>643</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	-	-	-	-	(28)	-	-	(28)
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(28)</b>	<b>-</b>	<b>-</b>	<b>(28)</b>
<b>Amount as at 31 December</b>	<b>651</b>	<b>6</b>	<b>1,127</b>	<b>1,784</b>	<b>301</b>	<b>273</b>	<b>1,596</b>	<b>2,170</b>

**NOTE 13**  
**LOANS TO CUSTOMERS (CONTINUED)**

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

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>301</b>	<b>273</b>	<b>1,596</b>	<b>2,170</b>	<b>537</b>	<b>140</b>	<b>878</b>	<b>1,555</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	385	221	16	622	152	128	-	280
Loans derecognized during the period (other than write-offs)	(39)	(272)	(1)	(312)	(76)	(445)	(19)	(540)
Changes due to change in credit risk (net)	292	(214)	(581)	(503)	(334)	504	737	907
Update in the methodology for loss allowance estimation	(288)	(2)	97	(193)	50	(54)	-	(4)
<b>Total movements with impact to profit or loss:</b>	<b>350</b>	<b>(267)</b>	<b>(469)</b>	<b>(386)</b>	<b>(208)</b>	<b>133</b>	<b>718</b>	<b>643</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	-	-	-	-	(28)	-	-	(28)
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(28)</b>	<b>-</b>	<b>-</b>	<b>(28)</b>
<b>Amount as at 31 December</b>	<b>651</b>	<b>6</b>	<b>1,127</b>	<b>1,784</b>	<b>301</b>	<b>273</b>	<b>1,596</b>	<b>2,170</b>

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

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>7,200</b>	<b>1,312</b>	<b>10,917</b>	<b>19,429</b>	<b>5,866</b>	<b>2,321</b>	<b>14,854</b>	<b>23,041</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	5,603	274	-	5,877	6,998	1,384	2	8,384
Loans derecognized during the period (other than write-offs)	(1,059)	(227)	(2,726)	(4,012)	(560)	(142)	(809)	(1,511)
Changes due to change in credit risk (net)	(4,234)	303	1,496	(2,435)	(4,609)	(1,819)	926	(5,502)
Update in the methodology for loss allowance estimation	3,802	407	(38)	4,171	59	(432)	(661)	(1,034)
<b>Total movements with impact to profit or loss:</b>	<b>4,112</b>	<b>757</b>	<b>(1,268)</b>	<b>3,601</b>	<b>1,888</b>	<b>(1,009)</b>	<b>(542)</b>	<b>337</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	(1,622)	(1,622)	-	-	(3,302)	(3,302)
Reclassifications, FX and other movements	-	-	-	-	(554)	-	(93)	(647)
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>(1,622)</b>	<b>(1,622)</b>	<b>(554)</b>	<b>-</b>	<b>(3,395)</b>	<b>(3,949)</b>
<b>Amount as at 31 December</b>	<b>11,312</b>	<b>2,069</b>	<b>8,027</b>	<b>21,408</b>	<b>7,200</b>	<b>1,312</b>	<b>10,917</b>	<b>19,429</b>

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

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>7,200</b>	<b>1,312</b>	<b>10,917</b>	<b>19,429</b>	<b>5,866</b>	<b>2,321</b>	<b>14,854</b>	<b>23,041</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	5,603	274	-	5,877	6,998	1,384	2	8,384
Loans derecognized during the period (other than write-offs)	(1,059)	(227)	(2,726)	(4,012)	(560)	(142)	(809)	(1,511)
Changes due to change in credit risk (net)	(4,234)	303	1,496	(2,435)	(4,609)	(1,819)	926	(5,502)
Update in the methodology for loss allowance estimation	3,802	407	(38)	4,171	59	(432)	(661)	(1,034)
<b>Total movements with impact to profit or loss:</b>	<b>4,112</b>	<b>757</b>	<b>(1,268)</b>	<b>3,601</b>	<b>1,888</b>	<b>(1,009)</b>	<b>(542)</b>	<b>337</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	(1,622)	(1,622)	-	-	(3,302)	(3,302)
Reclassifications, FX and other movements	-	-	-	-	(554)	-	(93)	(647)
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>(1,622)</b>	<b>(1,622)</b>	<b>(554)</b>	<b>-</b>	<b>(3,395)</b>	<b>(3,949)</b>
<b>Amount as at 31 December</b>	<b>11,312</b>	<b>2,069</b>	<b>8,027</b>	<b>21,408</b>	<b>7,200</b>	<b>1,312</b>	<b>10,917</b>	<b>19,429</b>

**NOTE 13**  
**LOANS TO CUSTOMERS (CONTINUED)**

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

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>65</b>	<b>13</b>	<b>1,019</b>	<b>1,097</b>	<b>426</b>	<b>75</b>	<b>699</b>	<b>1,200</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	116	-	-	116	18	3	-	21
Loans derecognized during the period (other than write-offs)	(4)	-	-	(4)	(5)	(17)	-	(22)
Changes due to change in credit risk (net)	(4)	(15)	(782)	(801)	(107)	(25)	382	250
Update in the methodology for loss allowance estimation	(24)	16	21	13	(37)	(23)	(62)	(122)
<b>Total movements with impact to profit or loss:</b>	<b>84</b>	<b>1</b>	<b>(761)</b>	<b>(676)</b>	<b>(131)</b>	<b>(62)</b>	<b>320</b>	<b>127</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	(1)	-	-	(1)	(230)	-	-	(230)
<b>Total movements without impact to profit or loss:</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(230)</b>	<b>-</b>	<b>-</b>	<b>(230)</b>
<b>Amount as at 31 December</b>	<b>148</b>	<b>14</b>	<b>258</b>	<b>420</b>	<b>65</b>	<b>13</b>	<b>1,019</b>	<b>1,097</b>

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

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>65</b>	<b>13</b>	<b>1,019</b>	<b>1,097</b>	<b>426</b>	<b>75</b>	<b>699</b>	<b>1,200</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	116	-	-	116	18	3	-	21
Loans derecognized during the period (other than write-offs)	(4)	-	-	(4)	(5)	(17)	-	(22)
Changes due to change in credit risk (net)	(4)	(15)	(782)	(801)	(107)	(25)	382	250
Update in the methodology for loss allowance estimation	(24)	16	21	13	(37)	(23)	(62)	(122)
<b>Total movements with impact to profit or loss:</b>	<b>84</b>	<b>1</b>	<b>(761)</b>	<b>(676)</b>	<b>(131)</b>	<b>(62)</b>	<b>320</b>	<b>127</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	(1)	-	-	(1)	(230)	-	-	(230)
<b>Total movements without impact to profit or loss:</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(230)</b>	<b>-</b>	<b>-</b>	<b>(230)</b>
<b>Amount as at 31 December</b>	<b>148</b>	<b>14</b>	<b>258</b>	<b>420</b>	<b>65</b>	<b>13</b>	<b>1,019</b>	<b>1,097</b>

**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
<b>Gross investments in leasing:</b>							
Balance at 31 December 2022	96,895	66,999	52,561	34,155	18,873	1,825	271,308
Change during 2023	19,670	17,126	13,715	7,222	3,156	1,488	62,377
<b>Balance at 31 December 2023</b>	<b>116,565</b>	<b>84,125</b>	<b>66,276</b>	<b>41,377</b>	<b>22,029</b>	<b>3,313</b>	<b>333,685</b>
<b>Unearned finance income on finance leases:</b>							
Balance at 31 December 2022	(10,560)	(6,685)	(3,951)	(1,799)	(498)	(67)	(23,560)
Change during 2023	(7,086)	(4,632)	(2,624)	(1,180)	(396)	(100)	(16,018)
<b>Balance at 31 December 2023</b>	<b>(17,646)</b>	<b>(11,317)</b>	<b>(6,575)</b>	<b>(2,979)</b>	<b>(894)</b>	<b>(167)</b>	<b>(39,578)</b>
<b>Net investments in leasing before provisions:</b>							
At 31 December 2022	86,335	60,314	48,610	32,356	18,375	1,758	247,748
At 31 December 2023	98,919	72,808	59,701	38,398	21,135	3,146	294,107
<b>Changes in provisions:</b>							
Balance at 31 December 2022	(2,301)	(1,044)	(841)	(557)	(316)	(241)	(5,300)
Provisions reversed / (additional provisions charged)	(733)	(585)	(495)	(297)	(154)	(10)	(2,274)
Provisions for finance lease debts written off	-	-	-	-	-	-	-
<b>Balance at 31 December 2023</b>	<b>(3,034)</b>	<b>(1,629)</b>	<b>(1,336)</b>	<b>(854)</b>	<b>(470)</b>	<b>(251)</b>	<b>(7,574)</b>
<b>Net investments in leasing after provisions:</b>							
At 31 December 2022	84,034	59,270	47,769	31,799	18,059	1,517	242,448
At 31 December 2023	95,885	71,179	58,365	37,544	20,665	2,895	286,533

**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
<b>Gross investments in leasing:</b>							
Balance at 31 December 2022	95,827	66,999	52,561	34,155	18,873	1,825	270,240
Change during 2023	19,846	17,126	13,715	7,222	3,156	1,488	62,553
<b>Balance at 31 December 2023</b>	<b>115,673</b>	<b>84,125</b>	<b>66,276</b>	<b>41,377</b>	<b>22,029</b>	<b>3,313</b>	<b>332,793</b>
<b>Unearned finance income on finance leases:</b>							
Balance at 31 December 2022	(10,554)	(6,685)	(3,951)	(1,799)	(498)	(67)	(23,554)
Change during 2023	(7,088)	(4,632)	(2,624)	(1,180)	(396)	(100)	(16,020)
<b>Balance at 31 December 2023</b>	<b>(17,642)</b>	<b>(11,317)</b>	<b>(6,575)</b>	<b>(2,979)</b>	<b>(894)</b>	<b>(167)</b>	<b>(39,574)</b>
<b>Net investments in leasing before provisions:</b>							
At 31 December 2022	85,273	60,314	48,610	32,356	18,375	1,758	246,686
At 31 December 2023	98,031	72,808	59,701	38,398	21,135	3,146	293,219
<b>Changes in provisions:</b>							
<b>Balance at 31 December 2022</b>	(1,491)	(1,044)	(841)	(557)	(316)	(245)	(4,494)
Provisions reversed / (additional provisions charged)	(734)	(585)	(495)	(297)	(154)	(9)	(2,274)
Provisions for finance lease debts written off	-	-	-	-	-	-	-
<b>Balance at 31 December 2023</b>	<b>(2,225)</b>	<b>(1,629)</b>	<b>(1,336)</b>	<b>(854)</b>	<b>(470)</b>	<b>(254)</b>	<b>(6,768)</b>
<b>Net investments in leasing after provisions:</b>							
At 31 December 2022	83,782	59,270	47,769	31,799	18,059	1,513	242,192
At 31 December 2023	95,806	71,179	58,365	37,544	20,665	2,892	286,451

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

Group loss allowance against finance lease receivables

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>1,881</b>	<b>285</b>	<b>3,134</b>	<b>5,300</b>	<b>966</b>	<b>239</b>	<b>2,581</b>	<b>3,786</b>
<b>Movements with impact to profit or loss:</b>								
New loans originated	2,734	474	171	3,379	1,081	66	-	1,147
Loans derecognized during the period (other than write-offs)	(1,385)	(89)	(297)	(1,771)	(188)	(78)	(275)	(541)
Changes due to change in credit risk (net)	(757)	304	1,257	804	(682)	(2)	1,319	635
Update in the methodology for loss allowance estimation	468	103	(709)	(138)	704	60	(491)	273
<b>Total movements with impact to profit or loss:</b>	<b>1,060</b>	<b>792</b>	<b>422</b>	<b>2,274</b>	<b>915</b>	<b>46</b>	<b>553</b>	<b>1,514</b>
<b>Movements without impact to profit or loss:</b>								
Loans written-off during the period	-	-	-	-	-	-	-	-
Reclassifications, FX and other movements	-	-	-	-	-	-	-	-
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loss allowance as at 31 December</b>	<b>2,941</b>	<b>1,077</b>	<b>3,556</b>	<b>7,574</b>	<b>1,881</b>	<b>285</b>	<b>3,134</b>	<b>5,300</b>

**NOTE 14**  
**FINANCE LEASE RECEIVABLES (CONTINUED)**

Bank loss allowance against finance lease receivables

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>1,881</b>	<b>280</b>	<b>2,333</b>	<b>4,494</b>	<b>965</b>	<b>239</b>	<b>1,834</b>	<b>3,038</b>
<b>Movements with impact to profit or loss:</b>								
<i>New loans originated</i>	2,733	465	170	3,368	1,081	54	-	1,135
<i>Loans derecognized during the period (other than write-offs)</i>	(1,385)	(88)	(297)	(1,770)	(188)	(76)	(274)	(538)
<i>Changes due to change in credit risk (net)</i>	(756)	308	1,257	809	(681)	3	1,264	586
<i>Update in the methodology for loss allowance estimation</i>	468	109	(709)	(132)	704	60	(491)	273
<b>Total movements with impact to profit or loss:</b>	<b>1,060</b>	<b>794</b>	<b>421</b>	<b>2,275</b>	<b>916</b>	<b>41</b>	<b>499</b>	<b>1,456</b>
<b>Movements without impact to profit or loss:</b>								
<i>Loans written-off during the period</i>	-	-	-	-	-	-	-	-
<i>Reclassifications, FX and other movements</i>	-	-	-	-	-	-	-	-
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loss allowance as at 31 December</b>	<b>2,941</b>	<b>1,074</b>	<b>2,754</b>	<b>6,769</b>	<b>1,881</b>	<b>280</b>	<b>2,333</b>	<b>4,494</b>

Group loss allowance against finance lease receivables - individuals

	2023				2022			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
<b>Loss allowance as at 1 January</b>	<b>82</b>	<b>22</b>	<b>98</b>	<b>202</b>	<b>55</b>	<b>14</b>	<b>46</b>	<b>115</b>
<b>Movements with impact to profit or loss:</b>								
<i>New loans originated</i>	247	39	78	364	36	18	-	54
<i>Loans derecognized during the period (other than write-offs)</i>	(114)	(16)	(74)	(204)	(7)	(1)	(19)	(27)
<i>Changes due to change in credit risk (net)</i>	(130)	(23)	46	(107)	(22)	3	100	81
<i>Update in the methodology for loss allowance estimation</i>	247	48	(27)	268	20	(12)	(29)	(21)
<b>Total movements with impact to profit or loss:</b>	<b>250</b>	<b>48</b>	<b>23</b>	<b>321</b>	<b>27</b>	<b>8</b>	<b>52</b>	<b>87</b>
<b>Movements without impact to profit or loss:</b>								
<i>Loans written-off during the period</i>	-	-	-	-	-	-	-	-
<i>Reclassifications, FX and other movements</i>	-	-	-	-	-	-	-	-
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loss allowance as at 31 December</b>	<b>332</b>	<b>70</b>	<b>121</b>	<b>523</b>	<b>82</b>	<b>22</b>	<b>98</b>	<b>202</b>

Bank loss allowance against finance lease receivables – individuals

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>82</b>	<b>22</b>	<b>98</b>	<b>202</b>	<b>55</b>	<b>14</b>	<b>46</b>	<b>115</b>
<b>Movements with impact to profit or loss:</b>								
<i>New loans originated</i>	247	39	78	364	36	18	-	54
<i>Loans derecognized during the period (other than write-offs)</i>	(114)	(16)	(74)	(204)	(7)	(1)	(19)	(27)
<i>Changes due to change in credit risk (net)</i>	(130)	(23)	46	(107)	(22)	3	100	81
<i>Update in the methodology for loss allowance estimation</i>	247	48	(27)	268	20	(12)	(29)	(21)
<b>Total movements with impact to profit or loss:</b>	<b>250</b>	<b>48</b>	<b>23</b>	<b>321</b>	<b>27</b>	<b>8</b>	<b>52</b>	<b>87</b>
<b>Movements without impact to profit or loss:</b>								
<i>Loans written-off during the period</i>	-	-	-	-	-	-	-	-
<i>Reclassifications, FX and other movements</i>	-	-	-	-	-	-	-	-
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loss allowance as at 31 December</b>	<b>332</b>	<b>70</b>	<b>121</b>	<b>523</b>	<b>82</b>	<b>22</b>	<b>98</b>	<b>202</b>

**NOTE 14**  
**FINANCE LEASE RECEIVABLES (CONTINUED)**

*Group loss allowance against finance lease receivables – business customers*

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>1,799</b>	<b>263</b>	<b>3,036</b>	<b>5,098</b>	<b>911</b>	<b>225</b>	<b>2,535</b>	<b>3,671</b>
<b>Movements with impact to profit or loss:</b>								
<i>New loans originated</i>	2,487	435	93	3,015	1,045	48	-	1,093
<i>Loans derecognized during the period (other than write-offs)</i>	(1,271)	(73)	(223)	(1,567)	(181)	(77)	(256)	(514)
<i>Changes due to change in credit risk (net)</i>	(627)	327	1,211	911	(660)	(5)	1,219	554
<i>Update in the methodology for loss allowance estimation</i>	221	55	(682)	(406)	684	72	(462)	294
<b>Total movements with impact to profit or loss:</b>	<b>810</b>	<b>744</b>	<b>399</b>	<b>1,953</b>	<b>888</b>	<b>38</b>	<b>501</b>	<b>1,427</b>
<b>Movements without impact to profit or loss:</b>								
<i>Loans written-off during the period</i>	-	-	-	-	-	-	-	-
<i>Reclassifications, FX and other movements</i>	-	-	-	-	-	-	-	-
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loss allowance as at 31 December</b>	<b>2,609</b>	<b>1,007</b>	<b>3,435</b>	<b>7,051</b>	<b>1,799</b>	<b>263</b>	<b>3,036</b>	<b>5,098</b>

*Bank loss allowance against finance lease receivables – business customers*

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 January</b>	<b>1,799</b>	<b>258</b>	<b>2,235</b>	<b>4,292</b>	<b>910</b>	<b>225</b>	<b>1,788</b>	<b>2,923</b>
<b>Movements with impact to profit or loss:</b>								
<i>New loans originated</i>	2,486	426	92	3,004	1,045	36	-	1,081
<i>Loans derecognized during the period (other than write-offs)</i>	(1,271)	(72)	(223)	(1,566)	(181)	(75)	(255)	(511)
<i>Changes due to change in credit risk (net)</i>	(626)	331	1,211	916	(659)	-	1,164	505
<i>Update in the methodology for loss allowance estimation</i>	221	61	(682)	(400)	684	72	(462)	294
<b>Total movements with impact to profit or loss:</b>	<b>810</b>	<b>746</b>	<b>398</b>	<b>1,954</b>	<b>889</b>	<b>33</b>	<b>447</b>	<b>1,369</b>
<b>Movements without impact to profit or loss:</b>								
<i>Loans written-off during the period</i>	-	-	-	-	-	-	-	-
<i>Reclassifications, FX and other movements</i>	-	-	-	-	-	-	-	-
<b>Total movements without impact to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loss allowance as at 31 December</b>	<b>2,609</b>	<b>1,004</b>	<b>2,633</b>	<b>6,246</b>	<b>1,799</b>	<b>258</b>	<b>2,235</b>	<b>4,292</b>

**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).

	2023		2022	
	Group	Bank	Group (restated)	Bank
<b>INVESTMENT SECURITIES AT FAIR VALUE:</b>				
<b>Non-trading securities at fair value:</b>				
<b>Debt securities at fair value through other comprehensive income:</b>	<b>71,740</b>	<b>71,740</b>	<b>85,271</b>	<b>85,271</b>
Government bonds	53,949	53,949	52,570	52,570
Corporate bonds	17,791	17,791	32,701	32,701
<b>Non-trading equity securities at fair value through profit or loss</b>	<b>2,760</b>	<b>2,642</b>	<b>4,954</b>	<b>4,954</b>
<b>Total non-trading securities at fair value</b>	<b>74,500</b>	<b>74,382</b>	<b>90,225</b>	<b>90,225</b>
<b>TOTAL INVESTMENT SECURITIES AT FAIR VALUE</b>	<b>74,500</b>	<b>74,382</b>	<b>90,225</b>	<b>90,225</b>
<b>INVESTMENT SECURITIES AT AMORTIZED COST:</b>				
<b>Securities at amortized cost:</b>				
<b>Debt securities:</b>	<b>751,227</b>	<b>739,869</b>	<b>969,036</b>	<b>956,332</b>
Government bonds	663,211	657,445	827,764	821,781
Corporate bonds	88,016	82,424	141,272	134,551
<b>Total securities at amortized cost</b>	<b>751,227</b>	<b>739,869</b>	<b>969,036</b>	<b>956,332</b>
<b>TOTAL INVESTMENT SECURITIES AT AMORTIZED COST</b>	<b>751,227</b>	<b>739,869</b>	<b>969,036</b>	<b>956,332</b>
<b>Breakdown of debt securities by time remaining to maturity:</b>				
<b>Debt securities at fair value through other comprehensive income:</b>				
Short-term (up to 1 year)	11,770	11,770	11,770	11,770
Long-term (over 1 year)	59,970	59,970	73,501	73,501
<b>Total debt securities at fair value through other comprehensive income</b>	<b>71,740</b>	<b>71,740</b>	<b>85,271</b>	<b>85,271</b>
<b>Debt securities at amortized cost:</b>				
Short-term (up to 1 year)	274,369	273,965	275,175	273,965
Long-term (over 1 year)	476,858	465,904	693,861	682,367
<b>Total debt securities at amortized cost</b>	<b>751,227</b>	<b>739,869</b>	<b>969,036</b>	<b>956,332</b>

As at 31 December 2023 government bonds at amortized cost with a carrying value of EUR 517,148 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 2022 EUR 664,019 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>									
	2023				2022				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Government bonds, gross	53,949	-	-	53,949	52,588	-	-	52,588	
Less: allowance for impairment	-	-	-	-	(18)	-	-	(18)	
Government bonds, net	53,949	-	-	53,949	52,570	-	-	52,570	
Corporate bonds, gross	14,986	2,969	-	17,955	32,948	-	-	32,948	
Less: allowance for impairment	(19)	(145)	-	(164)	(247)	-	-	(247)	
Corporate bonds, net	14,967	2,824	-	17,791	32,701	-	-	32,701	
Total, gross	68,935	2,969	-	71,904	85,536	-	-	85,536	
Less: allowance for impairment	(19)	(145)	-	(164)	(265)	-	-	(265)	
Total, net	68,916	2,824	-	71,740	85,271	-	-	85,271	

**NOTE 15**  
**INVESTMENT SECURITIES (CONTINUED)**

*Bank investment debt securities at fair value through other comprehensive income*

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Government bonds, gross	53,949	-	-	53,949	52,588	-	-	52,588
Less: allowance for impairment	-	-	-	-	(18)	-	-	(18)
Government bonds, net	53,949	-	-	53,949	52,570	-	-	52,570
Corporate bonds, gross	14,986	2,969	-	17,955	32,948	-	-	32,948
Less: allowance for impairment	(19)	(145)	-	(164)	(247)	-	-	(247)
Corporate bonds, net	14,967	2,824	-	17,791	32,701	-	-	32,701
Total, gross	68,935	2,969	-	71,904	85,536	-	-	85,536
Less: allowance for impairment	(19)	(145)	-	(164)	(265)	-	-	(265)
Total, net	68,916	2,824	-	71,740	85,271	-	-	85,271

*Group investment debt securities at amortized cost*

	2023				2022 (restated)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Government bonds, gross	663,221	-	-	663,221	828,002	-	-	828,002
Less: allowance for impairment	(10)	-	-	(10)	(238)	-	-	(238)
Government bonds, net	663,211	-	-	663,211	827,764	-	-	827,764
Corporate bonds, gross	88,071	-	1,020	89,091	141,378	-	1,020	142,398
Less: allowance for impairment	(55)	-	(1,020)	(1,075)	(106)	-	(1,020)	(1,126)
Corporate bonds, net	88,016	-	-	88,016	141,272	-	-	141,272
Total, gross	751,292	-	1,020	752,312	969,380	-	1,020	970,400
Less: allowance for impairment	(65)	-	(1,020)	(1,085)	(344)	-	(1,020)	(1,364)
Total, net	751,227	-	-	751,227	969,036	-	-	969,036

*Bank investment debt securities at amortized cost*

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Government bonds, gross	657,451	-	-	657,451	822,014	-	-	822,014
Less: allowance for impairment	(6)	-	-	(6)	(233)	-	-	(233)
Government bonds, net	657,445	-	-	657,445	821,781	-	-	821,781
Corporate bonds, gross	82,474	-	-	82,474	134,651	-	-	134,651
Less: allowance for impairment	(50)	-	-	(50)	(100)	-	-	(100)
Corporate bonds, net	82,424	-	-	82,424	134,551	-	-	134,551
Total, gross	739,925	-	-	739,925	956,665	-	-	956,665
Less: allowance for impairment	(56)	-	-	(56)	(333)	-	-	(333)
Total, net	739,869	-	-	739,869	956,332	-	-	956,332

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

	2023		2022	
	Group	Bank	Group (restated)	Bank
<b>Allowance for impairment of investment debt securities as of 1 January:</b>	<b>1,629</b>	<b>599</b>	<b>1,352</b>	<b>332</b>
Change in allowance for impairment	(379)	(379)	281	268
Update in the methodology for loss allowance estimation	-	-	-	-
Change in FX rates	(1)	-	(1)	(1)
Impact of IFRS 9 application together with IFRS 17	-	-	(3)	-
<b>Allowance for impairment of investment debt securities as of 31 December:</b>	<b>1,249</b>	<b>220</b>	<b>1,629</b>	<b>599</b>

**NOTE 15**  
**INVESTMENT SECURITIES (CONTINUED)**

Breakdown of the Group's/Bank's investment securities as at 31 December 2023 and 2022:

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

No material reclassifications between securities portfolios were performed during 2023 and 2022.

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
<b>1 January 2022</b>	<b>(732)</b>	<b>149</b>	<b>(583)</b>	<b>(746)</b>	<b>149</b>	<b>(597)</b>
Revaluation	(9,568)	-	(9,568)	(9,554)	-	(9,554)
Sale or redemption of securities	161	-	161	161	-	161
Deferred income tax	-	1,879	1,879	-	1,879	1,879
<b>31 December 2022 (restated)</b>	<b>(10,139)</b>	<b>2,028</b>	<b>(8,111)</b>	<b>(10,139)</b>	<b>2,028</b>	<b>(8,111)</b>
Revaluation	716	-	716	716	-	716
Sale or redemption of securities	2,640	-	2,640	2,640	-	2,640
Deferred income tax	-	(671)	(671)	-	(671)	(671)
<b>31 December 2023</b>	<b>(6,783)</b>	<b>1,357</b>	<b>(5,426)</b>	<b>(6,783)</b>	<b>1,357</b>	<b>(5,426)</b>

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

	2023		2022	
	Group	Bank	Group (restated)	Bank
<b>As at 1 January</b>	<b>969,036</b>	<b>956,332</b>	<b>705,398</b>	<b>692,226</b>
Acquisitions	91,408	64,157	396,788	396,538
Redemptions	(292,941)	(279,209)	(64,438)	(64,438)
Disposals	-	-	(66,271)	(65,806)
Accrued interest	8,343	8,090	6,235	6,058
Received coupon payment	(10,082)	(9,777)	(8,607)	(8,178)
Foreign currency exchange rate impact	-	-	-	-
Impairment	277	276	(62)	(58)
Reclassifications	(14,814)	-	(10)	(10)
Impact of IFRS 9 application together with IFRS 17	-	-	3	-
<b>As at 31 December</b>	<b>751,227</b>	<b>739,869</b>	<b>969,036</b>	<b>956,332</b>

**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, except for SB Draudimas GD UAB which operates in Latvia and Estonia through branches.

	Share in equity	31 December 2023			31 December 2022		
		Gross amount	Impairment	Net carrying amount	Gross amount	Impairment	Net carrying amount
<b>Bank</b>							
Investments in consolidated directly controlled subsidiaries:							
SB Draudimas GD UAB	100.00 %	32,528	-	32,528	12,959	12,959	
SB Lizingas UAB	100.00 %	2,964	-	2,964	13,904	13,904	
Šiaulių Banko Lizingas UAB	100.00 %	-	-	-	1,074	1,074	
SB Asset Management UAB	100.00 %	35,997	-	35,997	-	-	
SB Turto Fondas UAB	100.00 %	5,083	-	5,083	4,631	4,631	
<b>Total investments in subsidiaries using equity method</b>		<b>76,572</b>	<b>-</b>	<b>76,572</b>	<b>32,568</b>	<b>32,568</b>	
Investment in non-consolidated subsidiaries							
SB Modernizavimo Fondas UAB	100.00 %	100	-	100	100	100	
<b>Total investments in subsidiaries at fair value</b>		<b>100</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>100</b>	
<b>Total investments in subsidiaries</b>		<b>76,672</b>	<b>-</b>	<b>76,672</b>	<b>32,668</b>	<b>32,668</b>	

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

	2023	2022
<b>Net book value at 1 January</b>	<b>32,668</b>	<b>31,668</b>
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	(4,267)	9,207
Establishment of subsidiary	400	100
Dividends paid by the subsidiaries	(10,000)	(5,700)
Impact of IFRS 17 application (restated)	-	(2,607)
Increase of share capital in subsidiaries in cash	17,706	-
Increase of share capital in subsidiaries due to capitalization of liabilities payable for Bank's shares	40,165	-
<b>Net book value at 31 December</b>	<b>76,672</b>	<b>32,668</b>

Business combination transaction

On 1 December 2023 the Group has completed merger of retail businesses with Invalda INVL. After completion of this transaction Group entities have acquired parts of insurance and pension funds and investment funds for retail clients' management businesses from Invalda INVL. Group's management has concluded that during this transaction economic resources, processes and possibility to generate economic benefits using economic resources and processes were obtained therefore according to criteria set in IFRS 3 it is considered that during transaction businesses meeting business definition in IFRS 3 were acquired. Transaction price – EUR 41,760 thousand. From this amount EUR 40,165 thousand was paid using new 62,270,383 units share emission issued by the Bank (see Note 27), remaining part (EUR 1,595 thousand) was paid in cash. After this transaction Bank's subsidiary SB Asset Management UAB is managing second- and third-pillar pension funds and investment funds in Lithuania and Bank's subsidiary GD SB draudimas UAB has significantly expanded its life insurance business in Baltic countries (operating in Latvia and Estonia through its own branches). The Bank has capitalized liabilities of subsidiaries arising from the transaction during December 2023, also due to regulatory requirements share capitals of these subsidiaries were increased by cash as well, because of these reasons value of subsidiaries in Bank's stand-alone financial statements have increased significantly as the Bank is accounting subsidiaries at equity method. The business combination was accounted using acquisition method. Minority interest has not originated because of this transaction. Acquisition costs directly attributable with the transaction amounting to EUR 2,500 thousand, were expensed and accounted within Group's income statement item 'Other operating expenses'.

**NOTE 16**  
**INVESTMENTS IN SUBSIDIARIES (CONTINUED)**

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

Fair value	Acquisition date for consolidation purposes				In thousand EUR
	Group	Insurance business	Funds management business	Retail support	1 December 2023
<i>Funds management rights</i>	30,598	-	30,598	-	-
<i>Intangible assets</i>	196	73	123	-	-
<i>Property, plant and equipment</i>	105	76	26	-	3
<i>Identified deferred tax assets</i>	3,501	-	3,501	-	-
<i>Financial assets accounted at fair value through profit and loss</i>	133,240	133,126	114	-	-
<i>Reinsurance assets</i>	4	4	-	-	-
<i>Trade amounts receivable</i>	63	54	9	-	-
<i>Prepayments</i>	46	38	8	-	-
<i>Cash and cash equivalents</i>	7,203	6,652	551	-	-
<b>Total assets</b>	<b>174,956</b>	<b>140,023</b>	<b>34,930</b>	<b>3</b>	<b>3</b>
<i>Liabilities for remaining coverage</i>	47,775	47,775	-	-	-
<i>Liabilities for incurred claims</i>	1,148	1,148	-	-	-
<i>Investments contracts liabilities</i>	82,983	82,983	-	-	-
<i>Identified deferred tax liabilities</i>	4,589	-	4,589	-	-
<i>Trade accounts payable</i>	66	43	23	-	-
<i>Other amounts payable</i>	914	255	659	-	-
<i>Accrued expenses</i>	11	11	-	-	-
<b>Total liabilities</b>	<b>137,486</b>	<b>132,215</b>	<b>5,271</b>	<b>-</b>	<b>-</b>
<b>Total net assets</b>	<b>37,470</b>	<b>7,808</b>	<b>29,659</b>	<b>3</b>	<b>3</b>
<i>Goodwill</i>	4,290	1,147	3,143	-	-
<b>Total consideration paid</b>	<b>41,760</b>	<b>8,955</b>	<b>32,802</b>	<b>3</b>	<b>3</b>
<i>Consideration paid in cash</i>	1,595	1,595	-	-	-
<i>Other nettings of mutual transactions</i>	40,165	7,360	32,802	-	-
<i>Less: cash acquired</i>	(7,203)	(6,652)	(551)	-	-
<b>Total consideration paid in cash less cash acquired</b>	<b>(5,608)</b>	<b>(5,057)</b>	<b>(551)</b>	<b>-</b>	<b>-</b>

Group's management decided to account for goodwill arising from this business combination transaction in its financial statements as significant synergies and increased efficiency is expected from the transaction through usage of broad retail outlets network of the Group for distribution of products which were previously not distributed proposing broader product portfolio to existing and new clients, using possibilities of cross-selling, using knowledge and experience of employees, joining Group from Invalda INVL, using increased scale of activities of subsidiary distributing insurance products. Funds management rights recognized from this transaction include pensions funds and investment funds management rights accounted on funds management business acquisition moment. Funds management rights acquired during business combination transaction were capitalized at fair value determined on acquisition date and allocated to intangible assets. After initial recognition funds management rights are accounted at acquisition cost less amortization and impairment losses accrued. Funds management rights are amortized over 25 years based on average time left till pension age for existing client base.

Methods used to determine fair value of assets acquired and liabilities assumed during the business combination are described in table below:

Assets acquired and liabilities assumed	Valuation
<i>Financial assets</i>	Financial assets were assessed based on quoted prices in active markets. Price of financial assets was determined in sell and buy prices range calculating average price.
<i>Other assets</i>	Due to insignificance and/or nature of other assets it was considered that carrying values of other assets acquired approximate their fair values.
<i>Liabilities for remaining coverage</i>	For valuation of these liabilities Solvency II technical provision valuation methodology was used with some corrections (limits for contributions not used, different capital cost rate and increased target solvency ratio used)
<i>Liabilities for damage incurred</i>	These liabilities were assessed based on future expected cashflows and in addition increased by risk adjustment calculated based on technics of solvency level.
<i>Investments contracts liabilities</i>	For valuation of these liabilities Solvency II technical provision valuation methodology was used with some corrections (limits for contributions not used, different capital cost rate and increased target solvency ratio used)
<i>Other liabilities</i>	Due to insignificance and/or nature of other liabilities it was considered that carrying values of other liabilities assumed approximate their fair values.

**NOTE 16**  
**INVESTMENTS IN SUBSIDIARIES (CONTINUED)**

In tables below information on revenue of insurance business acquired and revenue and profit (loss) of funds management business during period after business acquisition transaction is disclosed. Operating results of insurance business after the business combination and revenue as well as operating results before the business combination together with revenue and operating results of funds management business before the business combination are not disclosed as due to technical and administrative limitations it is not possible to obtain such information without disproportionately large costs.

<i>In thousand EUR</i>	<b>2023.12.01-2023.12.31</b>
<i>Amounts relating to changes in LFRC</i>	
- Expected benefits incurred	258
- Expected expenses incurred	328
- Change in the risk adjustment	(623)
- CSM recognized	172
Recovery of acquisition cash flows	3
<b>Total insurance revenue for portfolio acquired on 1 December 2023</b>	<b>138</b>

<i>In thousand EUR</i>	<b>2023.12.01-2023.12.31</b>
Revenue of fund management business	505
The business combination costs attributed to fund management business	(1 016)
Net losses of fund management business	(1 230)
Net losses of fund management business less the business combination costs	(214)

Special purpose entity - securitisation

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. The Bank generates management fees for administration of loans (claim rights) transferred to SB Modernizavimo Fondas UAB also interest income on loans granted to SB Modernizavimo Fondas UAB from participation in these activities. 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. During twelve months period ended 31 December 2023 losses from fair value change of loans granted to the special purpose entity of EUR 374 thousand were recognized.

The table below represents maximum credit risk exposure of Bank at 31 December 2023 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 24 634 thousand at Bank as Bank's liabilities disclosed in financial position statement line "Due to customers" at 31 December 2023. For more information on SB Modernizavimo Fondas UAB balances please see also Notes 13 and 30.

	<b>Statement of financial position line</b>	<b>Carrying value</b>
Shares in equity of subsidiary	Investments in subsidiaries and associates	100
Loans to subsidiary	Loans to customers	3,208
Off-balance commitments to grant loans to subsidiary	-	13,750
Off-balance commitments to grant loans to users of renovation loans	-	80,813

During years 2023 and 2022 the Group has sold claims rights to multi-apartment buildings renovation loans (retaining loans servicing rights) to unconsolidated special purpose entity SB Modernizavimo Fondas UAB. Carrying value of such claim rights on sale date amounted to EUR 142,196 thousand in 2023 (in 2022 – EUR 41,081 thousand). Due to sale of these claim rights no gain or loss was recognised. For the year ended 31 December 2023 the Group has generated management fees of EUR 1,742 thousand for management of transferred claim rights portfolios (in 2022 – EUR 179 thousand). Fair value of managed claim rights portfolios amounted to EUR 185,028 thousand as at 31 December 2023 (as at 31 December 2022 – EUR 41,202 thousand). In 2023 the Group recognised EUR 925 thousand interest income from loans granted to SB Modernizavimo Fondas UAB (in 2022 – EUR 32 thousand).

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

## NOTE 16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### Changes in Group structure

Following strategy to optimize Group's structure, shares in Minera UAB and Apželdinimas UAB were sold and decision to liquidate Šiaulių Banko Investicijų Valdymas UAB was adopted in 2021. Furthermore, Bank's shares in Šiaulių Banko Investicijų Valdymas UAB were sold to subsidiary SB turto fondas UAB.

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, Šiaulių Banko Investicijų Valdymas UAB was liquidated in first quarter of 2023. At 31 December 2023 subsidiary of the Bank Šiaulių banko lizingas UAB is under liquidation process.

### Tests of subsidiaries impairment

Bank's subsidiary SB Draudimas GD UAB was tested for impairment using embedded value approach as of 31 December 2023 and 31 December 2022. 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 (2023: 9.58%, 2022: 8.79%) that reflects current market assessment of the time value of money and the related risks.

Bank's subsidiary SB Asset Management UAB was tested for impairment using discounted cash flows approach as of 31 December 2023. No impairment was determined at this date. Cash flows used in the calculation were based on forecasts in budget for 2024-2029 approved by the subsidiary's senior management. Forecasted cash flows were discounted to net present value using the discount rate (2023: 11.78%) 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>Funds management rights</i>		<i>Goodwill</i>		<i>Total</i>	
	Group	Bank	Group	Bank	Group	Bank	Group	Bank
<u>As at 1 January 2022:</u>								
Cost	10,632	9,751	-	-	1,352	-	11,984	9,751
Accumulated amortisation	(7,150)	(6,637)	-	-	-	-	(7,150)	(6,637)
<b>Net book value</b>	<b>3,482</b>	<b>3,114</b>	<b>-</b>	<b>-</b>	<b>1,352</b>	<b>-</b>	<b>4,834</b>	<b>3,114</b>
<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)
<b>Net book value</b>	<b>6,931</b>	<b>6,450</b>	<b>-</b>	<b>-</b>	<b>1,352</b>	<b>-</b>	<b>8,283</b>	<b>6,450</b>
<u>Year ended 31 December 2023:</u>								
Net book value at 1 January	6,931	6,450	-	-	1,352	-	8,283	6,450
Acquisitions	5,356	5,029	-	-	-	-	5,356	5,029
Acquisitions (from business combination, see Note 16)	196	-	30,598	-	4,290	-	35,084	-
Write-offs	(1,952)	(1,931)	-	-	-	-	(1,952)	(1,931)
Amortisation charge	(1,531)	(1,399)	(102)	-	-	-	(1,633)	(1,399)
Net book value at 31 December	9,000	8,149	30,496	-	5,642	-	45,138	8,149
<u>As at 31 December 2023:</u>								
Cost	19,052	17,458	30,598	-	5,642	-	55,292	17,458
Accumulated amortisation	(10,052)	(9,309)	(102)	-	-	-	(10,154)	(9,309)
<b>Net book value</b>	<b>9,000</b>	<b>8,149</b>	<b>30,496</b>	<b>-</b>	<b>5,642</b>	<b>-</b>	<b>45,138</b>	<b>8,149</b>
<u>Economic life (in years)</u>								
	3–9	3–9	25					

**Goodwill and funds management rights impairment test**

For the purpose of impairment testing, goodwill and fund management rights are allocated to two cash generating units - subsidiaries of the Bank GD SB Draudimas UAB and SB Asset Management UAB. Recoverable amount of GD SB Draudimas UAB 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 9.58% (2022: 8.79%) that reflects current market assessment of the time value of money and the risks related to this cash generating unit.

Recoverable amount of SB Draudimas UAB is determined by applying the discounted cash flows calculations. Cash flows used in the calculation were based on forecasts in budget for 2024-2029 approved by the subsidiary's senior management. Forecasted cash flows were discounted to net present value using the discount rate (2023: 11.78%) that reflects current market assessment of the time value of money and the risks related to this cash generating unit.

No impairment loss for goodwill and funds management rights was identified in 2023 and 2022 as a result of the impairment test.

**NOTE 18**  
**PROPERTY, PLANT AND EQUIPMENT**

Group	Buildings, premises and land	Vehicles	Office equipment	Construction in progress	Total
<u>As at 1 January 2022:</u>					
Cost	7,208	2,756	6,689	76	16,729
Accumulated depreciation	(2,454)	(1,047)	(4,570)	-	(8,071)
<b>Net book value</b>	<b>4,754</b>	<b>1,709</b>	<b>2,119</b>	<b>76</b>	<b>8,658</b>
<u>Year ended 31 December 2022:</u>					
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
<u>As at 31 December 2022:</u>					
Cost	7,580	2,709	6,634	76	16,999
Accumulated depreciation	(2,608)	(1,125)	(4,782)	-	(8,515)
<b>Net book value</b>	<b>4,972</b>	<b>1,584</b>	<b>1,852</b>	<b>76</b>	<b>8,484</b>
<u>Year ended 31 December 2023:</u>					
Net book value at 1 January	4,972	1,584	1,852	76	8,484
Acquisitions	279	756	592	-	1,627
Acquisitions (from business combination, see Note 16)	-	-	12	-	12
Reclassifications	-	(19)	-	-	(19)
Disposals and write-offs	(11)	(383)	(442)	(76)	(912)
Depreciation charge	(166)	(380)	(768)	-	(1,314)
Net book value at 31 December	5,074	1,558	1,246	-	7,878
<u>As at 31 December 2023:</u>					
Cost	7,848	3,063	6,796	-	17,707
Accumulated depreciation	(2,774)	(1,505)	(5,550)	-	(9,829)
<b>Net book value</b>	<b>5,074</b>	<b>1,558</b>	<b>1,246</b>	<b>-</b>	<b>7,878</b>
Economic life (in years)	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
<u>As at 1 January 2023</u>				
Cost	13,009	301	1,533	14,843
Accumulated depreciation	(6,871)	(159)	(146)	(7,176)
<b>Net book value</b>	<b>6,138</b>	<b>142</b>	<b>1,387</b>	<b>7,667</b>
<u>Year ended 31 December 2023:</u>				
Net book value at 1 January	6,138	142	1,387	7,667
Contract additions	2,572	213	64	2,849
Contract additions (from business combination, see Note 16)	93	-	-	93
Contract terminations	-	(3)	-	(3)
Depreciation charge	(2,011)	(24)	(668)	(2,703)
Net book value at 31 December	6,792	328	783	7,903
<u>As at 31 December 2023:</u>				
Cost	16,063	511	1,597	18,171
Accumulated depreciation	(9,271)	(183)	(814)	(10,268)
<b>Net book value</b>	<b>6,792</b>	<b>328</b>	<b>783</b>	<b>7,903</b>
Economic life (in years)	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 2023	31 December 2022
<i>Lease liabilities before prepayments</i>	7,923	7,703
<i>Short-term (up to 1 year)</i>	2,965	2,383
<i>Long-term (2-5 years)</i>	4,958	4,335
<i>Long-term (over 5 years)</i>	-	985
<i>Prepayments paid</i>	(699)	(100)
<b><i>Lease liabilities, carrying value</i></b>	<b>7,224</b>	<b>7,603</b>

The Group recognized in its income statement for the year ended 31 December 2023 lease expense for the low value leases amounting to EUR 1 thousand (for the year ended 31 December 2022 – EUR 4 thousand).

Bank	Buildings and premises	Vehicles	Office equipment	Construction in progress	Total
<b><i>As at 1 January 2022:</i></b>					
Cost	7,208	2,180	6,334	76	15,798
Accumulated depreciation	(2,454)	(768)	(4,327)	-	(7,549)
<b>Net book value</b>	<b>4,754</b>	<b>1,412</b>	<b>2,007</b>	<b>76</b>	<b>8,249</b>
<b><i>Year ended 31 December 2022:</i></b>					
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)
Reclassification to assets held for sale	(154)	(4)	(157)	-	(315)
Net book value at 31 December	4,972	1,307	1,736	76	8,091
<b><i>As at 31 December 2022:</i></b>					
Cost	7,580	2,079	6,220	76	15,955
Accumulated depreciation	(2,608)	(772)	(4,484)	-	(7,864)
<b>Net book value</b>	<b>4,972</b>	<b>1,307</b>	<b>1,736</b>	<b>76</b>	<b>8,091</b>
<b><i>Year ended 31 December 2023:</i></b>					
Net book value at 1 January	4,972	1,307	1,736	76	8,091
Acquisitions	279	676	535	-	1,490
Disposals and write-offs	-	(19)	-	-	(19)
Depreciation charge	(11)	(222)	(437)	(76)	(746)
Reclassifications	(166)	(308)	(725)	-	(1,199)
Net book value at 31 December	5,074	1,434	1,109	-	7,617
<b><i>As at 31 December 2023:</i></b>					
Cost	7,848	2,514	6,318	-	16,680
Accumulated depreciation	(2,774)	(1,080)	(5,209)	-	(9,063)
<b>Net book value</b>	<b>5,074</b>	<b>1,434</b>	<b>1,109</b>	<b>-</b>	<b>7,617</b>
Economic life (in years)	15-50	5-12	3-20	-	-

Bank: right-of-use assets	Buildings, premises and land	Vehicles	Office equipment	Total
<b><i>As at 1 January 2023:</i></b>				
Cost	12,517	301	1,533	14,351
Accumulated depreciation	(6,612)	(159)	(146)	(6,917)
<b>Net book value</b>	<b>5,905</b>	<b>142</b>	<b>1,387</b>	<b>7,434</b>
<b><i>Year ended 31 December 2023:</i></b>				
Net book value at 1 January	5,905	142	1,387	7,434
Contract additions	1,805	213	64	2,082
Contract terminations	-	(3)	-	(3)
Depreciation charge	(1,736)	(24)	(668)	(2,428)
Net book value at 31 December	5,974	328	783	7,085
<b><i>As at 31 December 2023:</i></b>				
Cost	14,322	511	1,597	16,430
Accumulated depreciation	(8,348)	(183)	(814)	(9,345)
<b>Net book value</b>	<b>5,974</b>	<b>328</b>	<b>783</b>	<b>7,085</b>
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 2023	31 December 2022
<i>Lease liabilities before prepayments</i>	7,085	7,420
<i>Short-term (up to 1 year)</i>	2,611	2,233
<i>Long-term (2-5 years)</i>	4,474	4,202
<i>Long-term (over 5 years)</i>	-	985
<i>Prepayments received</i>	(692)	(92)
<b><i>Lease liabilities, carrying value</i></b>	<b>6,393</b>	<b>7,328</b>

Please see Note 10 for reconciliation of movements lease liabilities.

As at 31 December 2023 and 31 December 2022, 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):

	2023			2022		
	<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>	161	128	5	160	271	10
<i>Bank</i>	157	482	97	155	502	209

**NOTE 19**  
**OTHER ASSETS**

	2023		2022	
	<b>Group</b>	<b>Bank</b>	<b>Group</b> (restated)	<b>Bank</b>
<b><i>Financial assets:</i></b>				
<i>Amounts receivable</i>	7,351	8,289	5,815	5,620
<i>Breakdown of financial assets according to maturity</i>				
<i>Short-term (up to 1 year)</i>	5,517	6,455	4,751	4,556
<i>Long-term (over 1 year)</i>	1,834	1,834	1,064	1,064
<b><i>Non-financial assets:</i></b>				
<i>Breakdown of non-financial assets according to maturity</i>				
<i>Short-term (up to 1 year)</i>	10,261	8,685	3,773	2,974
<i>Long-term (over 1 year)</i>	2,131	1,996	865	130
<i>Inventories</i>	114	-	146	-
<i>Deferred charges</i>	3,529	3,424	1,004	974
<i>Assets under reinsurance and insurance contracts</i>	153	-	889	-
<i>Prepayments</i>	2,225	1,000	928	405
<i>Foreclosed assets</i>	168	164	468	464
<i>Other</i>	6,203	6,093	1,203	1,261
<b><i>TOTAL OTHER ASSETS</i></b>	<b>19,743</b>	<b>18,970</b>	<b>10,453</b>	<b>8,724</b>

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

	<b>Group</b>	<b>Bank</b>
<b><i>Allowance for impairment of other financial assets as of 1 January 2022:</i></b>	<b>260</b>	<b>228</b>
<i>Change in allowance for impairment</i>	253	257
<i>Other financial assets written-off during the period</i>	(13)	(3)
<i>Reclassifications and other movements</i>	6	7
<b><i>Allowance for impairment of other financial assets as of 31 December 2022</i></b>	<b>506</b>	<b>489</b>
<i>Change in allowance for impairment</i>	618	618
<i>Other financial assets written-off during the period</i>	(12)	(12)
<i>Reclassifications and other movements</i>	6	6
<b><i>Allowance for impairment of other financial assets as of 31 December 2023:</i></b>	<b>1,118</b>	<b>1,101</b>

**NOTE 19**  
**OTHER ASSETS (CONTINUED)**

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 104 thousand related to repricing inventories and other non-financial assets down to realisable value was included in year 2023 income statement for the Group (the Bank – none). In 2022, the Group included net impairment expense reversal on inventories and other non-financial assets of EUR 20 thousand in its income statement (the Bank – net expense reversal of EUR 7 thousand).

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

Assets held for sale consist of:

	2023		2022	
	Group	Bank	Group	Bank
<i>Assets related to subsidiaries classified as held for sale</i>	-	-	-	-
<i>Real estate classified as held for sale</i>	150	150	150	150
<b>Total assets classified as held for sale</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>
<i>Liabilities attributable to subsidiaries classified as held for sale</i>	-	-	-	-

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 2023, such real estate assets consisted of one property with a fair value of EUR 180 thousand (as of 31 December 2022: one property with a fair value of EUR 180 thousand). No impairment expense related to the revaluation these properties down to the realisable value was recognized in 2023 (2022: 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**

	2023		2022	
	Group	Bank	Group	Bank
<i>Correspondent accounts and deposits of other banks and financial institutions:</i>				
<i>Correspondent accounts and demand deposits</i>	27,572	33,894	34,024	35,508
<i>Term deposits</i>	25,047	25,047	1,076	1,076
<b>Total correspondent accounts and deposits of other banks and financial institutions</b>	<b>52,619</b>	<b>58,941</b>	<b>35,100</b>	<b>36,584</b>
<b>Due to central bank</b>	<b>491,757</b>	<b>491,757</b>	<b>624,986</b>	<b>624,986</b>
<i>Loans received from:</i>				
<i>Other organisations</i>	8,106	8,106	4,256	4,256
<i>International organisations</i>	17,512	17,512	20,733	20,733
<b>Total loans received</b>	<b>25,618</b>	<b>25,618</b>	<b>24,989</b>	<b>24,989</b>
<b>Total</b>	<b>569,994</b>	<b>576,316</b>	<b>685,075</b>	<b>686,559</b>
<i>Breakdown of due to other banks and financial institutions according to maturity</i>				
<i>Short-term (up to 1 year)</i>	555,587	561,909	188,305	189,789
<i>Long-term (over 1 year)</i>	14,407	14,407	496,770	496,770
<b>Total</b>	<b>569,994</b>	<b>576,316</b>	<b>685,075</b>	<b>686,559</b>

On 28th June 2023 the Bank has repaid a EUR 150 million loan borrowed under the ECB's TLTRO III programme. After this repayment 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 as at 31 December 2023 amounted to EUR 479 million. This amount consist of 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 4%. 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 (no government grant element was recognised in 2023). The TLTRO-III negative interest recorded in the 2022 income statement line "Interest income" amounts to EUR 3,327 thousand (no negative interest was recognised in 2023). Since 14<sup>th</sup> September 2022 interest rates for TLTRO-III borrowings are positive, TLTRO-III positive interest recorded in the 2023 income statement line "Interest expenses" amounts to EUR 18,094 thousand (2022: EUR 2,310 thousand). Securities with a carrying value of EUR 517,148 thousand were placed as a collateral for these borrowings.

**NOTE 21**  
**DUE TO CUSTOMERS**

	2023		2022	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	56,135	56,135	59,258	59,258
<i>Local government institutions</i>	121,886	121,886	139,054	139,054
<i>Governmental and municipal companies</i>	38,209	38,209	33,252	33,252
<i>Corporate entities</i>	628,408	632,159	763,766	767,625
<i>Non-profit organisations</i>	35,780	35,780	42,535	42,535
<i>Individuals</i>	711,184	711,184	811,586	811,586
<i>Unallocated amounts due to customers</i>	16,214	16,714	13,473	13,994
<b>Total demand deposits</b>	<b>1,607,816</b>	<b>1,612,067</b>	<b>1,862,924</b>	<b>1,867,304</b>
<i>Term deposits:</i>				
<i>National government institutions</i>	2,519	2,519	1,015	1,015
<i>Local government institutions</i>	2,316	2,316	3,803	3,803
<i>Governmental and municipality companies</i>	3,831	3,831	5,847	5,847
<i>Corporate entities</i>	336,944	336,944	187,108	187,108
<i>Non-profit organisations</i>	8,278	8,278	2,298	2,298
<i>Individuals</i>	1,200,953	1,200,953	721,973	721,973
<b>Total term deposits</b>	<b>1,554,841</b>	<b>1,554,841</b>	<b>922,044</b>	<b>922,044</b>
<b>Total</b>	<b>3,162,657</b>	<b>3,166,908</b>	<b>2,784,968</b>	<b>2,789,348</b>
<i>Breakdown of due to customers according to maturity</i>				
<i>Short-term (up to 1 year)</i>	2,917,233	2,921,484	2,610,159	2,614,039
<i>Long-term (over 1 year)</i>	245,424	245,424	174,809	175,309
<b>Total</b>	<b>3,162,657</b>	<b>3,166,908</b>	<b>2,784,968</b>	<b>2,789,348</b>

**NOTE 22**  
**SPECIAL AND LENDING FUNDS**

	2023		2022	
	Group	Bank	Group	Bank
<i>Special funds</i>	15,718	15,718	14,184	14,184
<i>Lending funds</i>	-	-	-	-
<b>Total</b>	<b>15,718</b>	<b>15,718</b>	<b>14,184</b>	<b>14,184</b>
<i>Breakdown of special and lending funds according to maturity</i>				
<i>Short-term (up to 1 year)</i>	15,718	15,718	14,184	14,184
<i>Long-term (over 1 year)</i>	-	-	-	-
	<b>15,718</b>	<b>15,718</b>	<b>14,184</b>	<b>14,184</b>

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**

As of 31 December 2020 Bank had 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 senior preferred debt securities (ISIN code LT0000405771) with maturity term of 4 years and annual interest rate of 1.05%. 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 a tap issue of EUR 85,000 thousand senior preferred debt bonds (ISIN code LT0000405771). A tap issue was placed with yield to maturity of 6.4%. Bonds maturity date is 7<sup>th</sup> October 2025. From 9 December 2022 these bonds are listed on Nasdaq Baltic Bonds List.

On 15 June 2023 Bank has successfully completed a 10-year subordinated bond issue (ISIN code LT0000407751) with a nominal value of EUR 50 million in the international financial markets, which bear a coupon of 10.75%. Subordinated bonds are included into the bank's Tier 2 capital. The bonds maturity date is on 22 June 2033. The bonds were issued with the issuer's right of early redemption after five years, on 22 June 2028. On this date, the Bank will have two options: to redeem the issued bonds early or to set a new coupon consisting of a fixed and a floating part (750bps + 5-year Mid-Swap Rate). From 27 June 2023 these bonds are listed on Nasdaq Baltic Bonds List.

On 16 November 2023 Bank has successfully concluded a tap issue of EUR 50 million of senior preferred bonds (ISIN code LT0000405771) in the international financial markets. With a tap issue the amount of the total outstanding bonds increased from EUR 160 million to EUR 210 million. The bonds were issued with the aim of meeting future minimum requirement for own funds and eligible liabilities (MREL requirements) set by the Bank's supervisory authorities. The additional bonds were issued at a yield to maturity of 6.7%. Maturity date of these bonds is 7 October 2025. From 27 November 2023 these bonds are listed on Nasdaq Baltic Bonds List.

Cash flows and other movements of issued debt securities:

	2023		2022	
	Group	Bank	Group	Bank
<i>As at 1 January</i>	<b>171,231</b>	<b>171,231</b>	<b>95,212</b>	<b>95,212</b>
<i>Issuance</i>	100,000	100,000	85,000	85,000
<i>Redemptions</i>	-	-	-	-
<i>Accrued interest</i>	5,795	5,795	2,225	2,225
<i>Coupon payments</i>	(2,905)	(2,905)	(2,015)	(2,015)
<i>Discount</i>	2,359	2,359	(9,191)	(9,191)
<i>As at 31 December</i>	<b>276,480</b>	<b>276,480</b>	<b>171,231</b>	<b>171,231</b>

**NOTE 24**  
**ASSETS AND LIABILITIES RELATED TO INSURANCE ACTIVITIES**

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

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

**NOTE 24**

**ASSETS AND LIABILITIES RELATED TO INSURANCE ACTIVITIES (CONTINUED)**

Reconciliation of the components of insurance contract assets and liabilities

In table below liabilities are disclosed with opposite signs than shown in the balance sheet.

EUR	2023-12-31			
	Best estimate liability	Risk Adjustment	Contractual Service Margin	Total
Opening insurance contract assets (restated)	1,831	(410)	(344)	1,077
Opening insurance contract liabilities (restated)	(24,856)	(2,161)	(4,016)	(31,033)
Net opening position of insurance contracts (restated)	(23,025)	(2,571)	(4,360)	(29,956)
Changes related to current services				
- CSM recognized in profit and loss	-	-	835	835
- Risk Adjustment recognized in profit and loss	-	(221)	-	(221)
- Experience adjustments	2,868	(363)	-	2,505
Changes related to future services				
- Contracts initially recognized in the period	37,802	(13,851)	(24,647)	(696)
- Changes in estimates that adjust CSM	2,348	(272)	(2,076)	-
- Changes in estimates that result in onerous contracts or reversal of losses	(432)	12	-	(420)
Changes that relate to past service				
Changes that relate to past service - adjustments to LIC	(3,219)	252	-	(2,967)
Insurance finance expenses through profit and loss	(5,856)	-	(11)	(5,867)
Total changes in statement of profit and loss and OCI	33,510	(14,443)	(25,899)	(6,832)
Premiums received	(58,589)	-	-	(58,589)
Claims paid	4,388	-	-	4,388
Directly attributable expenses paid	1,878	-	-	1,878
Acquisition cost paid	2,116	-	-	2,116
Total cash flows	(50,207)	-	-	(50,207)
Closing insurance contract assets	8,731	(1,095)	(3,144)	4,492
Closing insurance contract liabilities	(48,454)	(15,919)	(27,115)	(91,487)
<b>Net closing position of insurance contracts</b>	<b>(39,722)</b>	<b>(17,014)</b>	<b>(30,259)</b>	<b>(86,995)</b>

**NOTE 25**

**OTHER LIABILITIES**

	2023		2022	
	Group	Bank	Group (restated)	Bank
<b>Financial liabilities:</b>				
Trade payables	4,034	1,424	4,644	2,991
Accrued charges	28,849	26,542	15,215	14,172
Lease liabilities (see Note 18)	7,224	6,393	7,603	7,328
<b>Total financial liabilities</b>	<b>40,107</b>	<b>34,359</b>	<b>27,462</b>	<b>24,491</b>
Breakdown of other financial liabilities according to maturity				
Short-term (up to 1 year)	35,156	30,149	18,859	16,632
Long-term (over 1 year)	4,951	4,210	8,603	7,859
<b>Non-financial liabilities:</b>				
Advance amounts received from the buyers of assets	5,887	-	4,758	-
Deferred income	1,534	698	1,353	769
Provisions	183	-	469	-
Other liabilities	737	737	1,076	916
<b>Total non-financial liabilities</b>	<b>8,341</b>	<b>1,435</b>	<b>7,656</b>	<b>1,685</b>
Breakdown of other non-financial liabilities according to maturity				
Short-term (up to 1 year)	7,622	1,195	7,250	1,369
Long-term (over 1 year)	719	240	406	316
<b>Total non-financial liabilities</b>	<b>8,341</b>	<b>1,435</b>	<b>7,656</b>	<b>1,685</b>

**NOTE 25**  
**OTHER LIABILITIES (CONTINUED)**

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:

	2023		2022	
	Group	Bank	Group	Bank
<b>Provisions at 1 January</b>	<b>469</b>	-	<b>935</b>	-
Additions/(reversals), including increases (decreases) in existing provisions	(286)	-	(466)	-
Amounts used	-	-	-	-
Other movements (reclassifications)	-	-	-	-
<b>Provisions at 31 December</b>	<b>183</b>	-	<b>469</b>	-

**NOTE 26**  
**INVESTMENT PROPERTY**

**Investment property**

	Group	Bank
<b>Year ended 31 December 2022:</b>		
Carrying amount at 1 January	2,229	344
Acquisitions	-	-
Reclassifications	(344)	(344)
Impairment	-	-
Depreciation charge	(58)	-
Disposals and write-offs	-	-
<b>Carrying amount at 31 December 2022</b>	<b>1,827</b>	-
<b>As at 31 December 2022:</b>		
Cost	3,325	-
Accumulated depreciation	(1,498)	-
<b>Net carrying amount</b>	<b>1,827</b>	-
Estimated fair value at 31 December 2022	2,486	-
<b>Year ended 31 December 2023:</b>		
Carrying amount at 1 January	1,827	-
Acquisitions	-	-
Reclassifications	-	-
Impairment	-	-
Depreciation charge	(39)	-
Disposals and write-offs	(795)	-
<b>Carrying amount at 31 December 2023</b>	<b>993</b>	-
<b>As at 31 December 2023:</b>		
Cost	2,530	-
Accumulated depreciation	(1,537)	-
<b>Net carrying amount</b>	<b>993</b>	-
Estimated fair value at 31 December 2023	1,203	-
Economic life (in years)	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 47 thousand in 2023, EUR 92 thousand in 2022) 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 2023 and 31 December 2022 100% of the carrying value of the investment property was tested for impairment using valuations from external independent certified appraisers). 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 share capital of the Bank amounted to EUR 174,210,616.27, it comprised 600,726,263 ordinary registered shares with par value of EUR 0.29 each.

On 22 November the Bank and Invalda INVL signed an agreement according which segments of their retail businesses were merged on 1 December 2023. After closing the transaction, 62,270,383 newly issued shares of the Bank which represents 9.39% of the Bank shareholding were transferred to Invalda INVL on 15 December 2023. After this issue of shares as of 31 December 2023 share capital of the Bank amounted to EUR 192,269,027.34, it comprised 662,996,646 ordinary registered shares with par value of EUR 0.29 each. Following the completion of this share acquisition transaction, the Invalda INVL Group's shareholding in the Bank increased to 18.45%.

At 31 December 2020 European Bank for Reconstruction and Development (EBRD) possessed 26.02% of the authorised capital and votes of the Bank. On 22 December 2021 EBRD announced that it has agreed to sell an 18 % stake in Bank. EBRD has signed 3 separate agreements with Invalda INVL, an asset management group, Nord Security, (part of the Tesonet group of companies and soon to be renamed Tesonet Global), and Willgrow, a holding company that owns Girteka Logistics, to sell stakes of 5.87%, 5.87% and 6.29% in Bank, respectively. Acquisitions of shares will take place through a series of transactions until June 2024 and in some cases might be subject to regulatory approvals. After this transaction as of 31 December 2023 EBRD possessed 12.69% of the authorised capital and votes of the Bank. Following the completion of this and other planned share acquisition transactions announced, the Invalda INVL Group intends to increase its shareholding in the Bank up to 20% threshold.

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

**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. In 2023 share premium has increased to EUR 25,534 due to business combination in more detail described in section above of this note and Note 16.

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

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

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

**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 31 March 2023: grant date (31 March 2023), expiry days (9 April 2027 and 14 April 2028), share price 0.747 on grant day, exercise price 0.65, expected price volatility of the bank's shares 26%, risk free interest rates - 5% ir 2.3%;
- For the option granted 30 March 2022: grant date (30 March 2022), expiry day (11 April 2025), share price 0.656 on grant day, exercise price 0.588, expected price volatility of the bank's shares 28%, risk free interest rate – 0.1%;
- For the option granted 31 March 2021: grant date (31 March 2021), expiry day (12 April 2024), share price 0.538 on grant day, expected price volatility of the bank's shares 25%, 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.

	2023		2022	
	Group	Bank	Group	Bank
<i>Options</i>	1,697	1,209	2,355	1,917
<i>Shares distributable to the employees</i>	-	-	-	-
<b>Total</b>	<b>1,697</b>	<b>1,209</b>	<b>2,355</b>	<b>1,917</b>

No options were forfeited or expired during years ended 31 December 2023 and 31 December 2022. During 12 months period ended 31 December 2023 2,491 thousand units of share options were exercised for benefit of Group's defined employees (for benefit of Bank's defined employees – 2,165 thousand units) on exercise date at weighted average share price of 0.67 EUR. Weighted average option exercise price was 0 EUR.

**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 2019 to 2023. 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**

	2023		2022	
	Group	Bank	Group	Bank
<i>Financial guarantees issued</i>	59,216	59,256	52,655	52,716
<i>Letters of credit</i>	538	538	5,756	5,756
<i>Commitments to grant loans</i>	473,095	480,723	482,012	483,660
<i>Other commitments</i>	8,932	8,932	8,932	8,932
<b>Total</b>	<b>541,781</b>	<b>549,449</b>	<b>549,355</b>	<b>551,064</b>

Fair value of the guarantees amounts to EUR 418 thousand at 31 December 2023 (31 December 2022: EUR 425 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:

	2023		2022	
	Group	Bank	Group	Bank
<i>Financial guarantees issued:</i>	59,216	59,256	52,655	52,716
<i>Stage 1</i>	59,216	59,256	52,655	52,716
<i>Letters of credit:</i>	538	538	5,756	5,756
<i>Stage 1</i>	538	538	5,756	5,756
<i>Commitments to grant loans:</i>	473,095	480,723	482,012	483,660
<i>Stage 1</i>	466,672	458,661	456,165	457,813
<i>Stage 2</i>	6,115	21,754	22,566	22,566
<i>Stage 3</i>	308	308	3,281	3,281
<i>Other commitments:</i>	8,932	8,932	8,932	8,932
<i>Stage 1</i>	8,932	8,932	8,932	8,932
<b>Total</b>	<b>541,781</b>	<b>549,449</b>	<b>549,355</b>	<b>551,064</b>

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

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

The table below demonstrates movements in dividends for the years 2023 and 2022:

	2023	2022
<b>Unpaid dividend amount at 1 January:</b>	<b>94</b>	<b>50</b>
Dividends declared	15,919	20,425
Dividends paid	(15,919)	(20,382)
<b>Unpaid dividend amount at 31 December:</b>	<b>94</b>	<b>94</b>

## 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 Lizingas UAB, SB turto fondas UAB, SB modernizavimo fondas UAB, SB Asset Management 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 2023 and 2022, a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions.

**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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<i>Members of the Council and the Board</i>	424	508	0.00-4.30	0.00-0.50	274	-	5.63	-	25	26
<i>Other related parties (excluding subsidiaries of the Bank)</i>	225	142	0.00-4.30	0.00	9,171	60	0.69-6.80	0.69	1	1
<b>Total</b>	<b>649</b>	<b>650</b>	-	-	<b>9,445</b>	<b>60</b>	-	-	<b>26</b>	<b>27</b>
<i>% of regulatory capital</i>	0.00%	0.00%			0.02%	0.00%			0.00%	0.00%

In 2023 EUR 55 thousand interest income were generated from transactions with related parties (except for subsidiaries, in 2022 – EUR 236 thousand).

As at 31 December 2023 loans to related parties (except for subsidiaries) with gross value before impairment provisions of EUR 9,455 thousand (31 December 2022: EUR 60 thousand) had collaterals.

At 31 December 2023 and 2022 Bank's subsidiaries had no material transactions with the related parties except for the Bank and its subsidiaries.

As at 31 December 2023 balance of allowances for impairment losses that are related to balances of loans to related parties, except for subsidiaries, was equal to EUR 10 thousand. An impairment expense of EUR 10 thousand related to these loans was recorded profit or loss in 2023. 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.

**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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<i>Non-financial institutions</i>	35,155	5,069	0.00-4.15	0.00-1.90	30,070	1,875	5.28-16.13	14.05	13,750	42,625
<i>Financial institutions</i>	52	1,119	0.00	0.00	247,553	177,273	4.35-5.80	2.6	15,639	10,077

No collateral is obtained on loans to subsidiaries.

Increase of balances of loans and decrease of off-balance sheet commitments in non-financial institutions line in table above in 2023 if compared to 2022 is related with transactions with UAB SB modernizavimo fondas established in 2022 operations increase. This entity 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):

	2023	2022
<b>Assets</b>		(restated)
Loans	277,623	179,148
Other assets	-	-
Bank's investment in subsidiaries	76,672	32,668
	-	-
<b>Liabilities</b>		
Term deposits	540	561
Demand deposits	34,667	5,627
Other liabilities	-	-

Income and expenses arising from transactions with subsidiaries:

	2023	2022
<b>Income</b>		(restated)
Interest	10,314	3,949
Commission income	2,711	1,142
Income (losses) from foreign exchange operations	-	-
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	(4,267)	9,207
Other income	2,001	313
<b>Expenses</b>		
Interest	(88)	(16)
Operating expenses	155	25
Impairment (reversal of impairment) of loans	(162)	(258)
Impairment of an investment to subsidiaries	-	-

As at 31 December 2023 balance of allowances for impairment losses that are related to balances of loans to subsidiaries was EUR 109 thousand (as at 31 December 2022: EUR 271 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 2023 the total amount of fixed and annual variable remuneration (total of payments in cash and in shares of the Bank) to the Bank's Board members amounted to EUR 1,598 thousand (2022: EUR 3,595 thousand).

	2023	2022
Fixed remuneration in cash	1,122	1,808
Variable remuneration in cash	52	1,128
Variable remuneration in shares of Bank	424	659
<b>Total</b>	<b>1,598</b>	<b>3,595</b>

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:

	2023	2022
Short-term (up to 1 year)	678	294
Long-term (over 1 year)	1,172	1,041
<b>Total</b>	<b>1,850</b>	<b>1,335</b>

	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	
<b>31 December 2022:</b>									
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
<b>Total liability at 31 December 2022</b>	-	-	-	-	<b>294</b>	<b>304</b>	<b>737</b>	<b>1,335</b>	<b>1,335</b>
<b>31 December 2023:</b>									
for year 2020 salaries and bonuses	-	-	-	-	678	-	-	678	678
for year 2021 salaries and bonuses	-	-	-	-	-	597	-	597	597
for year 2022 salaries and bonuses	-	-	-	-	-	-	575	575	575
<b>Total liability at 31 December 2023</b>	-	-	-	-	<b>678</b>	<b>597</b>	<b>575</b>	<b>1,850</b>	<b>1,850</b>

## 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 2023 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. SB Turto Fondas UAB (real estate management activities),
3. SB Lizingas UAB (consumer financing activities),
4. SB Asset Management UAB (fund management activities).

As of 31 December 2022 the Bank owned the following subsidiaries included in the prudential scope of consolidation (the Bank and four subsidiaries comprised the Financial group, all of the entities attributable to Financial Group operate in Lithuania):

1. Šiaulių Banko Lizingas UAB (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 2023		31 December 2022	
	Fin. Group	Bank	Fin. Group (restated)	Bank (restated)
<b>ASSETS</b>				
<i>Cash and cash equivalents</i>	743,733	742,969	383,834	383,518
<i>Securities in the trading book</i>	20,522	20,402	27,287	27,287
<i>Due from other banks</i>	3,013	3,013	2,733	2,733
<i>Derivative financial instruments</i>	241	241	897	897
<i>Loans to customers</i>	2,645,104	2,633,482	2,391,629	2,370,762
<i>Finance lease receivables</i>	286,533	286,451	242,448	242,192
<i>Investment securities at fair value</i>	74,500	74,382	90,225	90,225
<i>Investment securities at amortized cost</i>	739,869	739,869	956,332	956,332
<i>Investments in subsidiaries</i>	32,628	76,672	13,059	32,668
<i>Intangible assets</i>	41,919	8,149	6,450	6,450
<i>Property, plant and equipment</i>	15,116	14,702	15,777	15,525
<i>Investment property</i>	993	-	1,827	-
<i>Current income tax prepayment</i>	9	-	6	-
<i>Deferred income tax asset</i>	7,575	3,658	5,657	5,234
<i>Other financial assets</i>	7,780	8,289	5,815	5,620
<i>Other non-financial assets</i>	12,084	10,681	3,740	3,104
<i>Assets classified as held for sale</i>	150	150	150	150
<b>Total assets</b>	<b>4,631,769</b>	<b>4,623,110</b>	<b>4,147,866</b>	<b>4,142,697</b>
<b>LIABILITIES</b>				
<i>Due to other banks and financial institutions</i>	571,750	576,316	685,480	686,559
<i>Derivative financial instruments</i>	1,041	1,041	7,152	7,152
<i>Due to customers</i>	3,163,157	3,166,908	2,785,489	2,789,348
<i>Special and lending funds</i>	15,718	15,718	14,184	14,184
<i>Debt securities in issue</i>	276,480	276,480	171,231	171,231
<i>Current income tax liabilities</i>	6,412	6,412	4,336	4,036
<i>Deferred income tax liabilities</i>	6,125	-	1,463	-
<i>Other financial liabilities</i>	38,217	34,359	26,718	24,491
<i>Other non-financial liabilities</i>	8,386	1,435	7,548	1,685
<b>Total liabilities</b>	<b>4,087,286</b>	<b>4,078,669</b>	<b>3,703,601</b>	<b>3,698,686</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to owners of the Bank</b>				
<i>Share capital</i>	192,269	192,269	174,211	174,211
<i>Share premium</i>	25,534	25,534	3,428	3,428
<i>Treasury shares (-)</i>	(1,500)	(1,500)	-	-
<i>Reserve capital</i>	756	756	756	756
<i>Statutory reserve</i>	47,681	47,605	36,990	36,922
<i>Reserve for acquisition of own shares</i>	20,000	20,000	20,000	20,000
<i>Financial instruments revaluation reserve</i>	(5,426)	(5,426)	(8,111)	(8,111)
<i>Other equity</i>	1,603	1,209	2,287	1,917
<i>Retained earnings</i>	263,566	263,994	214,704	214,888
<b>Total equity</b>	<b>544,483</b>	<b>544,441</b>	<b>444,265</b>	<b>444,011</b>
<b>Total liabilities and equity</b>	<b>4,631,769</b>	<b>4,623,110</b>	<b>4,147,866</b>	<b>4,142,697</b>

**NOTE 31**  
**FINANCIAL GROUP INFORMATION (CONTINUED)**

**INCOME STATEMENT**

	2023		2022	
	Fin. Group	Bank	Fin. Group (restated)	Bank (restated)
<b>Continuing operations</b>				
Interest revenue calculated using the effective interest method	195,477	181,049	107,487	92,845
Other similar income	21,096	21,070	11,908	11,878
Interest expense and similar charges	(60,113)	(60,189)	(12,922)	(12,918)
<b>Net interest income</b>	<b>156,460</b>	<b>141,930</b>	<b>106,473</b>	<b>91,805</b>
Fee and commission income	28,642	28,968	26,419	27,239
Fee and commission expense	(8,207)	(8,114)	(7,507)	(7,409)
<b>Net fee and commission income</b>	<b>20,435</b>	<b>20,854</b>	<b>18,912</b>	<b>19,830</b>
Net gain from trading activities	5,481	5,358	8,975	8,973
Net gain (loss) from derecognition of financial assets	809	532	1,034	254
Net gain (loss) from disposal of tangible assets	864	97	810	514
Other operating income	881	2,096	1,667	1,496
Salaries and related expenses	(35,531)	(33,004)	(30,405)	(27,773)
Depreciation and amortization expenses	(5,386)	(5,126)	(4,580)	(4,403)
Other operating expenses	(30,569)	(25,557)	(21,390)	(17,095)
<b>Operating profit before impairment losses</b>	<b>113,444</b>	<b>107,180</b>	<b>81,496</b>	<b>73,601</b>
Allowance for impairment losses on loans and other assets	(15,509)	(8,059)	(5,409)	(3,691)
(Allowance for)/ reversal of allowance for impairment losses on other assets	286	-	464	(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	(2,471)	(4,267)	3,768	9,207
<b>Profit from continuing operations before income tax</b>	<b>95,750</b>	<b>94,854</b>	<b>80,319</b>	<b>79,116</b>
Income tax expense	(20,366)	(19,234)	(12,870)	(11,703)
<b>Net profit from continuing operations for the year</b>	<b>75,384</b>	<b>75,620</b>	<b>67,449</b>	<b>67,413</b>
Profit (loss) from discontinued operations, net of tax	-	-	-	-
<b>Net profit for the year</b>	<b>75,384</b>	<b>75,620</b>	<b>67,449</b>	<b>67,413</b>
Net profit attributable to:				
Owners of the Bank	75,384	75,620	67,449	67,413
From continuing operations	75,384	75,620	67,449	67,413
From discontinued operations	-	-	-	-
Non-controlling interest	-	-	-	-

**STATEMENT OF COMPREHENSIVE INCOME**

	2023		2022	
	Fin. Group	Bank	Fin. Group (restated)	Bank (restated)
<b>Profit for the year</b>	<b>75,384</b>	<b>75,620</b>	<b>67,449</b>	<b>67,413</b>
<b>Other comprehensive income (loss):</b>				
Items that may be subsequently reclassified to profit or loss:				
Financial assets valuation gains taken to other comprehensive income	716	716	(9,554)	(9,554)
Financial assets valuation result transferred to profit or loss	2,640	2,640	161	161
Deferred income tax on gain (loss) from revaluation of financial asset	(671)	(671)	1,879	1,879
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	-	-	-	-
<b>Other comprehensive income (loss), net of deferred tax</b>	<b>2,685</b>	<b>2,685</b>	<b>(7,514)</b>	<b>(7,514)</b>
<b>Total comprehensive income</b>	<b>78,069</b>	<b>78,305</b>	<b>59,935</b>	<b>59,899</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of the Bank	78,069	78,305	59,935	59,899
Non-controlling interest	-	-	-	-
	78,069	78,305	59,935	59,899

**NOTE 31**  
**FINANCIAL GROUP INFORMATION (CONTINUED)**

**STATEMENT OF CASH FLOWS**

	31 December 2023		31 December 2022	
	Fin. Group	Bank	Fin. Group (restated)	Bank (restated)
<b>Operating activities</b>				
Interest received on loans and advances	177,561	163,133	105,950	91,308
Interest received on finance leases	18,678	18,652	9,573	9,543
Interest received on debt securities in the trading book	1,741	1,741	1,388	1,388
Interest paid	(29,587)	(29,633)	(10,502)	(10,434)
Fees and commissions received	28,642	28,968	26,419	27,239
Fees and commissions paid	(8,207)	(8,114)	(7,507)	(7,409)
Net cash inflows from trade in securities in the trading book	1,725	1,602	(11,840)	(11,842)
Net inflows from foreign exchange trading	6,975	6,975	9,511	9,511
Net inflows from derecognition of financial assets	809	532	1,034	254
Net inflows from disposal of tangible assets	864	97	810	514
Cash inflows related to other activities of Group companies	882	2,096	1,667	1,496
Recoveries on loans previously written off	210	208	402	237
Salaries and related payments to and on behalf of employees	(33,677)	(31,150)	(30,111)	(27,479)
Payments related to operating and other expenses	(30,631)	(25,557)	(21,452)	(17,095)
Income tax (paid)	(17,563)	(16,200)	(10,851)	(9,796)
<b>Net cash flow from operating activities before change in operating assets and liabilities</b>	<b>118,422</b>	<b>113,350</b>	<b>64,491</b>	<b>57,435</b>
<b>Change in operating assets and liabilities:</b>				
Decrease in due from other banks	(280)	(280)	(1,537)	(1,537)
Increase in loans to customers	(256,841)	(263,910)	(481,227)	(475,433)
Increase in finance lease receivable	(47,511)	(47,685)	(48,600)	(48,609)
Decrease (increase) in other financial assets	8,622	(2,669)	10,587	10,651
Decrease (increase) in other non-financial assets	860	9,743	10,707	2,089
Increase in due to banks and financial institutions	(128,349)	(124,862)	(16,244)	(18,876)
Increase in due to customers	361,761	361,653	106,253	107,730
Increase (decrease) in special and lending funds	1,534	1,534	7,517	7,517
Increase (decrease) in other financial liabilities	12,620	10,203	786	1,180
Increase (decrease) in other non-financial liabilities	(13,910)	(3,155)	(8,046)	(2,289)
<b>Change</b>	<b>(61,494)</b>	<b>(59,428)</b>	<b>(419,804)</b>	<b>(417,577)</b>
<b>Net cash flow from operating activities</b>	<b>56,928</b>	<b>53,922</b>	<b>(355,313)</b>	<b>(360,142)</b>
<b>Investing activities</b>				
(Acquisition) of property, plant and equipment, investment property and intangible assets	(7,393)	(7,299)	(3,184)	(3,132)
Disposal of property, plant and equipment, investment property and intangible assets	3,796	2,215	1,916	1,559
(Acquisition) of investment securities at amortized cost	(64,157)	(64,157)	(396,538)	(396,538)
Proceeds from redemption or sale of investment securities at amortized cost	279,209	279,209	130,244	130,244
Interest received on investment securities at amortized cost	9,777	9,777	8,178	8,178
Dividends received	14	10,014	24	5,724
(Acquisition) of investment securities at fair value	547	-	(36,665)	(37,275)
Sale or redemption of investment securities at fair value	16,824	16,824	8,986	8,986
Interest received on investment securities at fair value	758	758	1,208	1,208
Business acquired net of cash acquired during transaction	16	551	-	-
Establishment of subsidiaries	16	-	(100)	(100)
Increase in share capital of subsidiaries in cash	16	(13,206)	(17,706)	-
<b>Net cash flow from (used in) investing activities</b>	<b>226,720</b>	<b>229,235</b>	<b>(285,931)</b>	<b>(281,146)</b>
<b>Financing activities</b>				
Payment of dividends	(15,909)	(15,909)	(20,382)	(20,382)
Acquisition of own shares	(3,368)	(3,368)	(1,557)	(1,557)
Interest on debt securities in issue	(2,905)	(2,905)	(2,015)	(2,015)
Issue of debt securities	100,000	100,000	85,000	85,000
Redemption of debt securities issued	-	-	-	-
Principal elements of lease payments	(1,567)	(1,524)	(1,128)	(1,089)
<b>Net cash flow (used in) from financing activities</b>	<b>76,251</b>	<b>76,294</b>	<b>59,918</b>	<b>59,957</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>359,899</b>	<b>359,451</b>	<b>(581,326)</b>	<b>(581,331)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>383,834</b>	<b>383,518</b>	<b>965,160</b>	<b>964,849</b>
<b>Cash and cash equivalents at 31 December</b>	<b>743,733</b>	<b>742,969</b>	<b>383,834</b>	<b>383,518</b>

**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
<b>31 December 2021</b>	<b>174,211</b>	<b>3,428</b>	<b>(516)</b>	<b>756</b>	<b>(597)</b>	<b>21,770</b>	<b>10,000</b>	<b>3,242</b>	<b>195,506</b>	<b>407,800</b>
<i>Impact of change in accounting principles</i>	-	-	-	-	-	-	-	-	(2,607)	(2,607)
<b>1 January 2022</b>	<b>174,211</b>	<b>3,428</b>	<b>(516)</b>	<b>756</b>	<b>(597)</b>	<b>21,770</b>	<b>10,000</b>	<b>3,242</b>	<b>192,899</b>	<b>405,193</b>
<i>Transfer to/from statutory reserve</i>	-	-	-	-	-	15,220	-	-	(15,220)	-
<i>Transfer to/from share acquisition reserve</i>	-	-	-	-	-	-	10,000	-	(10,000)	-
<i>Acquisition of own shares</i>	-	-	(1,557)	-	-	-	(234)	-	-	(1,791)
<i>Share-based payment</i>	-	-	2,073	-	-	-	234	(955)	1	1,353
<i>Payment of dividends</i>	-	-	-	-	-	-	-	-	(20,425)	(20,425)
<i>Total comprehensive income</i>	-	-	-	-	(7,514)	-	-	-	67,449	59,935
<i>Net profit</i>	-	-	-	-	-	-	-	-	67,449	67,449
<i>Other comprehensive income</i>	-	-	-	-	(7,514)	-	-	-	-	(7,514)
<b>31 December 2022</b>	<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>(8,111)</b>	<b>36,990</b>	<b>20,000</b>	<b>2,287</b>	<b>214,704</b>	<b>444,265</b>
<i>Transfer to statutory reserve</i>	-	-	-	-	-	10,691	-	-	(10,691)	-
<i>Transfer to reserve for acquisition of own shares</i>	18,058	22,106	-	-	-	-	-	-	-	40,164
<i>Acquisition of own shares</i>	-	-	(3,368)	-	-	-	-	-	-	(3,368)
<i>Share-based payment</i>	-	-	1,868	-	-	-	-	(684)	88	1,272
<i>Payment of dividends</i>	-	-	-	-	-	-	-	-	(15,919)	(15,919)
<i>Total comprehensive income</i>	-	-	-	-	2,685	-	-	-	75,384	78,069
<i>Net profit</i>	-	-	-	-	-	-	-	-	75,384	75,384
<i>Other comprehensive income</i>	-	-	-	-	2,685	-	-	-	-	2,685
<b>31 December 2023</b>	<b>192,269</b>	<b>25,534</b>	<b>(1,500)</b>	<b>756</b>	<b>(5,426)</b>	<b>47,681</b>	<b>20,000</b>	<b>1,603</b>	<b>263,566</b>	<b>544,483</b>

**COMPLIANCE WITH PRUDENTIAL REQUIREMENTS**

During the years ended 31 December 2023 and 31 December 2022, the Financial group and the Bank complied with prudential requirements to which it was subject.

**NOTE 32**  
**EVENTS AFTER BALANCE SHEET DATE**

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

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

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

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



# CONSOLIDATED ANNUAL REPORT FOR 2023

31 December 2023

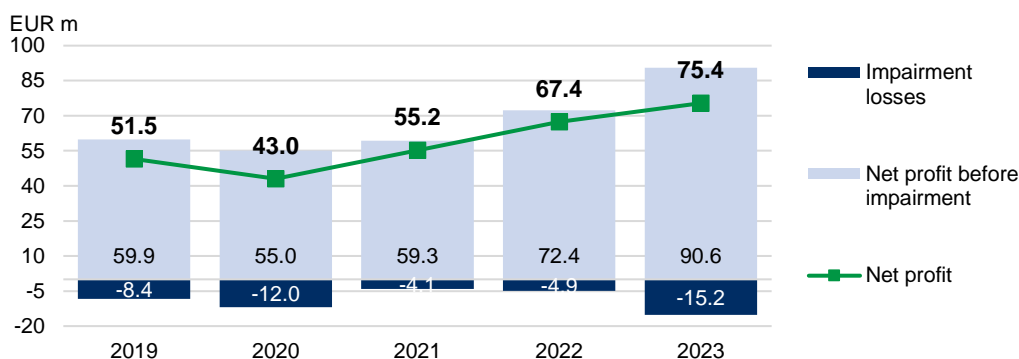
Tilžės 149, LT-76348 Šiauliai  
Tel. (8 41) 595 607, faks. (8 41) 430 774  
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The consolidated report of Šiaulių Bankas AB (hereinafter — the Bank) covers the period 01 January 2023 to 31 December 2023. From 1 January 2023 Group is applying new accounting standard IFRS 17 Insurance contracts. This standard was applied retrospectively, had impact on comparable figures therefore figures for 2022 were restated.

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

## ANNUAL ACTIVITY RESULTS

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



### Overview of the key performance indicators

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

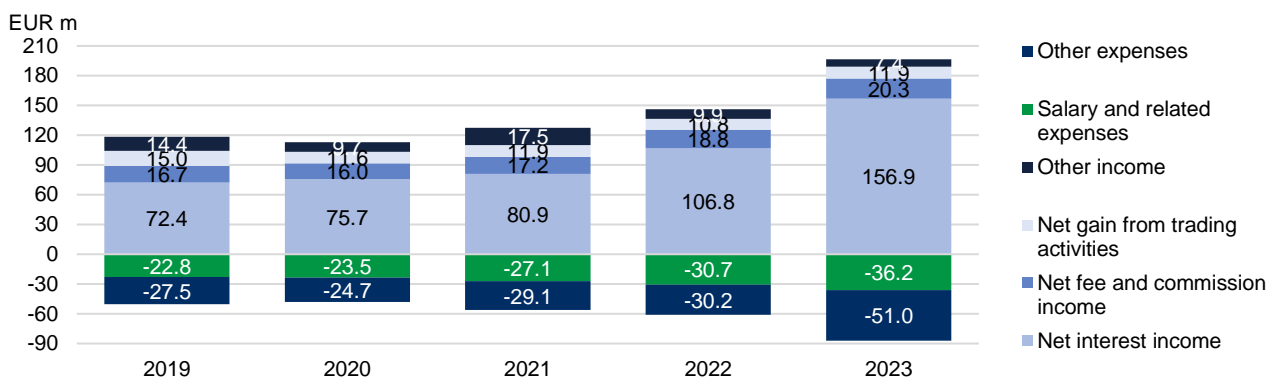
Last year was a strong starting point for the implementation of the updated 2024–2029 strategy of Šiaulių Bankas Group, which sets us on the path to become the best bank in Lithuania,” says Vytautas Sinius, CEO of Šiaulių Bankas.

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

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

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

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



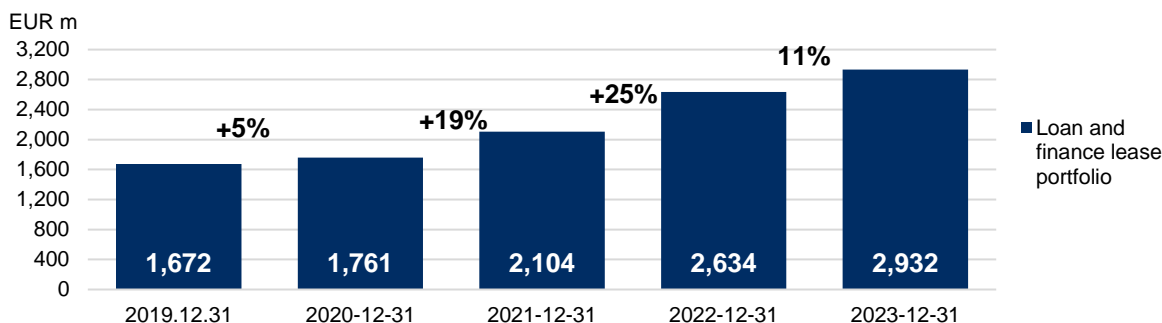
Šiaulių Bankas maintained high operational efficiency – the Group’s cost-to-income ratio (excluding the impact of client portfolio of SB Draudimas) was 41.7% (43.4% in 2022) and return on equity – 15.5% (16.1% in 2022). Capital and liquidity position remains sound and prudential regulations are met with the solid buffers.

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

**Overview of Business Segments**

*Business and Private Clients Financing*

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



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

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

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

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

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

### Daily Banking

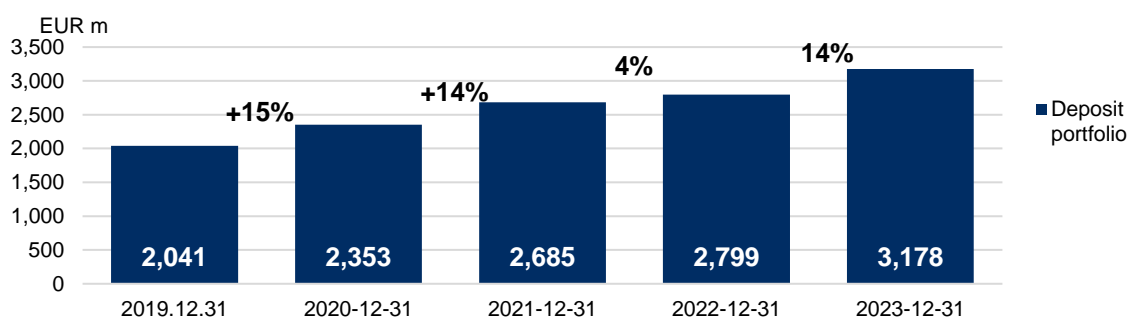
In Q4 2023, 7.1 thousand new private and business clients started using the Bank's services, and since the beginning of the year, more than 30 thousand have joined the Bank. The number of active clients of Šiaulių Bankas at the end of the year exceeded 180 thousand. Following the merger of the retail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

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

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

### Saving and Investing

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



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

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

## REGARDING EXTERNAL ENVIRONMENT FACTORS

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

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

and procedures for complying with the sanctions for clients and payments are under considerable scrutiny, which may in some cases lead to longer process time.

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

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

## RATINGS

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

## 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 2023.

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

### The main financial indicators of the Group:

	31/12/2019	31/12/2020	31/12/2021	31/12/2022 (restated)	31/12/2023
ROAA, %	2.1	1.5	1.6	1.7	1.7
ROAE, %	17.6	12.7	14.3	16.1	15.5
Cost to income ratio, %	42.5	42.7	44.1	41.7	43.5
Cost to income ratio (adjusted due to the impact of the SB draudimas clients' portfolio), %	40.8	42.9	42.8	43.4	41.2
Loan to deposit ratio, %	82.2	75.0	78.6	94.6	92.7

At the end of Q4 2023 MREL requirement at Financial group level approved in February, 2023 were effective, including the following MREL requirements that shall be met by 1 January 2024:

- The minimum requirement for own funds and eligible liabilities of the resolution entity with which the Financial group shall comply is 21.49% of total risk exposure (MREL-TREA) and 7.16% of leverage ratio exposure (MREL-LRE);
- Subordinated instruments shall comprise 13.50% of total risk exposure (MREL-TREA, subordinated) and 5.99% of leverage ratio exposures (MREL-LRE, subordinated).

To ensure a linear build-up of own funds and eligible liabilities towards the requirements the supervisory authorities set intermediate targets. For 31 December 2023, such targets comprise MREL-TREA of 15.43% and MREL-LRE of 5.89%, subordinated MREL-TREA of 13.50% and subordinated MREL-LRE of 5.79%. The levels of MREL requirements are revised by the supervisory authorities of the bank each year.

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

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

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

achieve an efficient capital structure, to meet the requirements of the supervisory authority and to maintain the continuity of its dividend policy.

Data on indicators are also available on the website of Šiaulių Bankas:

- on operating profitability indicators:

[Homepage](#) › [Bank Investors](#) › [Financial Information](#) › [Profitability Ratios](#)

- prudential requirements:

[Homepage](#) › [Bank Investors](#) › [Financial Information](#) › [Prudential Standards](#)

- the description of alternative performance indicators:

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

## ACTIVITY PLANS AND FORECASTS

In 2023, the Bank Group expanded its range of services through the merger of retail businesses: in addition to the existing financial services, it manages second and third tier pension and investment funds in Lithuania, and has expanded its business of life insurance services. Taking into account all the circumstances and assumptions of future scenarios, the Bank's mission and vision were updated and the Group's strategy for 2024-2026 was updated.

In renewing the Bank's mission, we have sought to consolidate and easily express our inherent purpose. As a bank with Lithuanian roots, we have been building on our bold and provocative character since our founding day and are even more firmly articulating our core purpose - our mission is **Banking that empowers**. We understand and create modern banking as progressive, close, human, nurturing and, above all, allowing to make dreams come true.

During this strategic planning exercise, we have also renewed our focus on the vision, which includes perspectives on customer relationship, reputation and visibility, and the bank's performance. Our vision - **A bank one wants to grow with**. For us, this means realising our ambition to be a bank that is loved and recognised by our customers, employees, and investors, and that encourages (and helps) financial and professional growth.

### Strategic ambition and objectives

Having identified a longer-term vision for the Bank, we also looked for a way to express an intermediate, ambitious goal of bringing together the entire, newly created organisation after the merger of the retail businesses. To this end, we have set ourselves the ambitious goal of becoming the **Best Bank in Lithuania by 2029**. Achievements (desired results) that detail this ambition:

- **From a customer perspective, to become No.1 in customer satisfaction in the banking sector;**
- In terms of **growth**, to grow faster than the market in terms of number of active clients and loan portfolio;
- **From an employee's perspective, the goal is to become a TOP3 employer in the financial sector;**
- **In terms of awareness, to become the first brand in the minds of consumers in the banking sector;**
- **From the investors' perspective, to deliver a 20% rate of return to investors.**

### Strategic areas and objectives

In line with the Bank's business context, assumptions and market potential identified at the time of strategy development, and its stated ambition and objectives, the Bank's strategy is shaped in three horizontal (cross-functional) and four vertical areas:

The **horizontal strategic areas** are essential and fundamental elements for the realisation of this strategy, without which the strategic objectives would be impossible to achieve or would be fundamentally changed:

- Compliance assurance, risk management and ESG implementation;
- Changing the technology platform;
- Preparation for Rebranding.

The **vertical strategic areas** are breakthrough perspectives – Customer, Employee, Public, Investor perspective.

Summarising the Bank's planned strategic period 2024-2026, it is necessary to emphasise that, taking into account market trends, changing customer expectations, intensifying competitive environment, the Bank's strengths and weaknesses and other factors relevant to the Bank's operations, this phase is considered to be a period of fundamental transformation for the Bank.

## AUTHORIZED CAPITAL, SHAREHOLDERS

As of 31 December 2023, the authorized capital of the Bank totalled to EUR 192,269,027.34 and is divided into 662,996,646 units of ordinary registered shares with a nominal value of EUR 0.29 each (ISIN LT0000102253 Nasdaq CSD Lithuanian branch). The Charter of the Bank were registered in the Register of Legal Entities on 15 December 2023 after the last increase of the authorized capital by additional contributions.

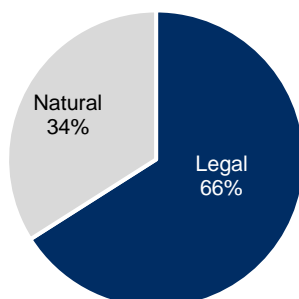
The rights granted by the Bank's shares are specified in the Bank's Charter, which is available on the Bank's website at:

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

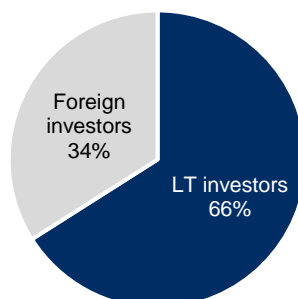
<b>Authorized capital:</b>	<b>14/09/2015</b>	<b>26/05/2016</b>	<b>06/06/2017</b>	<b>01/06/2018</b>	<b>13/12/2018</b>	<b>15/12/2023</b>
<i>Capital, EUR</i>	91,226,381.99	109,471,658.33	131,365,989.88	157,639,187.74	174,210,616.27	192,269,027.34

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

**Shareholders by type**



**Shareholders by residence**



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

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

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

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

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

Restrictions on transfer of securities apply. The retention period for the Shares applies after the Vesting of the Share Units, i.e. for one year from the Vesting of the Shares, the Designated Employee may not alienate, pledge, hypothecate, encumber or otherwise dispose of the 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.

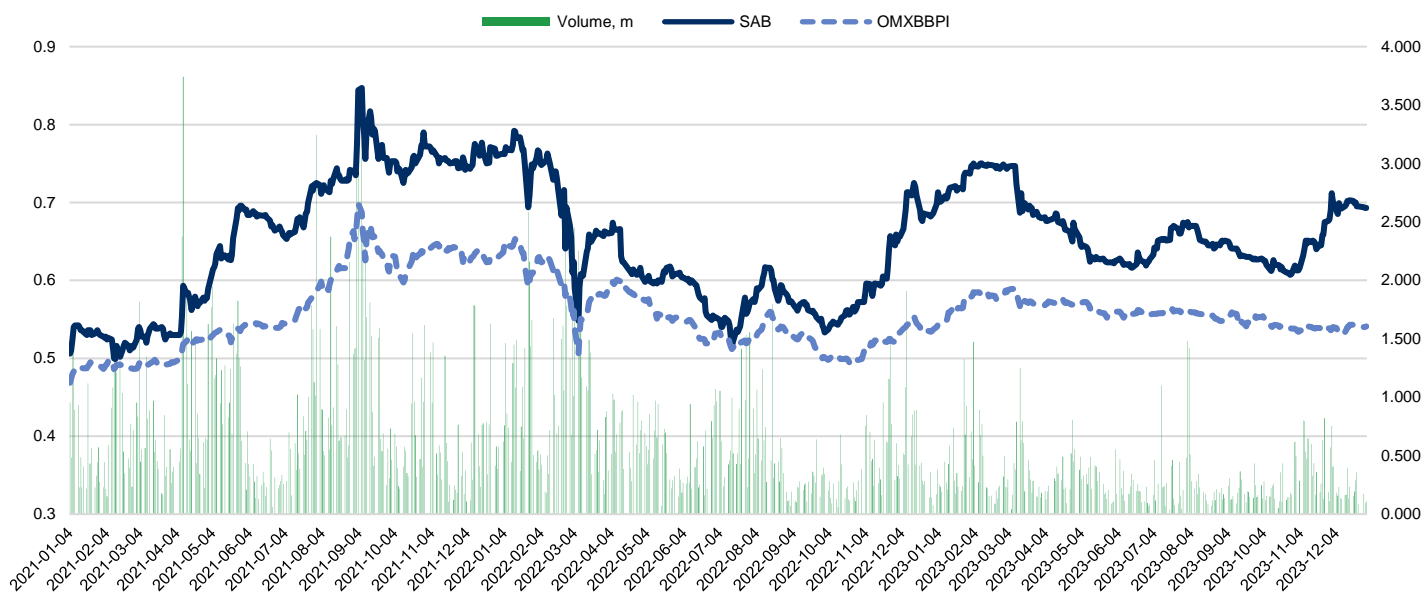
Shares are granted to employees whose activities involve significant risk under continuing Employee option agreements.

**Information on shares:**

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

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

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



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

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

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

**ACQUISITION OF OWN SHARES**

In November 2023, the Bank purchased 2,272,571 of its own shares for EUR 1,499,896.86. The purpose of share acquisition - granting shares to the employees of the Bank and the Bank's subsidiaries. As at 31 December 2023, the Bank had 2,272,571 units of its own shares.

**DIVIDENDS**

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

the above-mentioned principles and assumptions, the Bank shall seek to allocate at least 25 per cent of the earned annual profit to dividends.

The General Meeting of Shareholders held on 31 March 2023 decided on the allocation of the Bank's profits. The profit allocation included EUR 15.9 million for dividends, representing 25% of the net profit for 2022. Dividends of EUR 0.0265 per ordinary registered share with a nominal value of EUR 0.29.

**Information on the dividends paid:**

	2018	2019	2020	2021	2022
<i>Per cent from nominal value</i>	10	-	1.90	11.72	9.14
<i>Dividend amount per share, Eur</i>	0.029	-	0.0055	0.034	0.0265
<i>Dividend amount, Eur</i>	17,421,064	-	3,303,994	20,424,693	15,919,246
<i>Yields from dividends, %</i>	6.2	-	1.1	4.5	3.9
<i>Dividends to Group net profit, per cent</i>	33.0	-	7.7	37.0	25.0

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

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

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

## 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 2023.

**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 2023.

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

**The Bank's Supervisory Council, whose term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024, composition and other information for 31/12/2023 date was:**

<i>Name, Surname</i>	<i>Duties at the Supervisory Council</i>	<i>Other current leading positions</i>	<i>Share of capital under the right of ownership, % (31/12/2023)</i>	<i>Share of votes together with the related persons, % (31/12/2023)</i>
<i>Valdas Vitkauskas</i>	Independent member since 2022 Chairman since 05/08/2022	-	-	-
<i>Gintaras Kateiva</i>	Member since 2008	LITAGRA UAB 304564478 Savanorių pr. 173, Vilnius (Chairman of the Board)	4.87	4.89*
<i>Ramunė Vilija Zabulienė</i>	Independent members since 2012	-	-	-

<i>Darius Šulnis</i>	Member since 2016	Invalda INVL AB 121304349 Gynėjų str. 14, Vilnius (CEO); INVL Asset Management UAB 126263073 Gynėjų str. 14, Vilnius (Chairman of the Board), LITAGRA UAB 304564478 Savanorių pr. 173, Vilnius (Board member); FERN Group 306110392 Granito str. 3-101, Vilnius (Chair of the Supervisory Council)	-	-
<i>Miha Košak</i>	Independent member since 2017		-	-
<i>Susan Gail Buyske</i>	Independent member since 2020	SA Advans SICAR (Non-executive director) UAB „Hostinger“ 302710386 Jonavos str. 60C, Kaunas (Board member) Tesonet global, UAB 305475420 Švitrigailos str. 36, Vilnius (Board member and CEO ) 360 IT, UAB 304368853 Švitrigailos str. 36, Vilnius (CEO) Tesonet Ventures, UAB 305600105 Švitrigailos str. 36, Vilnius (CEO) Hypervisor X, UAB 305449429 Švitrigailos g. 36, Vilnius (CEO) Nord Security Grupė (Board member and CEO) VU TSPMI Board of Trustees Vokiečių str. 10, Vilnius (member of the Board of Trustees)	-	-
<i>Tomas Okmanas</i>	Independent member since 02/02/2023		-	-
<i>Mindaugas Raila</i>	Member since 18/01/2023	Willgrow UAB, 302489393 Vilniaus g. 18, Vilnius (Chairman of the Board)	-	7.07**

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

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

The Board of the Bank is a collegial management body of the Bank consisting of 7 members. 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.

More information on the functions of the Board is provided in the annex "Governance Report" to the consolidated annual report for 2023.

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

**The Bank's Board, whose term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024, composition for 31/12/2023 date was:**

Name, Surname	Duties at the Board	Other current leading positions at the Bank	Share of capital under the right of ownership, % (31/12/2023)	Share of votes together with the related persons, % (31/12/2023)
<i>Vytautas Sinius</i>	Chairman since 19/08/2022	Chief Executive Officer	0.27	0.27
<i>Donatas Savickas</i>	Deputy Chairman since 1995	Deputy Chief Executive Officer, Head of Finance Division	0.13	0.13
<i>Daiva Šorienė</i>	Member since 2005	Deputy Chief Executive Officer, Head of Corporate Clients Division	0.05	0.05
<i>Mindaugas Rudys</i>	Member since 2020	Head of Service Development Division	0.06	0.06
<i>Algimantas Gaulia</i>	Member since 2021	Head of Risk Management Division	0.01	0.01
<i>Agnė Dukšienė</i>	Member since 08/05/2023	Head of the Legal, Compliance and Prevention Division	-	-

The Bank has an approved Diversity Policy, which, among other principles establishes the principle of increasing the number of the under-represented gender in the Bank's management / supervisory bodies. It has also been established that the Bank effectively and consistently pursues increasing the gender balance in the Bank's management / supervisory 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.

As of 31 December 2022, the Board consisted of 6 out of 7 members. 31 December 2023 percentage of under-represented gender – 33,3 percent, which is calculated based on the number of the members of the Bank's Board who actually held office at this day.

The composition of the members of the Bank's Supervisory Council in 2023 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.

Diversity of members of the Bank's bodies\*:

<b>MEMBERS OF THE MANAGEMENT BOARD:</b>				
Gender	Age range	Education	Professional experience	Geographic diversity

2 women 4 men	Age range 30 – 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, law	Experience of the members of the supervisory / management bodies 27 – up to 1 years.	Lithuania: Vilnius, Kaunas, Šiauliai
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\* Data on the diversity of the members of the Board are presented by evaluating only the members of the Board who actually held office on December 31, 2023

**MEMBERS OF THE SUPERVISORY COUNCIL:**

Gender	Age range	Education:	Professional experience	Geographic diversity
2 women 6 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 - 5 years.	Lithuania, Bulgaria / USA, Slovenia / Great Britain

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

Information on the committee members as of 31 December 2023:

**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** shall address the matters related with improving of the internal control system of the Bank and work improvement of the internal audit subdivision, shall ensure independence of performance of the internal audit subdivision, organize the selection of an external audit firm, co-ordinate allocation of the auditable fields between the internal and external auditors, consider other matters provided for in the legal acts of supervision authorities and regulations of the audit committee. In compliance with the legal acts of supervisory authorities, the audit committee shall be formed, its competence and performance shall be defined, regulations approved and performance supervised by the 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** shall nominate and recommend, for the approval of the bodies of the Bank or for the approval of the General Meeting of Shareholders, candidates to fill the vacancies in the Bank's bodies, shall evaluate the balance of the skills, evaluate the target number of the underrepresented gender within the Bank's bodies, knowledge and experience of the members of the bodies of the Bank and suitability for the position, shall submit respective comments and findings, shall assess the structure, size, composition, performance results and shall carry out other functions provided for in its regulations.

	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** shall assess the variable remuneration policy, practices and incentives established for the management of the Bank's risks, capital and liquidity, supervise the independent control functions including remuneration to managers in charge of risk management and compliance function, draft resolutions on variable remuneration, advise the Council on the gender neutrality of remuneration policies and perform other functions provided for in its regulations.

	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 2023:

**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>	Dominykas Gesevičius	Director of Corporate Clients management Department
	Denis Zubovas	Director of Credit Risk Management and Control Department
	Ramūnas Dešukas	Director of the Special Assets Department
	Aurelija Geležienė	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 Dukšienė	Head of Legal, Compliance and Prevention Division
	Edas Mirijauskas	Director of Credit Department
	Donatas Savickas	Head of Finance Division
	Daiva Šorienė	Head of Corporate Clients Division
	Denis Zubovas	Director of Credit Risk Management & Control Department

**The Asset and Liability Management Committee's main purpose** is to ensure sustainable management of the Bank's and its subsidiaries assets, liabilities, and capital, implementing the Bank's Group strategic business plan.

	Name, surname	Position
<i>Chairman</i>	Donatas Savickas	Head of Finance Division
<i>Deputy</i>	Tomas Varenbergas	Head of Investments Management Division
<i>Members:</i>	Dalia Udrienė	Director of Risk Department
	Algimantas Gaulia	Head of Risk Management Division
	Mantas Valukonis	Head of Financial Risk Management Unit
	Kristina Lazdauskė	Director of Management Reporting & Planning Department
	Mantas Lapinskas	Group Head of Financial Markets Department

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

	Name, surname	Position
<i>Chairman</i>	Ramūnas Dešukas	Director of the Special Assets Department
<i>Deputy</i>	Aušra Laurinavičienė	Head of Debt Recovery Unit
<i>Members:</i>	Daiva Šorienė	Head of Corporate Clients Division
	Jūratė Koveckė	Credit Officer of Credit Risk Management and Control Department
	Edas Mirijauskas	Director of Credit Department
	Justina Stuknienė	Head of Asset Restructuring & Realization Unit
	Asta Rasiulienė	Deputy Director of the Special Assets Department

## INTERNAL CONTROL ASSESSMENT

The risk management and internal control process in the Bank is based on a three-level defense model. The first level of defense includes the entire risk management activities of the Bank group, carried out directly by the units serving customers and their managers. The second level of defense in the Bank is ensured by the Bank's Risk Management Division units and employees performing risk control functions and Compliance assurance and risk control functions. In the Bank group's companies, this involves the Bank group's company branches and employees working in risk management, compliance, and actuarial functions. The third level of defense is carried out by the Internal Audit Division, which conducts periodic independent audits of the Bank group's governance and internal control.

In 2023, the Internal Control Organization Procedure was updated, which now regulates the objectives and principles of internal control, the structure of the internal control system, its elements, and their implementation organization on the Bank group's scale. The Bank group continues to pay special attention to fostering a culture of risk management and compliance, as well as strengthening the second line of defense, during which Risk Control and Compliance Management were reinforced.

## EXTERNAL AUDIT

In 2023, 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).

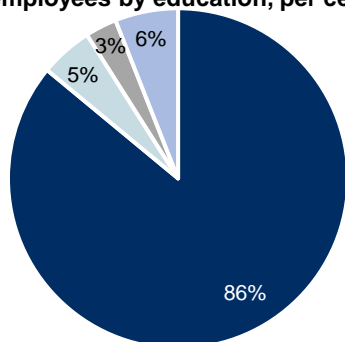
The General Meeting of Shareholders of the Bank held on 31 March 2022 adopted a resolution to elect KPMG Baltics UAB for auditing the consolidated annual financial statements of the Bank for 2022 and 2023 and the consolidated annual report.

<i>EUR thou (excluding VAT costs)</i>	Group		The Bank	
	2023	2022	2023	2022
<i>Contractual auditing of financial statements</i>	360	183	114	104
<i>Cost for assurance and other related services</i>	60	72	60	72
<i>Costs for tax advice issues</i>	-	-	-	-
<i>Costs for other services</i>	-	-	-	-
<b>Total</b>	<b>420</b>	<b>255</b>	<b>174</b>	<b>176</b>

## EMPLOYEES

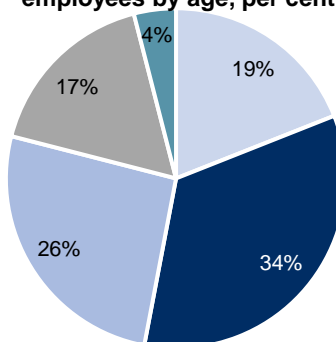
On 31 December 2023, the Bank had 981 employees and the Group – 1137 employees (working under fixed-term and open-ended employment contracts, including employees on maternity and parental leave). Compared to 31 December 2022, the number of employees in the Bank increased by 20.1 per cent and in the Group – by 25.2 per cent. On 31 December 2023, there were 78.6% women and 21.4% men working in the Group. Like last year, the proportion remained similar, with a slight increase in the number of male employees.

**Distribution of the Group's employees by education, per cent**



- Higher
- Post-secondary
- Professional
- Secondary

**Distribution of the Group's employees by age, per cent**



- < 30 years
- 31-40 years
- 41-50 years
- 51-60 years
- >61 years

### Personnel strategy

In view of the newly approved business strategy of Šiaulių Bankas for 2024–2029, the ambitions and aspirations of investors, the potential of existing employees and the unique position in the financial sector – the freedom to develop and influence solutions – the personnel management strategy over the next six years will focus on the development of professional growth opportunities as we aim to become the best place for professional growth in the financial sector in Lithuania.

## Employee relations

The Bank maintains long-term employment relationships with its employees. On 31 December 2023, 26.8 per cent of the Bank's employees had a seniority of 10 and more years. In 2023, the overall employee turnover in the Bank was 9.8% (12.52% in 2022).

At the initiative of the Bank Group, employees are granted additional leave for continuous service within the Bank Group. This leave is granted after one (1) year of service in the Bank Group and is cumulative (1 day after 1 year, 2 days after 2 years, 3 days after 3 years, 4 days after 4 years, 5 days after 5 years or more). These leave days are accumulated and carried over to the following year, but in the event of termination of employment, the balance of unused leave is not compensated. Employees may take these additional days of leave when they have accumulated less than 30 days of annual leave.

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 actively 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. Elections for a new Labour Council are scheduled for 2024.

## 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. The Performance Measurement System allows 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 2023, the Bank conducted an anonymous comprehensive engagement survey for the fourth 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 68 questions and was completed by 92% of the Bank's employees. Throughout the past year, 2023, we have been implementing the activities and initiatives provided for in the Bank's action plan; therefore, we have managed to keep the results of the survey on manager empowerment, trust, job satisfaction and cooperation high. The results were presented to managers and all employees. In the assessment of the results of the 2023 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 2024, 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.** In 2023, we continued to conduct these surveys for all employees. Pulse survey is an instant feedback measurement tool that measures employee job satisfaction and how they feel in the team on a regular basis (monthly), 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.** As the war in Ukraine continues and the organisation undergoes a change due to the merger of two businesses, the Bank continued to focus on strengthening the emotional health of its staff in 2023. In January, all Bank employees were invited to join the *How to Tame Stress in 28 Days* programme. The programme was designed to further explore what emotional health is and how we can all take care of it. The Šiaulių Bankas Academy also presented the *Resilience to Uncertainty* e-training course for all employees, which teaches that today uncertainty is the only reality we know, and the key to security is the ability to live with it. It has become essential to be able to cope with difficulties and surprises, to maintain stability and a positive relationship with the environment.

We have also included psychological counselling in the employee health insurance, as we did last year. In the summer, we encouraged employees to stay active by inviting everyone to take part in a step challenge to walk around Lithuania as many times as possible, and in September, we invited everyone to participate in the National Mobility Challenge, organised on the initiative of the President of Lithuania. In October and November 2023, the Bank organised a weekly lecture series *Good Morning, Teammates!*, where we had as many as 7 different lectures on different topics for the staff, ranging from a lesson on how to do the mobility exercises that are so necessary for every sedentary employee, to nutritional recommendations, the awareness of personal leadership and laughter yoga. In December, we had a number of Christmas initiatives, with Christmas events for staff and their children, and gifts for everyone. We also encourage teams of Bank employees to organise joint activities each year and allocate a budget for this.

### Organisational structure

In 2023, in preparation for the merger of the retail businesses of the Bank and Invalda INVL, the Bank's organisational structure was revised. To increase synergies and efficiency among the Bank's units, the activities of related functions have been reviewed, optimised, refined and concentrated in the Bank's relevant divisions and units. To this end, the following structural changes have been implemented in the Bank's business units:

- as part of the streamlining of the activities of the Business Development Division's departments to ensure that all daily banking product administration and transaction execution functions are carried out in a single unit, the interbank payment execution functions of the Financial Institutions and Settlements Department have been transferred to the Operations Department, which carries out similar administration and transaction execution functions for other daily banking products. To this end, the Financial Institutions and Settlements Department was dissolved and the functions of managing correspondent relationships with financial institutions, the processes of setting limits for financial institutions, the processes of managing the SWIFT services and granting access rights for Bank staff to work with the SWIFT system were transferred to a group within the Business Development Division;
- as part of the concentration of operational functions, the Financial Services Accounting Department, with all its functions, has been transferred from the Finance Division to the Business Development Division, and the Credit Administration Division under the Credit Department, with all its functions, has been transferred to the Operations Department.

In September 2023, as part of the merger of the retail businesses of the Bank and Invalda INVL, a new organisational structure of the Bank was approved, enabling the concentration of corporate clients, private clients, investment management functions and units into separate divisions. The new structure is based on the product house principle, where sales and customer service units are separated from product development and support units. An Investment Management Division has been set up, and sales activities are to be organised through client segments and their dedicated services – the Corporate Clients Division and the Private Clients Division. The activities of the subsidiaries SB Asset Management UAB and SB Draudimas UAB GD, which were necessary for the development of individual products, were directed solely towards activities related to product development and support. In general, sales of all products and customer service are to be organised through the Bank's sales units, while support functions such as IT, HR, legal, marketing and communication, data management, asset management and administration, customer experience management, etc. are to be provided centrally through the Bank's relevant divisions or units. To ensure the implementation of the envisaged organisational change, the following structural changes have been implemented for the Bank's units:

- the Sales and Marketing Division has been dissolved and the units under its authority have been transferred to the newly created divisions.
- a new Corporate Clients Division has been set up. Existing and newly established units were placed under the authority of the newly created Corporate Clients Division:
  - the Clients Experience Management Department with its functions, which was previously part of the Sales and Marketing Division;
  - the Leasing Department with its functions, which was previously part of the Sales and Marketing Division;
  - the Special Assets Department with its subordinate Asset Restructuring and Realization Unit and Debt Recovery Unit, with their respective functions, which were previously part of the Risk Management Division;
  - the Credit Department and the subordinate Regional Lending Division, with their respective functions, which were previously part of the Business Development Division;
  - a new Corporate Client Management Department has been established, which is responsible for developing the portfolio of services for corporate clients according to the needs of the corporate client segments in cooperation with other units of the Bank, for improving the efficiency of corporate client service processes, and for setting and controlling the objectives of the business units working with corporate clients.
- a new Private Clients Division has been set up. Existing, reorganised and newly established units were placed under the authority of the newly created Private Clients Division:
  - the Sales, Marketing and Communication Department has been reorganised as the Marketing and Communication Department. The functions of the Sales, Marketing and Communication Department relating to marketing, communications and the administration of the Bank's website were transferred to the Marketing and Communication Department;
  - the existing Remote Clients Service Centre with all its functions;
  - a new Private Clients Services Department has been set up, with subordinate Personal Financial Services and External Channel Coordination Units, whose activities include services to private clients (including basic services to corporate clients, as required), sales of services, and the representation of private clients' needs in the Bank, in cooperation with the entire omnichannel chain as well as with the product houses and the supporting divisions.
- The Markets and Treasury Department and the subordinate Equity Portfolio Management Unit, which were previously part of the Finance Division, have been dissolved and their functions have been transferred to the respective units within the newly created Investment Management Division.

- a new Investment Management Division has been set up. newly established units were placed under the authority of the newly created Investments Management Division:
  - a new Financial Markets Department has been created and the functions of providing investment, currency trading (including derivatives), issuer and corporate finance services and products to clients, which were previously carried out by the Markets and Treasury Department, have been transferred to it;
  - a new Treasury Unit has been created and the function of treasury management and control, which was previously carried out by the Markets and Treasury Department, has been transferred to it;
  - a new Savings and Investment Product Development Unit has been established and the function of designing, developing and maintaining the Bank's savings and investment products and processes, which was previously carried out by the Markets and Treasury Department, has been transferred to it.
- To centralise data management activities in a single structural unit, a new Data Management Department has been created within the Finance Division, responsible for developing and maintaining centralised data analysis systems and providing a clients' financial data analysis function.
- To strengthen the Bank's strategic digital transformation capability, a new Digital Development Department has been created in the Business Development Division and the functions of the Daily Banking Department's Digital Channels Group have been transferred to it.
- A new Project and Change Management Department has been created in the Business Development Division, whose functions include defining the end-to-end private client journey and organising the implementation of the necessary changes in sales and service processes and information systems, the implementation of a process management methodology in the Bank and the creation, maintenance of the Bank's process map and process efficiency initiatives, managing the project portfolio, defining and implementing the Bank's project management methodology, implementing major projects and coordinating change across the Bank Group.
- 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.

### Employee training

The year 2023 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 2023, we continued to focus on the professional training of managers at all levels, which was shaped in the light of the Bank's changes, engagement survey data, the results of the monthly happiness index, other management assessment tools, and new and common trends in the market and globally.

In the light of the collective assessments of the Bank's Management Board and Supervisory Council and the professional development needs expressed, it was decided to allow the members of the Bank's Management Board and Supervisory Council to plan their own individual professional development plan according to their needs. In addition, training on investment services and compliance was provided to members of the Bank's Management Board and Heads of Divisions.

Following the successful completion of the Leadership Academy programme in 2022, we invited the Bank's middle management to join the internal Executive Club in 2023. The format of the club allowed us to build and maintain strong relationships among managers, encouraging members to share their knowledge, best practices and daily challenges with each other; to create a safe environment where everyone could analyse, evaluate their experiences, achievements, rethink their attitudes, and deepen their learning through discussion and reflection. The club included group coaching to strengthen the leadership competences of the Bank's middle management. The club has helped to maintain the resilience of managers in the face of change in the organisation. The Executive Club met throughout the year, with 4 leadership teams that met 3–4 times during the year. A full working day would be dedicated to the meetings. More than 60 executives took part in the club. We started our first Executive Club meetings in 2023 on the very important topic of change management and communication. Then, each team of the Executive Club decided what topic or topics they would like to address at the next meetings of the club. Topics ranged from personal and managerial effectiveness, working with people of different personality types and status in the organisation; motivation, incentives and delegation; feedback techniques, etc. But the focus of the club meetings was on discussion and finding effective solutions.

Meanwhile, all new managers joining the Bank or newly appointed to a management position in the Bank were offered Situational Leadership Training, which is mandatory for all Bank managers.

Managers of the Bank's branches, team leaders and customer service managers received management training on Effective Managerial Communication and Conflict Management. The training took place over two days and was attended by more than 60 managers. During the training, managers learnt how to strengthen interpersonal communication with colleagues, build an open and trusting relationship; better understand their role and influence as a manager and leader in the communication process; about the main styles of conflict management, and how to recognise which to apply in which circumstances. The training included a lot of time devoted to practical exercises designed to develop and reinforce skills essential for effective communication: listening, asking questions, assertiveness, flexibility and giving feedback; and mastering key emotional competences.

At the same time, to further strengthen managerial competences and respond to the needs expressed by managers, we invited all levels of the Bank's management to two Executive Breakfasts in 2023. The first topic of the breakfast was "Labour Market Trends in 2023".

During this breakfast, the managers were presented with an overview of today's labour market trends in Lithuania, the expectations of candidates and what is most important for candidates once they have joined the organisation. The second topic of the breakfast focused on the role of a manager in the face of major changes. The meeting focused on a common managerial challenge – measured and unmeasured employee expectations of managers and the latest trends in modern HR management. The principles, criteria and attitudes of effective leadership were also discussed. Answers were sought to the following questions: what is the purpose and goal of a manager's job? What management behaviours increase employee engagement and performance? Discussions addressed the manager's marginal responsibility, the development of resilience and the manager's self-motivation and the corresponding influence on staff.

2023 was a year of major change for the Bank, with the merger of two organisations. A merger is one of the most complex processes in the life cycle of an organisation. With this in mind, we invited managers to a workshop on "New Organisation: the Role of Managers in its Creation". During the session, we invited managers to focus on a common goal by clarifying in a discussion the direction that we are heading in, the outcome we are aiming for, the role of each participant in the change, and the expectations that we have for each other. Meanwhile, we invited members of the merger project team to a one-day training on "Managing Stressful Situations". The training covered the importance of communication and cooperation; the possibility of resolving conflicts through constructive methods; and methods of dealing with personal attitudes and stress.

In 2023, we continued to prioritise regulatory requirements for employee qualifications and experience. Therefore, the Bank continued to develop Šiaulių Bankas Academy, 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.

In line with the 2023 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. All Bank employees refreshed their basic knowledge in the area of AML/CFT by completing the mandatory e-training on the "Prevention of Money Laundering and Terrorist Financing". In the context of today's geopolitical events, it is also crucial to understand the purpose of sanctions, i.e., changing, by non-military means, the harmful, destructive behaviour of certain individuals, organisations, states or their leaders, which is conducive to military, ethnic or religious conflicts. We have invited all Bank employees to take part in a mandatory e-training on the "Implementation of Sanctions". 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, as well as to the trainings and conferences organised by the AML Centre.

Recognising that strengthening the risk culture in the Bank is one of our strategic priorities, we have developed and introduced, in the Šiaulių Bankas Academy, the Operational Risk e-training course, which is mandatory for all employees of the Bank. The aim of this training is to help us create a healthy atmosphere in the organisation, to encourage us not to be afraid of admitting our mistakes, to encourage us to record operational risk events, and to talk openly about and address the challenges we face. And to raise the competence of risk professionals, to help them acquire the right knowledge and best global practices in risk management, we have provided access to specialised external training and conferences.

To make sure that our employees have sufficient knowledge and competences in the field of sustainability, we also prepared e-training on sustainability (ESG) at the Šiaulių Bankas Academy in 2023. The aim of this training was to provide the Bank employees with a basic understanding of sustainability (ESG), to help them understand how sustainability (ESG) affects the Bank's operations, to introduce the Bank's CO<sub>2</sub> footprint and the Bank's ESG strategy, and to explain the activities we are working on to make a difference.

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 is to provide a thorough introduction to personal data protection and digital security requirements and practices. In 2023, the digital security training module was expanded to include new examples of phishing emails to help our employees better identify them and avoid taking the bait.

In 2023, 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.

We also continued our tradition of organising sales training by internal and external speakers and ensuring the dissemination and uptake of product expertise across the Network.

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, 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. 114 employees participated in the New Employees' Days. And to ensure a smooth start for new employees and their integration into the team, we have developed an interactive e-training programme "Tumas – Induction Programme for New Employees", which allows us to ensure a successful induction of new employees during the adaptation period and to receive regular feedback from new employees during their adaptation period in the Bank. The Induction Programme for New Employees guides each new employee step by step, day by day, for the first three months of his/her

probationary period, introducing him/her to the Bank's values, mission, vision, priorities, objectives, the "Closer" philosophy and other important aspects of the Bank.

### Recruiting

External recruitment partners were used to attract staff, often in the areas of prevention, compliance, risk management and management positions.

To expand recruitment channels and attract professionals from different fields, to promote employee engagement in the Bank and to empower employees to build their own organisation and work with the people they want to work with, in 2023, we developed and launched an employee referral programme, "Refer a Friend", which is open to all Bank employees. The referral programme works in a very simple way – an employee just needs to inform a friend about a suitable vacancy in the Bank, fill in a recommendation for the vacancy in the recruitment system, and if the friend referred meets the eligibility requirements for the position, the friend is invited to participate in the selection process. For each referral, if the referral is successful and the person referred completes a probationary period, the relevant Bank employees are rewarded with cash bonuses.

### Internship opportunities

In 2023, 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, even in the context of the pandemic, assessing each case individually.

In 2023, 15 students completed compulsory or voluntary internships in various divisions of the Bank. The students had the opportunity to gain practical work experience at the Bank and to make professional contacts relevant to their future careers. After the internship, the Bank provides opportunities for students to find employment and start a professional career. Also in 2023, the Bank's representatives took part in career days and other career events organised by three educational institutions – the University of Applied Social Sciences (SMK) in Kaunas and Vilnius, Vilnius University of Applied Sciences (VIKO) and Šiauliai State University of Applied Sciences.

### Employee motivation

The majority of the Bank 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.

The fringe benefits provided within the Group are not based on the performance of the employee and are enjoyed on equal terms by all. In 2023, as a socially responsible employer, the Bank continued to provide health insurance to all employees. 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. In 2023, we allowed employees to choose between Health Insurance and a free limit in the newly launched MELP fringe benefits app. Through this e-tool, employees can purchase a range of services related to professional development, wellness, healthy living and quality leisure activities. However, the majority of the Bank employees continue to benefit from Health Insurance.

Bank employees have the opportunity to make additional pension contributions by choosing between two products – a pension fund accumulation or an investment life insurance where part of the contribution is paid by the employee and part by the employer. More than 30% of the employees participate in the programme.

**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;
- extra days off in case of illness or loss of a loved one;
- 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.

## REMUNERATION POLICY

The information has been prepared and is provided in accordance with the Description of the Minimum Requirements of the 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 Articles of Association of the Bank, the decisions of the Supervisory Board and the Board of Directors and other legal acts governing the requirements for the Bank's remuneration policy for the Bank as a financial institution and a public limited liability company, whose shares have been admitted to trading in the regulated market.

**Information related to the decision-making process used in establishing the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration in the financial year.**

In 2023, the Remuneration Policy was reviewed and updated in light of regulatory changes affecting the Bank's Remuneration Policy and the revised principles of variable remuneration allocation. The draft Remuneration Policy was submitted to the Board of Directors of the Bank and the Remuneration Committee for consideration in accordance with the internal legal framework. The Remuneration Policy, along with feedback and proposals from the Board of Directors of the Bank, the Remuneration Committee, and the Chief Compliance Officer (CCO), has been presented for approval to the Supervisory Board of the Bank and the Bank's General Meeting of Shareholders. The revision of the Remuneration Policy was approved on 31 March 2023, during the Bank's General Meeting of Shareholders, and takes effect from the date of its approval, applying in its entirety, except for the appointment, approval, and remuneration of Designated Employees for work/activity until 2022 (in such cases, the versions of the Remuneration Policy approved by the Bank's General Meeting of Shareholders on 31 March 2020, and 3 March 2022, are followed).

The Remuneration Policy is intended for and applicable to both the Bank and the Group companies. Group companies subject to special remuneration requirements under other legislation develop and approve their remuneration policy, which is applied in conjunction with this Remuneration Policy. The approved Remuneration Policy shall be published on the Bank's website.

The Remuneration Policy is consistent with the Group's chosen business and risk strategy, objectives, including those relating to anticipated environmental, social and governance (ESG) risks, values and corporate culture, risk culture and the long term interests of continuing operations, which are aimed at maximising the long-term value of the Bank's shareholdings, avoiding conflicts of interest, promoting sound and effective risk management, including sound management of the risks of money laundering and terrorist financing, and outlining the processes and principles by which remuneration is paid. The Remuneration policy is an integral part of the Bank's risk management framework.

The Bank's Remuneration Policy is a gender-neutral remuneration policy, i.e. it is based on equal remuneration for employees of either sex for work of equal value or equal value.

The Supervisory Board of the Bank is responsible for setting the principles of the Remuneration Policy and the models of the remuneration system, maintaining and supervising the implementation of the Remuneration Policy and periodically reviewing it at least once a year, and the Board of Directors of the Bank is responsible for the implementation of the Remuneration Policy. The Bank's Internal Audit regularly reviews the implementation of the Remuneration Policy at least once a year.

External consultants were consulted in the preparation of the Remuneration Policy project.

The Bank has established and operates a Remuneration Committee, which competently and independently evaluates the variable Remuneration Policy and practices, ensuring that the remuneration system takes into account all types of risks, capital and liquidity, and is in line with reliable and effective risk management and the business strategy, goals, and long-term sustainable interests of the Bank or Group companies. The composition, formation, functions, rights, and responsibilities of the Remuneration Committee are stipulated in the Remuneration Committee Regulations approved by the Supervisory Board of the Bank. The composition of the Remuneration Committee is approved by the Supervisory Board of the Bank, and the list of members and the functions of the Committee are set out in the section of the Annual Report entitled Committees established in the Bank and their areas of activity. In 2023, a total of six meetings of the Remuneration Committee were held.

**Information on the connection between remuneration and performance results**

The remuneration system is the combination of elements in the remuneration package that the Group uses to attract, motivate, and retain the best employees who contribute to achieving the Group's long-term goals and business strategy.

Fixed and variable remuneration is applied in the Bank and Group companies.

Fixed remuneration constitutes the primary component of the Remuneration. When determining the position salary for a specific employee, considerations include competence, experience, qualifications, specific knowledge, external and internal equity, market trends, and the like. Fringe benefits are applied without taking into account individual performance results, without providing an incentive to take risks. Fringe benefits are based on predefined criteria or applied universally to all employees.

Variable remuneration is paid to align individual performance goals of employees with the long-term interests of the Group, ensuring sustainable business development, encouraging employees to act with integrity, fairness, transparency, and professionalism, taking into account customer rights and interests.

The size of variable remuneration is based on the overall assessment of employee, department, and Group predetermined goals and achieved results. Variable remuneration awarded to an employee may depend on the employee's position and decision-making significance, which may have a significant impact on the risk taken by the Group. When evaluating individual employee goals and achievements, not only the achieved personal financial result is considered but also the non-financial/qualitative contribution (e.g., adherence to the Code of Ethics, adherence to the Bank's values, relationships with Customers/colleagues, compliance with internal requirements, initiative, leadership, participation in project activities, continuous improvement of activities). For designated employees, the annual variable remuneration is granted only after the annual performance evaluation, based on the results of the performance evaluation of the previous year, as stipulated in the Remuneration Policy.

The methods for calculating variable remuneration are developed to align with the Group's business strategy, goals, values, long-term sustainable interests, promote reliable and effective risk management, prevent conflicts of interest, ensure compliance with the Code of Ethics, and prevent employees from being incentivised to take excessive risks that are unacceptable to the Group, while also ensuring the protection of investors and customers' principles when providing services and not violating the interests of Customers.

The variable remuneration fund is established only after evaluating the Bank's performance, taking into account existing and future risks, the use of capital, and the need for liquidity support. The variable remuneration fund and its size should not restrict the Group's ability to strengthen its capital base. Individuals responsible for the Bank's risk management and compliance control functions, who may have concerns about the impact on employee behaviour and the riskiness of activities, contribute to the creation of variable remuneration funds within their competence. They participate in setting performance criteria and allocating variable remuneration.

The remuneration policy aims to promote responsible business conduct, fair treatment of customers, and avoid conflicts of interest in customer relationships. Monetary and/or non-monetary forms of remuneration should not serve as incentives for employees to satisfy their own, the Bank's, or any other Group company's interests at the expense of customer interests.

**Key features of the remuneration system structure, including information on criteria used to assess performance, risk adjustments, deferral policy, and allocation criteria. Fixed vs. variable remuneration.**

The Bank and the Group companies apply fixed remuneration and variable remuneration (remuneration components), depending on their size, the nature and scale of their operations, the complexity of their activities and the risks they take:

- Fixed remuneration for employees consists of (i) position salary and (ii) fringe benefits ;
- Fixed remuneration for members of the Supervisory Board of the Bank who are not employees consists of (i) position salary and (ii) an additional allowance to the position salary;
- Variable employee remuneration includes (i) annual variable remuneration, (ii) bonuses, and (iii) one-time bonuses.
- Variable remuneration is not granted to members of the Supervisory Board of the Bank.

Detailed information about the components of remuneration in the Bank and Group companies is provided in the Remuneration Policy, which is publicly available on the Bank's website.

Variable remuneration may be awarded to all employees, while maintaining an appropriate balance between fixed and variable remuneration and the possibility of a flexible policy regarding variable remuneration, i.e. the variable remuneration awarded may not exceed 100% of the total remuneration of a given employee in any one (1) calendar year. The Bank shall not exceed 100 per cent of the sum of the fixed remuneration elements received in the same 1 (one) calendar year for which the variable remuneration was awarded, in order to promote sound and effective risk management, unless the Bank's General Meeting of Shareholders, in accordance with the requirements of the law, raises the maximum ratio between variable and fixed remuneration to 200 per cent.

Guaranteed variable remuneration is not paid within the Group.

The actual ratio of variable to fixed remuneration in the Group is calculated by adding all variable remuneration components assigned to a Designated Employee for a specific period and dividing that sum by the total amount of fixed remuneration elements allocated during the same period. In accordance with the guidelines of the Reliable Remuneration Policy dated July 2, 2021 (EBA/GL/2021/04, hereinafter referred to as the Guidelines), severance payments are considered variable remuneration. Exceptions, based on the Guidelines, apply when calculating the ratio of variable to fixed remuneration concerning severance payments/remunerations.

In accordance with the Bank's Remuneration Policy, the position salary and the additional allowance to the position salary for members of the Supervisory Board of the Bank are determined independently of the member's gender, age, citizenship, experience, and are paid proportionally for the past month, quarter, or other specified period, as defined in the Contract for the Supervisory Board of the Bank member's activities.

- Position salary for a member of the Supervisory Board of the Bank is the annual monetary remuneration paid to a member of the Supervisory Board of the Bank for performing the functions of a member of the Supervisory Board of the Bank, amounting to 50,000 EUR (excluding applicable taxes);
- Supplementary to the position salary for a member of the Supervisory Board of the Bank is the annual monetary supplement paid for performing additional functions while holding the position of a member of the Supervisory Board of the Bank. The annual supplementary payment to the position salary for a member of the Supervisory Board of the Bank for holding the position of the Chairman of the Supervisory Board of the Bank is 250,000 EUR (excluding applicable taxes), for holding the position of the Chairman of one committee – 12,500 EUR (excluding applicable taxes), and for holding the position of one committee member – 7,500 EUR (excluding applicable taxes). A member of the Supervisory Board of the Bank receiving a supplement for the position of a committee chairman does not receive a supplement for the position of a committee member within the same committee.

The amounts of position salary and supplements for the entire term of office of a member of the Supervisory Board of the Bank are determined by the Bank's general shareholders' meeting when approving the Bank's Remuneration Policy.

In accordance with the Bank's Remuneration Policy, annual variable remuneration can only be granted to Designated Employees, excluding members of the Supervisory Board of the Bank. Designated Employees include members of the Supervisory Board of the Bank, executives and board members of the Bank and certain Group companies, as well as other Bank employees whose professional activities have a significant impact on the nature of the Bank's and Group's risks and who, according to applicable laws of the Republic of Lithuania and the European Union, as well as internal Bank documents, are considered recipients of annual variable remuneration. Group companies, taking into account the specific regulatory requirements applicable to them, establish the Designated Employees of a particular Group company and the principles of variable remuneration applicable to them. Such designated employees are not considered to be Designated Employees.

Designated Employees are determined in accordance with the criteria set out in the decision of the Board of the Bank of Lithuania "On the Approval of the Description of Minimum Remuneration Policy Requirements and the qualitative and quantitative criteria specified in Commission Delegated Regulation (EU) No 2021/923".

The determination of Designated Employees involves the Bank's representatives from independent risk management, independent compliance control, legal, human resources, and other departments as needed. Additionally, the Remuneration Committee and other committees of the Supervisory Board of the Bank (risk, nomination, and audit) participate based on their responsibility related to remuneration decisions.

The list of Designated Employees is reviewed annually or more frequently as needed, for example, in the event of significant changes in the Bank's/Group's structure, following the criteria specified in the regulations, and considering other possible additional criteria (if applicable), reflecting the level of risk in various Group activities and the impact of employees on the nature of risk.

The list of Designated Employees, based on the determination conclusion, is approved by the Board of Directors of the Bank. The Supervisory Board of the Bank is informed about the conclusion of the determination of Designated Employees and the list of Designated Employees. The Supervisory Board of the Bank approves all exceptions to the determination of Designated Employees and examines and monitors their impact.

In 2023, when determining the annual variable remuneration for Designated Employees for the performance in 2022, taking into account the ex-ante risk adjustment conclusion provided by the Bank's Chief Risk Officer (CRO), the annual variable remuneration fund of the Bank was reduced by 5%. After conducting an ex-post evaluation, no risk-adjustment measures for annual variable remuneration were identified. The allocation of annual variable remuneration in 2023 for the performance in 2022 did not limit the Group's ability to maintain the required level of capital base.

When allocating the annual variable remuneration for the members of the Bank's bodies, heads of departments (excluding the Head of Internal Audit and other heads of departments performing internal control functions), and significant business unit managers, the Group's performance results carry more weight in calculating the size of the annual variable remuneration than the results of the department/employee's performance. When determining the annual variable remuneration for control functions and other Designated Employees, the results of these employees' performance carry more weight in calculating the size of the annual variable remuneration than the Group's performance results. For Designated Employees of Group companies, the results of the Group companies carry more weight in calculating the size of the annual variable remuneration than the overall Group performance.

Variable remuneration for employees performing risk management, compliance, and internal audit functions is awarded for work and results related to the performance of their assigned functions and are not dependent on the results of the business units they oversee. For Designated Employees performing risk management, compliance, and internal audit functions, Variable Remuneration is linked to the overall Group performance, as stipulated in the Remuneration Policy.

In accordance with the Redaction of the Remuneration Policy (effective from 2023-03-31), annual variable remuneration can be allocated in one of the following ways:

- Allocating the entire annual variable remuneration in the form of 100% Bank shares and deferring it for a period of 5 or 4 years.
- Allocating 50% of the annual variable remuneration in cash, paying it immediately, and allocating 50% of the annual variable remuneration in the form of Bank shares, deferring it for a period of 4 years.
- Allocating the entire annual variable remuneration in the form of 100% cash and paying it immediately – this method can be applied when the annual variable remuneration assigned for specific years does not exceed 50,000 EUR (gross) and does not constitute more than 1/3 (one-third) of that Designated Employee's total annual remuneration, provided such an option is stipulated by legislation.

The deferral period of the annual variable remuneration is determined considering the potential risk associated with the annual evaluation results of the Designated Employee: (i) Applicable to members of the Board of Directors of the Bank, administration manager, and senior management – a deferral period of 5 (five) years from the date of assignment of the annual variable remuneration to the date of granting the deferred portion; (ii)

Applicable to other Designated Employees, including those performing internal control functions as Designated Employees (excluding those holding positions on the Board of Directors of the Bank) – a 4 (four) year period from the date of assignment of the annual variable remuneration to the date of granting the deferred portion.

The deferred portion for the Designated Employee is approved annually proportionally or not approved (when the goals are not achieved, i.e., the qualitative criterion is not met), even if the Bank's financial indicators have been achieved. For the Designated Employee or the Bank exceeding the set goals, the approved deferred portion cannot be increased, except for ex-post adjustments related to stock events or tax changes. A sufficient basis for making adjustments to the assigned deferred portion for a specific Designated Employee (reducing or not paying at all) may be ex-post risk adjustments and ex-post adjustments related to the Designated Employee's performance.

When approving the deferred portion, guidance is based on the results of at least the last 3 years of the Designated Employee's performance evaluation. When the duration of employment or the Contract with the Designated Employee is less than 3 years, decisions are based on the available performance evaluation results.

The annual variable remuneration amount for Designated Employees is determined taking into account the Bank's/Group's goal assessment results, the Designated Employee's Group company/division/personal goal assessment results, the weights assigned to these goals, the annual variable remuneration coefficients approved by the respective Bank body, and potential calculated coefficient adjustments, which may be influenced by the employee's non-financial/non-quantitative contribution. The annual variable remuneration is linked to the division/employee's assumed risk and the results of the Group/Group company and division/employee activities. The occupied positions, responsibilities, impact on performance results, current and future risks affect the criteria for calculating the annual variable remuneration and goal proportions. In the event of the termination of the employment contract with the Designated Employee, an Contract must be reached regarding the payment of the annual variable remuneration and/or the procedure for the payment of unpaid portions. For the Designated Employee, the unpaid/unassigned portions of the annual variable remuneration for the day of termination are allocated/paid based on the employee's performance results achieved during the period specified by the Bank or Group company, the duration of employment in those years, and ensuring that the employee is not remunerated if their activities led to a loss for the Bank or Group company, except for mandatory payments stipulated by legislation. The allocation/approval of the annual variable remuneration is carried out in the usual manner and simultaneously when the annual variable remuneration is allocated/approved for other working Designated Employees, regardless of the termination date of the employee's employment relationship. Similar rules are followed in cases where an Contract envisaged in this section cannot be reached with the terminated Designated Employee.

The amounts and notice periods related to the termination of employment/term are determined in accordance with the mandatory payment amounts and/or notice periods stipulated in the legislation and the procedures established in the Remuneration Policy. The maximum possible severance payment for the Designated Employee is 12 (twelve) months of their average remuneration. The maximum possible severance payment up to 18 (eighteen) months of the Designated Employee's average remuneration may be increased by the Supervisory Board of the Bank in exceptional cases. In all cases, the severance payment for the Designated Employee should not exceed the variable and fixed remuneration ratio specified in the Remuneration Policy.

In the event of resignation or removal of a member of the Supervisory Board of the Bank, or in any other case where the term of office of a member of the Supervisory Board of the Bank expires earlier than the fixed term of office, no benefits or remuneration shall be payable in connection with the termination of the Contract of service of a member of the Supervisory Board of the Bank. In such cases, a member of the Supervisory Board of the Bank shall be paid a portion of the remuneration in proportion to the time he/she has served as a member of the Supervisory Board of the Bank or as Chairman of the Supervisory Board of the Bank and/or as a member of the Bank's Committees and/or as Chairman of the Bank's Committees, for which remuneration has not yet been paid.

The Group does not apply a pension policy, and agreements for early retirement are not concluded in the Group. In the Group, advance agreements on severance payment amounts and non-competition remunerations are generally not made.

#### **Information about performance evaluation criteria determining the right to shares, stock options, or variable remuneration parts.**

##### **Key criteria and reasons for the variable components of the remuneration system and other non-monetary benefits.**

Annual variable remuneration, including the deferred portion, may be allocated, paid, and/or granted only in a sustainable financial position of the Bank/Group, applying ex-ante and ex-post risk-adjusted annual variable remuneration measures if applicable, and without violating legal requirements. Assessing current and potential risks, including ESG (Environmental, Social, and Governance) risks, arising or directly related to the payment of annual variable remuneration, are based on the Bank's quantitative and qualitative criteria evaluation. Quantitative criteria consist of capital and liquidity indicators established by the Bank, while qualitative criteria include risk management indicators determined by the Bank for business continuity. The annual variable remuneration must be reduced or not paid based on the proposal of the Bank's governance/supervisory bodies/Remuneration Committee if the results of the Bank/Group do not align with the indicators specified in the strategy or if the activity is unprofitable, the Designated Employee acted unfairly, or their actions led to a loss for the Bank or Group company.

The deferred portion of the annual variable remuneration shall be granted to the Designated Employee (the Bank's certificated shares shall be transferred to the employee's ownership) at the end of the deferral period. The deferred portion may be granted to the Designated Employee pursuant to an option contract entered into by the Bank with the Designated Employee, whereby the Bank grants the Designated Employee the right to acquire the Bank's shares free of charge at the expiry of the deferral period, or in such other manner as may be determined by the Board of Directors of the Bank.

The Bank's shares, as part of the annual variable remuneration payable to Designated Employees, are granted in accordance with the Bank's Share Award Rules approved by the Bank's General Meeting of Shareholders, in order to ensure the Group's interest in enhancing employee engagement, promoting the long-term performance of the Group, and pursuing the Group's long-term strategic goals. Employees are prohibited from personally insuring against variable remuneration reduction through insurance strategies to mitigate the risk impact determined by applying their variable remuneration calculation principles.

## GENERAL QUANTITATIVE INFORMATION ON REMUNERATION

### Average monthly remuneration of the Bank's and the Group's employees before taxes

	Bank				Group			
	Executives		Other staff		Executives		Other staff	
	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
2022	73	9,694 <sup>1</sup>	680	2,198	87	9,404 <sup>2</sup>	759	2,237
2023	72	9,616	746	2,571	93	8,951	825	2,534

<sup>1,2</sup> 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 about the Remuneration of Designated Employees in Bank and Group in 2023, excluding taxes:

As of December 31, 2023, there were 32 Designated Employees in the Group, including: 28 in the Bank, 4 in UAB SB Lizingas, holding Identified Positions whose professional activities significantly impact the Group's risk nature and are determined by the Bank's Board according to applicable laws of the Republic of Lithuania and the European Union, as well as the Bank's internal documents.

Taking into account the changes in the Bank's and Group's company structure in 2023, significant business units/business lines within the Group context were reviewed, an assessment of Identified Positions was conducted, and the list of Identified Positions within the Group was updated in accordance with Directive 2013/36/EU and Commission Delegated Regulation (EU) No 2021/923, specifying qualitative and quantitative criteria.

Below are the tables providing overall quantitative information for Bank and Group:

- Designated Employee data identified by positions as of December 31, 2023. Information on remuneration for 2023 includes employees who held positions of Designated Employees in 2023.
- Fixed remuneration - the calculation includes what is paid in a given year: basic salary; leave; sick leave; income in kind; fringe benefits (e.g., pension contributions, health insurance premiums, monetary gifts/payments, prizes, death benefits, etc.);
- Variable remuneration – Included in the calculation are amounts paid in specific years: supplements and bonuses; the cash portion of the annual variable remuneration awarded (the deferred share portion awarded is excluded); Deferred portions of variable remuneration paid in shares;
- Deferred variable remuneration for prior periods - data on the annual variable remuneration of the recipients of the Designated Employees who are and have been in office and who have been awarded annual variable remuneration for the relevant periods;
- Fixed remuneration for members of the Bank's supervisory management body (no variable remuneration for members of the Bank's supervisory management body), fixed and variable remuneration for members of the Bank's and Group's management bodies;
- The members of the management body exercising the management function are understood as the members of the Board of Directors of the Bank and the Bank's administration manager, the members of the Board of Directors and the Chief Executive Officer of SB Lizingas UAB, the members of the Board of Directors and the Director of Life Insurance UAB SB draudimas UAB, who held the position of the Designated Employees up to 30 November 2023 (inclusive). Information on members of the governing body performing the management function is presented separately and is not included redundantly in Business Area data;
- Fixed and variable remuneration for Designated Employees of the Bank and Group, categorised by Business Areas;
- Investment Banking Functions Executed by Designated Employees – responsible for the functions of the investment services business, including providing investment services to Customers, consulting on financial matters for corporate finance services, private equity, capital markets, trading, and sales;
- Retail Banking Functions Executed by Designated Employees – responsible for business and private Customer transactions and lending activities;
- Asset Management Functions Executed by Designated Employees – responsible for portfolio management, UCITS (Undertakings for Collective Investment in Transferable Securities) management, and other forms of asset management;
- Operations Assurance Functions Executed by Designated Employees – responsible for information technology, information security, ordered services related to essential or significant operational functions;
- Independent Internal Control Functions Executed by Designated Employees – performing an independent risk management function, compliance control function, or internal audit function;

Total column values are calculated by adding together information from the members of the Supervisory Governing Body, the members of the Governance Governing Body and the Business Areas.

As of 31 December 2023, no Designated Employee in the Bank and the Group received total remuneration (fixed and variable) in the range from 1 million to 1.5 million euro.

	Employees bearing significant risks (Designated Employees)								Total
	Members of the management body exercising the supervisory function	Members of the management body exercising the management function	Investment banking	Retail banking	Asset management	Performance assurance function	Independent internal control functions	Other	
<b>Bank, 2023</b>									
Number of members of the Supervisory Board and Management Board, pcs.	8	6	-	-	-	-	-	-	14
Number of identified beneficiaries, pcs.	-	-	2	9	-	-	5	4	20
Number of beneficiaries performing senior management functions, pcs.	-	-	-	-	-	1	1	-	2
<b>FIXED REMUNERATION in 2023, EUR thousand</b>	<b>761</b>	<b>1 171</b>	<b>184</b>	<b>1 144</b>	<b>-</b>	<b>562</b>	<b>471</b>	<b>360</b>	<b>4 652</b>
Number of beneficiaries, pcs.	8	6	2	9	-	1	6	4	36
<b>ANNUAL VARIABLE REMUNERATION for 2022, allocated in 2022, in EUR thousands</b>	<b>-</b>	<b>749</b>	<b>70</b>	<b>652</b>	<b>-</b>	<b>88</b>	<b>168</b>	<b>187</b>	<b>1 914</b>
Number of beneficiaries, pcs.	-	6	1	8	-	1	4	4	24
Unpaid annual variable remuneration for 2022 allocated in cash (paid in 2023), in EUR thousands	-	375	35	326	-	44	111	93	984
Unpaid annual variable remuneration for 2022 allocated in shares (unpaid), in EUR thousands	-	375	35	326	-	44	57	93	930
Unpaid (unpaid) annual variable remuneration for 2022 allocated in shares (unpaid), units	-	556	52	483	-	65	107	139	1 403
<b>Variable salary portion as a percentage of fixed remuneration (allocated for 2022), %</b>	<b>-</b>	<b>64%</b>	<b>38%</b>	<b>57%</b>	<b>-</b>	<b>16%</b>	<b>36%</b>	<b>52%</b>	<b>41%</b>
<b>Guaranteed variable remuneration in 2023, EUR thousand</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Number of beneficiaries, pcs.	-	-	-	-	-	-	-	-	-
<b>Termination-related payments in 2023, in EUR thousands</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Number of beneficiaries, pcs.	-	-	-	-	-	-	-	-	-
Of them: Maximum amount allocated to one person	-	-	-	-	-	-	-	-	-
<b>Deferred variable remuneration for previous periods</b>	<b>-</b>	<b>1 504</b>	<b>124</b>	<b>791</b>	<b>-</b>	<b>111</b>	<b>113</b>	<b>232</b>	<b>2 875</b>
Annual variable remuneration paid in shares for 2019 (allocated in 2020), in EUR thousands	-	517	42	273	-	46	29	82	988
Remaining unpaid deferred annual variable salary for 2020 in shares (allocated in 2021) as of 31 December 2023, in EUR thousands	-	537	44	278	-	32	36	81	1 008
The remaining unpaid deferred annual variable salary for 2020 in shares (allocated in 2021) as of 31 December 2023, in thousands euro	-	450	38	241	-	33	48	69	879

Group, 2023

Employees bearing significant risks (Designated Employees)

	Areas of business								Total
	Members of the management body exercising the supervisory function	Members of the management body exercising the management function	Investment banking	Retail banking	Asset management	Performance assurance function	Independent internal control functions	Other	
Number of members of the Supervisory Board and Management Board, pcs.	8	10	-	-	-	-	-	-	18
Number of identified beneficiaries, pcs.	-	-	2	9	-	-	5	4	20
Number of beneficiaries performing senior management functions, pcs.	-	-	-	-	-	1	1	-	2
<b>FIXED REMUNERATION in 2023, EUR thousand</b>	<b>761</b>	<b>1 842</b>	<b>184</b>	<b>1 144</b>	<b>-</b>	<b>562</b>	<b>471</b>	<b>360</b>	<b>5 323</b>
Number of beneficiaries, pcs.	8	13	2	9	-	1	6	4	43
<b>ANNUAL VARIABLE REMUNERATION for 2022, allocated in 2022, in EUR thousands</b>	<b>-</b>	<b>1 150</b>	<b>70</b>	<b>652</b>	<b>-</b>	<b>88</b>	<b>168</b>	<b>187</b>	<b>2 314</b>
Number of beneficiaries, pcs.	-	12	1	9	-	2	7	4	35
Unpaid annual variable remuneration for 2022 allocated in cash (paid in 2023), in EUR thousands	-	575	35	326	-	44	111	93	1 184
Unpaid annual variable remuneration for 2022 allocated in shares (unpaid), in EUR thousands	-	575	35	326	-	44	57	93	1 130
Unpaid (unpaid) annual variable remuneration for 2022 allocated in shares (unpaid), units	-	824	521	483	-	65	108	139	167
<b>Variable salary portion as a percentage of fixed remuneration (allocated for 2022), %</b>	<b>-</b>	<b>62%</b>	<b>38%</b>	<b>57%</b>	<b>-</b>	<b>16%</b>	<b>36%</b>	<b>52%</b>	<b>43%</b>
<b>Guaranteed variable remuneration in 2023, EUR thousand</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Number of beneficiaries, pcs.	-	-	-	-	-	-	-	-	-
<b>Termination-related payments in 2023, in EUR thousands</b>	<b>-</b>	<b>59</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59</b>
Number of beneficiaries, pcs.	-	1	-	-	-	-	-	-	1
Of them: maximum amount allocated to one person	-	59	-	-	-	-	-	-	59
<b>Deferred variable remuneration for previous periods</b>	<b>-</b>	<b>2 037</b>	<b>124</b>	<b>791</b>	<b>-</b>	<b>111</b>	<b>113</b>	<b>232</b>	<b>3 408</b>
Annual variable remuneration paid in shares for 2019 (allocated in 2020), in EUR thousands	-	762	42	273	-	46	29	82	1 233
Remaining unpaid deferred annual variable salary for 2020 in shares (allocated in 2021) as of 31 December 2023, in EUR thousands	-	678	44	278	-	32	36	81	1 149
The remaining unpaid deferred annual variable salary for 2020 in shares (allocated in 2021) as of 31 December 2023, in thousands euro	-	597	38	241	-	33	48	69	1 026

## 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:

<i>Acquisition of property, plant and equipment, investment property and intangible assets</i>	7,754
<i>Acquisition of debt securities at amortized cost</i>	91,408

## COMPANIES COMPRISING GROUP

	<i>Nature of activities</i>	<i>Registration date</i>	<i>Company code</i>	<i>Address</i>	<i>Tel.</i>	<i>e-mail, website</i>
<i>Šiaulių Bankas AB</i>	commercial banking	04/02/1992	112025254	Tilžės str. 149 LT-76348 Šiauliai	+370 41 595 607	<a href="mailto:info@sb.lt">info@sb.lt</a> , <a href="http://www.sb.lt">www.sb.lt</a>

### The Bank directly controls the following subsidiaries

<i>SB Lizingas UAB</i>	finance lease, consumer credits.	14/07/1997	234995490	Laisvės al. 80, LT-44249 Kaunas	+370 37 407 200	<a href="mailto:info@sbl.lt">info@sbl.lt</a> , <a href="http://www.sblizingas.lt">www.sblizingas.lt</a>
<i>Šiaulių Banko Lizingas UAB*</i>	finance leases (leasing) and operating leases.	16/08/1999	145569548	Vilniaus str. 167, LT-76352 Šiauliai	+370 41 598 010, +370 5 272 3015	<a href="mailto:lizingas@sb.lt">lizingas@sb.lt</a> , <a href="http://www.sb.lt">www.sb.lt</a>
<i>SB Turto Fondas UAB</i>	real estate management	13/08/2002	145855439	Vilniaus str. 167, LT-76352 Šiauliai	+370 41 525 322	<a href="mailto:turtofondas@sb.lt">turtofondas@sb.lt</a> , <a href="http://www.sbp.lt">www.sbp.lt</a>
<i>Life insurance SB draudimas UAB</i>	life insurance	31/08/2000	110081788	Laisvės pr. 3, LT-04215 Vilnius	+370 5 236 2723	<a href="mailto:info@sbdraudimas.lt">info@sbdraudimas.lt</a> , <a href="http://www.sbdraudimas.lt">www.sbdraudimas.lt</a>
<i>SB modernizavimo fondas UAB**</i>	multi-apartment renovation financing	05/04/2022	306057616	Tilžės g. 149, LT-76348 Šiauliai	+370 41 595 607	<a href="mailto:sbfondas@sb.lt">sbfondas@sb.lt</a>
<i>SB Asset management UAB</i>	fund management	07/02/2023	306241274	Gynėjų g. 14, LT01109 Vilnius	+370 41 595 607	<a href="https://info@sbam.lt">https://info@sbam.lt</a>

\*in liquidation

\*\*not consolidated under IFRS 10 requirements

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 2023.

**INFORMATION ON SANCTIONS IMPOSED**

During 2023, 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 2023 <https://www.sb.lt/en/investors/social-responsibility>

ANNEX 2. Report on the Bank's Corporate Governance for 2023

ANNEX 3. Remuneration Report for 2023

Chief Executive Officer  
2024-03-06



Vytautas Sinius

# REPORT ON THE BANK'S CORPORATE GOVERNANCE FOR 2023

(Annex to the Consolidated Annual Report for 2023)

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

Following Article 23<sup>1</sup> 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 2023.

Structured table for disclosure

PRINCIPLES/ RECOMMENDATIONS	YES /NO/NOT APPLICABLE
<i>I Principle. General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights.</i>	
<b>The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.</b>	
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms.	Yes
<b>COMMENT</b>	
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
<b>COMMENT</b>	
The Bank's authorised capital consists of 662,996,646 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
<b>COMMENT</b>	
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
<b>COMMENT</b>	
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. For example, at the Extraordinary General Meeting of Shareholders held on 22 February 2023, the issue of <i>approval of the implementation of the Master Agreement regarding merger of Invalda INVLA AB retail asset management and life insurance businesses with the Šiaulių Bankas AB Group</i> was put to the vote.	
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
<b>COMMENT</b>	
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	Yes

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.

**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 be 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 2023, no members were elected to the Bank's Supervisory Council, but it should be noted that details of each candidate's educational background, work experience and other positions held are provided to the General Meeting of Shareholders at the time of election of new members. 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 administration<sup>1</sup> 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 possible due to the illness, quarantine regime or other important circumstances).

<sup>1</sup> 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.**

<p><b>2.1.1.</b> 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.</p>	<p>Yes</p>
<p><b>COMMENT</b></p> <p>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.</p>	
<p><b>2.1.2.</b> 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.</p>	<p>Yes</p>
<p><b>COMMENT</b></p> <p>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.</p>	
<p><b>2.1.3.</b> 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.</p>	<p>Yes</p>
<p><b>COMMENT</b></p> <p>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.</p>	
<p><b>2.1.4.</b> 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. Independent<sup>2</sup> 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.</p>	<p>Yes</p>
<p><b>KOMENTARAS</b></p> <p>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.</p>	
<p><b>2.1.5.</b> 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.</p>	<p>Yes</p>
<p><b>COMMENT</b></p> <p>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.</p>	

<sup>2</sup> 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.

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

**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 call on the assistance of other specialists (i.e., consultants, subject matter experts, personal assistants, etc.) (e.g., 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. In 2023, the Supervisory Council held six (6) Supervisory Council meetings, of which one (1)

was an extraordinary meeting, and seven (7) Supervisory Council decisions were taken by poll (i.e., by written ballot). All members of the Supervisory Council attended five (5) ordinary meetings and seven (7) out of eight (8) attended one (1). One (1) extraordinary meeting of the Supervisory Council, convened as a matter of urgency, was attended by seven (7) out of eight (8) members.

**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)<sup>3</sup> 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.

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.

**3.1.3.** 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](#)<sup>4</sup> 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

Yes

<sup>4</sup> Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: <https://www.oecd.org/daf/anti-bribery/44884389.pdf>

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.

**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**

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 2023, 61 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 independent<sup>5</sup>, 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**

<sup>5</sup> 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.

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 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. All or part of the members of the Management Board are normally invited to attend meetings of the Supervisory Council. Members of the Management Board are invited to attend meetings of the Supervisory Council depending on the agenda of the relevant Supervisory Council meeting.

**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 2023, the Supervisory Council held six (6) meetings, and seven (7) Supervisory Council decisions were taken by poll (i.e., by written ballot).

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 2023, 61 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 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.

Yes

**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 / questions are submitted to the Supervisory Council by a survey. 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. Members of the Management Board are invited to attend meetings of the Supervisory Council depending on the agenda of the relevant Supervisory Council 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 committees<sup>6</sup>.

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**

<sup>6</sup> 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).

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

**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:

Yes

- 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.

**COMMENT**

The main functions of the Bank's Nomination Committee are in line with this recommendation.	Yes
<p><b>5.2.2.</b> 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.</p>	
<p><b>COMMENT</b></p> <p>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 – the responsible employee of the Bank's Personnel Department who coordinates all the issues relating to employment relations with the Chief Executive Officer.</p>	

*V Principle. Nomination, remuneration and audit committees*

*5.3 Remuneration committee*

<p>The main functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>3) review, on a regular basis, the remuneration policy and its implementation.</li> </ol>	Yes
<p><b>COMMENT</b></p> <p>The main functions of the Bank's Remuneration Committee are in line with this recommendation.</p>	

*V Principle. Nomination, remuneration and audit committees*

*5.4 Audit committee*

<p><b>5.4.1.</b> The key functions of the audit committee are defined in the legal acts regulating the activities<sup>7</sup> of the audit committee.</p>	Yes
<p><b>COMMENT</b></p> <p>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.</p>	
<p><b>5.4.2.</b> 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.</p>	Yes
<p><b>COMMENT</b></p> <p>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.</p>	
<p><b>5.4.3.</b> 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.</p>	Yes
<p><b>COMMENT</b></p>	

<sup>7</sup> 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.

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.

**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 recommendation is followed. This is ensured by the provisions of the Rules of Procedure of the Supervisory Council and the Management Board of the Bank that members of the Supervisory Council and the Management Board must avoid activities that may give rise to situations of conflict of interest and must disclose to the Bank, prior to taking up their duties as a member of the supervisory and/or management body, any information that may give rise to, or that has already given rise to, a conflict of interest, and must keep such information updated. In accordance with the Bank's internal regulations, members of the Bank's Supervisory Council and Management Board annually submit to the Bank declarations of associated persons and private interests. Meanwhile, if there is a change in the data contained in the declarations, the declarations are updated and submitted to the Bank immediately.

It should also be noted that the Bank has adopted the Procedure for the Management of Conflicts of Interest, which sets out the main measures for the identification, prevention and management of conflicts of interest in the Bank,

as well as the rights, duties and responsibilities of the Bank's Supervisory Council and Management Body and of other employees in relation to managing conflicts of interest.

*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.**

<p><b>7.1.</b> 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.</p>	<p>Yes</p>
<p><b>COMMENT</b></p> <p>The Remuneration Policy approved by the General Meeting of Shareholders on 31 March 2023<sup>8</sup> 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><b>7.2.</b> 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>	<p>Yes</p>
<p><b>COMMENT</b></p> <p>The Remuneration Policy covers all forms of remuneration applied by the Bank.</p>	
<p><b>7.3.</b> 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>	<p>Yes</p>
<p><b>COMMENT</b></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><b>7.4.</b> 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>	<p>Yes</p>
<p><b>COMMENT</b></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 (up to a maximum amount of the employee's average monthly salary for a period of eighteen (18) months).</p>	
<p><b>7.5.</b> 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>	<p>No</p>
<p><b>COMMENT</b></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><b>7.6.</b> 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.</p>	<p>Yes</p>

<sup>8</sup>This version of the Remuneration Policy, as approved by the Bank's General Meeting of Shareholders on 31 March 2023, 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 versions of the Remuneration Policy as approved by the Bank's General Meeting of Shareholders on 31 March 2020 and 3 March 2022 shall apply.

Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.

**COMMENT**

On 31 March 2023, 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.

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.

Yes

**COMMENT**

In 2023, the Ordinary General Meeting of Shareholders approved a new version of the Remuneration Policy, and the Rules for Granting Shares were approved in 2022. These documents govern the annual variable share-based remuneration scheme through options. 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.**

8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.

Yes

**COMMENT**

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.

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.

Yes

**COMMENT**

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.

8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.

Yes

**COMMENT**

Stakeholders are given access to the necessary information, except where the information is confidential.

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.

Yes

**COMMENT**

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.

*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.**

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:

9.1.1. operating and financial results of the company;	Yes
<b>COMMENT</b>	
Disclosed quarterly in interim and annual financial statements.	
9.1.2. objectives and non-financial information of the company;	Yes
<b>COMMENT</b>	
Disclosed in interim and annual financial statements.	
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.	Yes
<b>COMMENT</b>	
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.	
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;	Yes
<b>COMMENT</b>	
It is disclosed on the Bank's website and in its interim and annual statements.	
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;	No
<b>COMMENT</b>	
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.	
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes
<b>COMMENT</b>	
Information on the Bank's risk management and supervision is disclosed in the annual financial statements.	
9.1.7. the company's transactions with related parties;	Yes
<b>COMMENT</b>	
It is disclosed on the Bank's website in accordance with the criteria established by legal acts and internal documents of the Bank.	
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.);	Yes
<b>COMMENT</b>	
It is disclosed on the Bank's website in accordance with the criteria established by legal acts and internal documents of the Bank.	
9.1.9. structure and strategy of corporate governance;	Yes
<b>COMMENT</b>	
It is disclosed on the Bank's website and in its interim and annual statements.	
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;	Yes
<b>COMMENT</b>	
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.	
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.	Yes

**COMMENT**

The Bank discloses consolidated results for the Group as a whole through consolidated interim and annual statements and consolidated annual report.

**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.

Yes

**COMMENT**

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.

**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 2023 and on the internal control system in the Consolidated Annual Report 2023.

[Clause 4. Information on significant direct or indirect holdings.](#)

As of 31 December 2023, 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:

- The reduction of the shareholding of the European Bank for Reconstruction and Development (EBRD) to 15.00%, which was reported on 2 June 2023. On 31 December 2023, the EBRD held 12.69 % of the shares.
- The loss of the shareholding of Algirdas Butkus together with his controlled companies Aiva Trading House UAB and Mintaka UAB, which was reported on 20 December 2023. The shareholding was 4.92% at the reporting date and amounted to 4.90% of the Bank's shares on 31 December 2023.
- The loss of the shareholding of Gintaras Kateiva, together with his spouse Vilinda Kateivienė, which was reported on 20 December 2023. The size of the shareholding on 31 December 2023 was 4.89%.
- Invalda INVL AB owns a holding of more than 15 per cent of the shares, the acquisition of which was reported on 19 December 2023. The size of the shareholding on the reporting date was 18.45%; as of 31 December 2023, the holding of Invalda INVL AB owned together with its subsidiary INVL Asset Management UAB accounted for 18.45% of the Bank's shares.
- The 5.71% shareholding of Willgrow UAB (formerly ME Investicija UAB), which was reported on 29 December 2021, amounted to 7.07% on 31 December 2023.

**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 2023, the Bank published on its website three notices regarding significant transactions with parties related with the Bank:

NOTIFICATION	07/02/2023
Transaction concluded with SB Lizingas UAB, a subsidiary of Šiaulių Bankas AB.	
Registration No. 234995490, address: Karaliaus Mindaugo pr. 35, Kaunas.	
Transaction information:	
Credit limit: EUR 200,000,000 (maturity – 30/03/2024, interest rate – 4.35 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	05/07/2023
Transaction concluded with SB Lizingas UAB, a subsidiary of Šiaulių Bankas AB.	
Registration No. 234995490, address: Karaliaus Mindaugo pr. 35, Kaunas.	
Transaction information: Credit limit: EUR 255,000,000 (maturity – 30/03/2024, interest rate – 4.35 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	

ADDITIONAL INFORMATION	30/11/2023
On 30 November 2023, Šiaulių Bankas Group companies, i.e., Šiaulių Bankas AB, life insurance company SB Draudimas UAB, and SB Asset Management UAB, signed the necessary documents with Invalda INVL Group companies, i.e., Invalda INVL AB, INVL Asset Management UAB, INVL Life UADB, and brokerage firm INVL Financial Advisors UAB, effectively merging, as of 1 December 2023 (at midnight from 30 November 2023 to 1 December 2023), their businesses under the Master Agreement of 22 November 2022 for the merger of retail asset management and life insurance businesses managed indirectly by Invalda INVL with Šiaulių Bankas Group	

**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 2023, 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 governance structure of the Bank and positions of employees;
- 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;
- a description of the procedure for participation and voting at the Meeting by electronic means;
- the Rules of Procedure of the Management Board.

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;
- 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 members<sup>9</sup> 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.

**Functions of the Supervisory Council:**

- 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;
- considers and approves the Rules of Procedure of the Supervisory Council of the Bank;
- 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;
- approves the description of procedures and conditions for the valuation of transactions with related parties that are entered into on an arm's length basis and in the ordinary course of business, as defined in the Law on Companies;
- 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;

<sup>9</sup>

At the Extraordinary General Meeting of Shareholders on 28 July 2022, Mr. Okmanas (independent member) and Mr. Raila (member) were elected to the Supervisory Council. Mr. Raila took up his duties on 18 January 2023 and Mr. Okmanas on 2 February 2023, following authorisation from the Supervisory Authority.

- 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 CEO 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;
- drafting the Remuneration Policy, the Remuneration Report and the Rules for Granting Shares;
- 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;
- drafting a description of the procedure for participation and voting at the Meeting by electronic means;
- drafting a description of procedures and conditions for the valuation of arm's length transactions with related parties in the ordinary course of business;
- 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 2023, 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 Bank's 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 Bank's Group and, as appropriate, the management / supervisory 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 collegial 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 2023.

# REMUNERATION REPORT FOR 2023

(Annex to Annual Consolidated Report 2023)

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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 23<sup>3</sup>).

Upon approval by the Bank's General Meeting of Shareholders of the 2023 set of financial statements for the Bank and the Bank Group, this *Remuneration Report* will be publicly disclosed for 10 years on the Bank's website [www.sb.lt](http://www.sb.lt), as an attachment to the 2023 Consolidated Annual Report.

This *Remuneration Report 2023* of the Bank (reporting period from 2023-01-01 to 2023-12-31) discloses information on the remuneration of each member of the Bank's management and supervisory bodies (the Chief Executive Officer, the Management Board and the Supervisory Council). The members of the management and supervisory bodies have been identified on the basis of their position in the Bank as at 31 December 2023, and disclosures are also made regarding those members who commenced/ceased their roles during the course of 2023 (if any).

As of 31 March 2023, the General Meeting of Shareholders of the Bank did not express disagreement/other remarks regarding the 2022 *Remuneration Report*, which, as an attachment to the Bank's consolidated annual report, is publicly disclosed on the Bank's website in the document titled "2022 Annual Report of AB Šiaulių Bankas and the Bank Group."

The *Remuneration Report* does not include personal data of the members of the governing and supervisory bodies, nor does it include personal data that would reveal the familial status of the members of the Bank's management and supervisory bodies. The personal data of the members of the Bank's management and supervisory bodies included in the *Remuneration Report* complies with the requirements of the Republic of Lithuania Law on the Financial Statements of Companies.

The allocation of remuneration to the members of the Bank's management and supervisory bodies is regulated by the Bank's *Remuneration Policy*. As of 31 March 2023, the General Meeting of Shareholders of the Bank has approved the new edition of the *Remuneration Policy*, which is applied in its entirety except for the purposes of awarding, approving and granting remuneration for work/performance of the Designated Employees up to the year 2022 (in such cases, the versions of the *Remuneration Policy* approved by the Bank's General Meeting of Shareholders on 31 March 2020 and 3 March 2022 shall apply. The version of the *Remuneration Policy* is publicly available on the Bank's website.

The remuneration system model within the Group aligns with and is consistent with the Group's business and risk strategy, objectives, including anticipated objectives related to environmental, social, and management (hereinafter the ESG) culture, risk culture, and long-term sustainable business interests. A uniform remuneration system is applied, ensuring non-discrimination of employees based on gender, age, nationality, race, social status, religion, etc. Remuneration is determined taking into account the employee's knowledge, experience, qualifications, responsibility, operational efficiency, and work quality, as well as the position held, applicable remuneration ranges for the position, and similar factors. The successful implementation of the *Remuneration Policy* provides the Bank with opportunities to attract, motivate, and retain the best employees who contribute to the achievement of the Group's long-term goals and the strategic implementation of the business.

According to the Bank's *Remuneration Policy*, fixed remuneration is paid to members of the Bank's supervisory bodies, while members of management bodies receive both fixed and variable remuneration. The variable remuneration fund is established only after evaluating the Bank's performance, taking into account existing and future risks, the use of capital, and the need for liquidity support. The methods for calculating variable remuneration are developed to align with the Bank Group's business strategy, objectives, values, long-term sustainable business interests, promote reliable and effective risk management, avoid conflicts of interest, ensure compliance with the code of ethics, and prevent incentivising excessive risk-taking by remuneration recipients.

In accordance with the Bank's *Remuneration Policy*, the annual variable remuneration for members of the Bank's management body is granted only after the annual performance assessment, based on the results of the last year's performance evaluation. When approving the deferred portion, guidance is based on the results of at least the last 3 years of the Designated Employee's performance evaluation. When the duration of employment or the Contract with the Designated Employee is less than 3 years, decisions are based on the available performance evaluation results. The size of variable remuneration is based on the overall assessment of employee, department, and Group predetermined goals and achieved results. The allocated variable remuneration may also depend on the employee's position and the significance of decision-making, which can have a significant impact on the risk assumed by the Group. When evaluating individual employee goals and achievements, not only the achieved personal financial result is considered but also the non-financial/qualitative contribution (e.g., adherence to the Code of Ethics, adherence to the Bank's values, relationships with Customers/colleagues, compliance with internal requirements, initiative, leadership, participation in project activities, continuous improvement of activities).

Variable remuneration for employees performing risk management, compliance, and internal audit functions is awarded for work and results related to the performance of their assigned functions and are not dependent on the results of the business units they oversee. For Designated Employees performing risk management, compliance, and internal audit functions, Variable Remuneration is linked to the overall Group performance, as stipulated in the *Remuneration Policy*.

As stipulated in the Bank's *Remuneration Policy*, annual variable remuneration is paid in both cash and Bank shares. This *Remuneration Report* discloses information about the allocated annual variable remuneration for the year 2023 based on the 2022 performance results. Following the decision of the General Meeting of Shareholders on 30 March 2022, approving the *Remuneration Policy* applicable to the allocation of annual variable remuneration for the year 2022, the provision of the portion of remuneration payable in Bank shares to members of the Bank's management body is deferred for a period of 5 (five) years from the date of allocation of the annual variable remuneration. The deferred portion is approved in increments of five times, meaning that each year, 1/5 of the allocated shares must be approved. The deferred portion of the annual variable remuneration is granted in Bank shares upon the completion of the deferral period. This deferred portion can be granted through an option agreement (option contract) entered into between the Bank and the employee, granting the employee the right to acquire Bank shares at no cost upon the expiration of the deferral period or by any other method determined by the Bank's board. When allocating annual variable remuneration, measures are taken to ensure that the variable remuneration granted to an employee for 1 (one) calendar year does not exceed 100% of the fixed remuneration received by the employee.

## REMUNERATION OF MEMBERS OF THE SUPERVISORY BODY

In accordance with the Bank's *Remuneration Policy*, the remuneration and additional payments to the members of the Bank's Supervisory Council are determined independently of the member's gender, age, citizenship, experience, and are paid proportionally for the past month, quarter, or other periodicity, as specified in the activity contract of the Bank's Supervisory Council member. The amounts of position salary and supplements for the entire term of office of a member of the Supervisory Council of the Bank are determined by the Bank's general shareholders' meeting when approving the Bank's *Remuneration Policy*.

Information about the remuneration of the members of the Bank's Supervisory Council for the year 2023, excluding taxes:

Full name	Positions on the Bank's Supervisory Council and Committees	Remuneration paid by the Bank in 2023, EUR <sup>1</sup>
Valdas Vitkauskas	Independent member of the Supervisory Council, Chairperson of the Supervisory Council, Chairperson of the Remuneration and Nomination Committees, Member of the Audit and Risk Committees	340,000
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	57,500
Ramunė Vilija Zabulienė	Independent member of the Supervisory Council, Chairperson of the Audit Committee, Member of the Remuneration and Risk Committees	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 and Audit Committees	65,000
Mindaugas Raila	Member of the Supervisory Council. Takes office on 18 January 2023	47,715
Tomas Okmanas	Independent Member of the Supervisory Council. Takes office on 2023-02-02	45,684

<sup>1</sup> Members of the Supervisory Council have been paid a fixed remuneration for their activities in accordance with the *Remuneration Policy*

Below is the information on the changes in the remuneration of the members of the Bank's Supervisory Council for the period 2019-2023:

Full name	Positions on the Bank's Supervisory Council and Committees	Changes in remuneration, % <sup>1</sup>				
		In 2019 compared to 2018	In 2020 compared to 2019	In 2021 compared to 2020	In 2022 compared to 2021	In 2023 compared to 2022
Valdas Vitkauskas <sup>2</sup>	Independent member of the Supervisory Council, Chairperson of the Supervisory Council, Chairperson of the Remuneration and Nomination Committees, Member of the Audit and Risk Committees	-	-	-	-	253%
Gintaras Kateiva	Member of the Supervisory Council, Member of the Remuneration Committee	-2%	-3%	-7%	0%	0%
Darius Šulnis	Member of the Supervisory Council, Member of the Nomination Committee	-2%	2%	1%	-5%	-7%
Ramunė Vilija Zabulienė <sup>3</sup>	Independent member of the Supervisory Council, Chairperson of the Audit Committee, Member of the Remuneration and Risk Committees	2%	4%	-4%	0%	0%
Miha Košak	Independent member of the Supervisory Council, Chairperson of the Risk Committee, Member of the Nomination Committee	-9%	14%	4%	0%	0%
Susan Gail Buyske <sup>4</sup>	Independent member of the Supervisory Council, Member of the Risk and Audit Committees	-	-	87%	5%	7%
Mindaugas Raila <sup>5</sup>	Member of the Supervisory Council. Takes office on 18 January 2023	-	-	-	-	-
Tomas Okmanas <sup>6</sup>	Independent Member of the Supervisory Council. Takes office on 2023-02-02	-	-	-	-	-

<sup>1</sup>Up until 2020-03-31, Supervisory Council members were paid bonuses for their activities. From 2020-04-01, the fixed remuneration specified in the *Remuneration Policy* is paid. The changes in remuneration have been calculated by adding up the remuneration paid in the relevant year and comparing it with the corresponding previous year. The calculations use remuneration data without deducting taxes.

<sup>2</sup> Valdas Vitkauskas was elected as an independent member of the Bank's Supervisory Council in 2022, therefore remuneration changes for the period 2019-2022 are not provided.

<sup>3</sup> The calculations include additional remuneration paid for participation in committee meetings of AB Šiaulių bankas in the period 2019 – 2020 Q1.

<sup>4</sup> Susan Gail Buyske was elected as an independent member of the Bank's Supervisory Council in 2020, therefore no changes in remuneration for 2019-2020 are presented.

<sup>5</sup> Mindaugas Raila was elected as a member of the Bank's Supervisory Council in 2023 and therefore no changes in remuneration for 2019-2023 are presented.

<sup>6</sup> Tomas Okmanas was elected as an independent member of the Bank's Supervisory Council in 2023 and therefore no changes in remuneration for 2019-2023 are presented.

## REMUNERATION OF MEMBERS OF THE MANAGEMENT BODY

All members of the Bank's Management Board are also Bank employees, holding either the position of the Bank's administration head or the deputy head of the administration and (or) the position of department heads. As Bank employees, they are subject to the fixed and variable remuneration specified in the Bank's *Remuneration Policy*. According to the Bank's *Remuneration Policy*, the remuneration for other positions held by the Bank's Management Board members, the Bank's administration head, and their deputies is determined, and annual variable remuneration is allocated by the Bank's Supervisory Council.

When determining annual variable remuneration for the members of the Bank's Management Board, the head of administration, deputy heads of administration, and department heads, excluding individuals simultaneously performing internal control functions (i.e., CRO, CCO, Head of Internal Audit), the Group's operational results carry greater weight than the divisional/personal performance results. For other designated employees, including heads of internal control functions, when allocating annual variable remuneration, the Group's operational results have less weight than divisional/personal performance results or the Group's company performance results.

Information on the remuneration of the Bank's Management Board for the year 2023, excluding taxes:

Name Surname	Position in the Management Board and other positions in the Bank	Fixed remuneration for 2023		Annual variable remuneration allocated for 2022		Other variable remuneration paid in 2023	Deferred annual variable remuneration granted in the form of options for activities in 2019 (equity-based)		Ratio of variable to fixed remuneration for the year 2022, % <sup>3</sup>
		Fixed remuneration (excl. income in kind and fringe benefits), EUR <sup>1</sup>	Income in kind and other fringe benefits, EUR <sup>2</sup>	Paid in cash, EUR	Deferred in shares, number of shares assigned (to be granted in 2028)	Paid in cash, EUR	Share value, EUR	Number of shares	
Vytautas Sinius	Chairperson of the Management Board and Chief Executive Officer	369,820	13,373	133,800	198,537	-	167,802	248,595	88%
Donatas Savickas	Deputy Chairperson of the Management Board, Deputy Chief Executive Officer – Head of Division	147,490	6,922	57,600	85,469	-	71,690	106,208	87%
Daiva Šorienė	Member of the Management Board, Deputy Chief Executive Officer – Head of Division	176,306	8,829	69,600	103,275	-	83,507	123,714	90%
Mindaugas Rudys <sup>4</sup>	Member of the Management Board, Head of Division	161,781	8,417	61,200	90,811	-	64,994	96,287	85%
Algimantas Gaulia <sup>5</sup>	Member of the Management Board, Head of Division	170,266	7,295	52,375	77,716	-	36,255	53,711	79%
Agnė Duksienė <sup>6</sup>	Member of the Management Board, Head of Division	96,036	4,100	-	-	-	-	-	-

<sup>1</sup> Fixed remuneration (excluding income in kind and fringe benefits) is calculated by including the remuneration paid in 2023, holiday pay, sick leave, severance pay, the part of the severance pay attributable to fixed remuneration.

<sup>2</sup> Income in kind and fringe benefits include pension insurance, health insurance contributions, gifts in kind, death benefits and other benefits payable under the Bank's internal legislation.

<sup>3</sup> Information on the relationship between fixed and variable remuneration is provided for 2022 only, as the annual variable remuneration for 2023 has not yet been allocated.

<sup>4</sup> Mindaugas Rudys joined the Bank's Management Board on 2020-03-31 and therefore the deferred annual variable remuneration for 2023 is not disclosed for 2019.

<sup>5</sup> Algimantas Gaulia took up his duties as a member of the Bank's Management Board on 2021-07-30 and therefore the deferred annual variable remuneration for 2023 is not disclosed for 2019.

<sup>6</sup> Agnė Duksienė took up her duties as Member of the Board of Directors of the Bank on 8 May 2023 and therefore the annual variable remuneration awarded for 2022 and the deferred annual variable remuneration paid in 2023 is not provided for 2019.

No remuneration was paid to the members of the Bank's Board of Directors by the Bank's Group companies for 2023.

Reclaims of variable remuneration for the year 2023 were not applicable to the Bank's Management Board members.

Below is information about the shares granted to the members of the Bank's Management Board in 2023, rights granted through stock option agreements, transaction prices, and dates:

Name Surname	Roles in the Bank's Management Board and other positions held in the Bank	Shares granted (option granted) as annual variable remuneration for 2019, units. <sup>1</sup>	Option transactions <sup>2</sup>			
			Granted option rights to shares for the year 2022, option exercise date 2028-04-07 (after five approvals), units.	Approved 1/3 portion in 2023 for option rights granted in 2021, option exercise date 2025-04-11, units.	Approved 1/3 portion in 2023 for option rights granted in 2020, option exercise date 2024-04-12, units.	Approved 1/3 portion in 2023 for option rights granted in 2019, option exercise date 2023-04-14, units.
Vytautas Sinius	Chairperson of the Management Board and Chief Executive Officer	248,595	198,537	57,109	76,660	82,865
Donatas Savickas	Deputy Chairperson of the Management Board, Deputy Chief Executive Officer – Head of Division	106,208	85,469	24,399	32,751	35,402
Daiva Šorienė	Member of the Management Board, Deputy Chief Executive Officer – Head of Division	123,714	103,275	28,421	38,150	41,238
Mindaugas Rudys <sup>3</sup>	Member of the Management Board, Head of Division	-	90,811	24,399	32,751	-
Algimantas Gaulia <sup>4</sup>	Member of the Management Board, Head of Division	-	77,716	18,712	-	-
Agnė Duksienė <sup>5</sup>	Member of the Management Board, Head of Division	-	-	-	-	-

<sup>1</sup> Date of share grant 2023-04-14, share price EUR 0.675/unit.

<sup>2</sup> Date of grant and confirmation of the option rights 2023-04-07. Option transactions grant the right to receive, upon exercise of the option transaction, shares in the Bank for no consideration (with the recipient paying applicable taxes based on the share price on the date of exercise of the option), subject to taxation in accordance with the provisions of the law in force at the time of grant.

<sup>3</sup> Mindaugas Rudys assumed the duties of a Board member on 2020-03-31, therefore, the information is provided regarding granted option rights to shares for 2020 and subsequent years.

<sup>4</sup> Algimantas Gaulia took up his duties as a member of the Board of Directors of the Bank on 2021-07-30, therefore, the information is provided on the share option rights granted only for the years 2021 and 2022.

No amendments were made to option agreements with the Bank's Management Board members.

Below is information about the remuneration changes for the Bank's Management Board members for the year 2023 in their roles for the period 2018-2022:

Full name	Roles in the Bank's Management Board and other positions held in the Bank	Changes in remuneration, % <sup>1</sup>				
		In 2018 compared to 2017	In 2019 compared to 2018	In 2020 compared to 2019	In 2021 compared to 2020	In 2022 compared to 2021
Vytautas Sinius	Chairperson of the Management Board and Chief Executive Officer	10,9%	2,7%	-7,8%	2,9%	2,6%
Donatas Savickas	Deputy Chairperson of the Management Board, Deputy Chief Executive Officer – Head of Division	9,9%	4,4%	-6,7%	1,9%	9,6%
Daiva Šorienė	Member of the Management Board, Deputy Chief Executive Officer – Head of Division	11,2%	1,8%	-8,8%	3,0%	10,7%
Mindaugas Rudys <sup>2</sup>	Member of the Management Board, Head of Division	-	-	-	5,6%	14,7%
Algimantas Gaulia <sup>3</sup>	Member of the Management Board, Head of Division	-	-	-	-	22,7%
Agnė Duksienė <sup>4</sup>	Member of the Management Board, Head of Division	-	-	-	-	-

<sup>1</sup> Remuneration changes calculated by summing the fixed remuneration (salary, vacation pay, disability benefits, in-kind benefits, additional perks) and variable remuneration (bonuses and annual variable remuneration in cash and shares assigned for specific years, excluding paid deferred portions of annual variable remuneration (in cash and shares) paid in respect of the preceding year) for the relevant year, and by comparing them with the corresponding prior year. The calculations use remuneration data without deducting taxes. For 2023, no change in remuneration is presented as the annual variable remuneration for 2023 performance has not yet been awarded.

<sup>2</sup> Mindaugas Rudys commenced his duties as a member of the Bank's Management Board on 2020-03-31, therefore, remuneration changes until 2020 are not disclosed presented.

<sup>3</sup> Algimantas Gaulia started serving as a member of the Bank's Management Board on 2021-07-30, therefore, remuneration changes until 2021 are not presented.

<sup>4</sup> Agnė Duksienė took up her duties as a member of the Bank's Management Board on 2023-05-08, therefore, no changes in remuneration until 2023 are provided

## 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 2019 – 2023:

	<b>Net profit, in thousands EUR</b>	<b>Average monthly remuneration, EUR (before taxes)</b>
2023	75,375	3,013
2022	67,449	2,642
2021	56,005	2,251
2020	43,095	2,080
2019	53,103	2,028

# 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 2023 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 2024



Vytautas Sinius



Donatas Savickas