

## REMUNERATION POLICY

### 1. GENERAL PROVISIONS

- 1.1. This Remuneration Policy (hereinafter, the **Policy**) lays down the requirements followed by Limited Liability Public Company Šiaulių Bankas (hereinafter, the **Bank**) and its subsidiaries (hereinafter, the **Group Companies**) (hereinafter the Bank and the Group Companies are collectively referred to as the **Group**) in establishing and paying remuneration, premiums, bonuses and other payments awarded to employees for their performance, and other benefits, thus ensuring sound management of remuneration costs and creating motivation incentives for employees to contribute to the responsible implementation of the mission, vision, values, long-term objectives and strategy of the Bank and the Group.
- 1.2. The Policy seeks to promote responsible business, fair dealing with customers and avoiding conflicts of interest in relations with customers, so that the monetary/non-monetary rewards do not become an incentive for employees to pursue their own interests, the interests of the Bank or any other company of the Group to the detriment of customers' interest.
- 1.3. The Policy is in compliance with the operational and risk strategy of the Group as well as its objectives, including those in relation to the environmental, social and governance (hereinafter, the **ESG**) risk, the values and culture of the organisation as well as the long-term interests of continuing operations aimed at increasing the long-term value of the Bank's shares of, avoiding conflicts of interest, promoting sound and efficient risk management as well as reliable and effective management of money laundering and terrorist financing risks, and lays down the processes and principles followed in paying remuneration. The Policy is an integral component of the risk management framework of the Bank.
- 1.4. The Policy is gender-neutral, i.e., it is based on the principal of equal pay for equal work or work of equal value for employees of either gender.
- 1.5. The Policy has been prepared in accordance with the Law on Companies of the Republic of Lithuania, resolution of the Board of the Bank of Lithuania on the approval of the Description of the Minimum Requirements for Remuneration Policy (hereinafter, the **Resolution**) drawn up in accordance with the Guidelines on Sound Remuneration Policies of 2 July 2021 (EBA/GL/2021/04) and other laws on the requirements for remuneration policy of the Bank as a financial institution and a public limited liability company whose shares are admitted to trading on a regulated market.
- 1.6. The Policy applies to the Bank and Group Companies. The Group Companies that are subject to special remuneration requirements under other laws shall draw up and approve their own remuneration policy that applies jointly with this Policy. The Policy is implemented in accordance with the procedure set out in the internal documents of the Bank and Group Companies (internal documents approved by the Bank's General Meeting of Shareholders, the Supervisory Council, the Remuneration Committee, the Management Board, and the Head of Bank Administration (CEO)). The frameworks for employee incentivising/motivation set out in the internal documents and applicable in the Group must conform to the principles of the Policy and the requirements of applicable laws.
- 1.7. The Policy applies to all employees of the Bank and Group Companies, as well as to members of the Supervisory Council (hereinafter, the **Council**) and the Management Board of the Bank who are not employees.

- 1.8. The Bank has formed a Remuneration Committee (hereinafter, the **Remuneration Committee**) that carries out competent and independent assessments of variable remuneration policy and practice, and ensures that the remuneration framework takes into account all types of risk, capital and liquidity, and is compatible with sound and effective risk management as well as with the business strategy, objectives and the long-term interests of continuing operations of the Bank or the Group Company, and provides an opinion on the gender neutrality of the Remuneration Policy. The composition of the Remuneration Committee, the procedure for its formation, its functions, rights, and responsibilities are set out in the Rules of Procedure of the Remuneration Committee.

## 2. REMUNERATION SYSTEM AND PRINCIPLES

- 2.1. The remuneration system is a set of remuneration package elements used by the Group to attract, motivate, and retain the best employees who would help implement the long-term objectives and the business strategy of the Group.
- 2.2. The Remuneration System is formed based on the following principles:
- ✓ *Internal fairness* – assessment based on the responsibilities of the employee, his/her performance, his/her competences, knowledge, experience, skills, etc., equal pay for equal work or work of equal value;
  - ✓ *External competitiveness* – the remuneration is competitive with regard to the labour market of the country where the employees work, so as to make it possible to attract motivated employees and retain the necessary ones;
  - ✓ *Transparency* – each employee must have a clear understanding of the procedure for establishing his/her remuneration and of the performance results, competences and qualifications which determine its amount;
  - ✓ *Flexibility* – whenever it is necessary to employ or retain an employee whose work is important for the Group's operations, or to manage emerging risks related to employee rotation and change, the Group's decisions may derogate from this Policy, without prejudice to the fundamental principles of variable-fixed remuneration ratio.
- 2.3. Employees are subject to a uniform pay system, without discrimination on grounds of gender, age, nationality, race, social status, religion, etc. Remuneration is established with due regard to the knowledge, experience, qualifications, responsibilities, performance and quality of work, job position of the employee, the remuneration range applicable to the job position level, etc. The Bank monitors the pay-gaps in remuneration paid to different genders, and takes action to reduce the differences, as necessary.
- 2.4. To be able to attract and retain employees with the experience, competence, qualifications and motivation necessary for the management of the Group, while taking into account the financial capabilities of the Group, the remuneration of the employees of Group Companies is based on the national and/or specific sector median market remuneration. Where there is a shortage of a particular expertise in the market, the upper quartile or decile may be targeted in determining the remuneration of employees of the Group Companies.
- 2.5. Employment contracts are concluded for an indefinite period and, where appropriate, for a fixed period. Contracts with members of the Management Board of the Bank or the Council who are not employees are concluded for the duration of their term of office.
- 2.6. The Group does not have a pension policy and agreements for early retirement are not concluded. The Group does not generally conclude prior agreements about the amount of severance pay and non-compete compensation.
- 2.7. Amounts of payments and compensations related to employment termination/end of term of office (hereinafter, the **Severance pay**) 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 this Policy. Severance pay exceeding the severance pay amounts set by law may be payable to Nominated Employees subject to the Council's

approval, unless the Council has delegated this authority to the Management Board. The Severance pay shall be linked to performance over the performance period and shall be set so as not to reward defaults or misconduct and/or underperformance. The Severance pay to members of the Bank's Management Board holding other positions in the Bank, to the Bank's Chief Executive Officer and his/her deputies, and to the Head of the Internal Audit Division and other key function holders<sup>1</sup> shall be subject to the prior decision/approval of the Council. Severance pay is considered to be variable remuneration. The Severance pay shall be awarded in accordance with the method of awarding the annual variable remuneration applicable to the Nominated Employee and applying the same principles of approval, granting and retention as those applicable to the deferred portion of the annual variable remuneration in accordance with the present Policy and other internal documents of the Bank. The amount of the Severance pay and the procedure for awarding it is set out in the internal documents of the Bank.

- 2.8. The procedure for calculating the average salary is determined by the Management Board of the Bank/Group Companies. For Nominated Employees, only amounts actually paid during the reference period are included in the calculation of the average salary.
- 2.9. Where a member of the Council retires or is recalled from office, or where his/her term of office otherwise expires before the end of the established term of office, no payment or compensations are paid to the Council members on account of the end of the agreement for his/her service as a Council member. In such a case, the Council member is paid a portion of his/her remuneration in proportion of his/her time of service as the Council member or chair and/or a member/chair of a committee of the Bank for which remuneration has not yet been paid.
- 2.10. The Bank and the Group Companies, depending on their size, the nature, scale and complexity of their operations and the risks they take, are subject to fixed remuneration and variable remuneration (remuneration components):
  - ✓ Fixed remuneration for employees consists of (i) official remuneration and other related benefits (e.g., holiday pay, compensation for unused holidays, sick pay, overtime, etc.) and (ii) additional benefits;
  - ✓ Fixed remuneration for Council members who are not employees consists of (i) official remuneration (ii) supplement to the official remuneration;
  - ✓ Variable remuneration is defined as (i) annual variable remuneration, (ii) supplements, (iii) one-time bonuses, (iv) other benefits that are considered variable remuneration by law (e.g., non-compete payment, Severance pay or relevant part thereof, etc.).
- 2.11. The Group does not offer guaranteed variable remuneration.
- 2.12. Employees are prohibited from personally ensuring themselves under insurance strategies or by taking out insurance cover against a decrease of their variable remuneration in order to mitigate the risk determined through the application of the principles for calculating their variable remuneration.
- 2.13. To attract and retain qualified managers, the Bank must make efforts to cover the senior management of the Bank and Group Companies with Directors and Officers (D&O) liability insurance. Group-wide decisions regarding the terms and conditions of the insurance are made and implemented by the Management Board of the Bank.
- 2.14. The Bank undertakes *ex ante* to indemnify the members of supervisory and management bodies of the Bank and Group Companies against litigation costs which arise from third party claims regarding the performance of their functions at the Bank or the Group, except where intent or gross negligence on the part of that person has been established by a competent state authority. Legal costs incurred by employees and members of bodies shall be reimbursed by a decision

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<sup>1</sup> The exhaustive list of key function holders is determined by the Bank's Management Board and approved by the Council.

of the Management Board of the Bank in accordance with the procedure for *ex ante* and *ex post* reimbursement of such costs established by the Management Board of the Bank.

### **3. FIXED REMUNERATION**

- 3.1. Fixed remuneration shall be established, calculated, and paid on the terms and conditions and in accordance with the procedure set out in this Policy and internal documents of the Bank. Fixed remuneration represents a sufficiently high proportion of total remuneration to ensure that employees are not reliant on variable remuneration and that the Bank and Group Companies are able to pursue a flexible remuneration policy, including the possibility of non-payment of variable remuneration.

#### ***Official remuneration of employees***

- 3.2. The official remuneration of employees is determined in accordance with the principle of external competitiveness, the principle of internal fairness, the remuneration range applicable to the job position level, the professional experience, abilities, specific knowledge, skills and competences of the employee and the remuneration budget possibilities.
- 3.3. The official remuneration of the Bank's employees is determined by the Bank's CEO. The Council (and the relevant Council Committees) shall be involved in determining the remuneration of the members of the Bank's Management Board who hold other positions in the Bank under a contract of employment, the Bank's CEO, his/her deputies, the Head of the Internal Audit Division, and other key function holders. The salary of the executive officers of the Group Companies is determined by the management and/or supervisory body of the Group Company or, in the absence of such body, by the Bank as the sole shareholder of the company. Where the salary of the executive officers of the Group Companies is determined by the collegial management and/or supervisory body of that Group Company, the approval of the Bank's Management Board must be obtained. The salary of other employees of Group Companies is determined by the CEO and/or the collegial management body of the relevant Group Company.

#### ***Additional benefits for employees***

- 3.4. Additional benefits are an initiative on the part of the Bank or other Group Companies to provide long-term benefits, payments and allowances to employees that may be made available to a significant portion of the employees of the Bank or Group Companies or employees performing specific functions. Additional benefits are determined in the internal documents of the Bank or Group Companies.
- 3.5. Additional benefits are designed to encourage employee engagement, loyalty, shape the exclusivity of the employer, increase its attractiveness, help reconcile work and leisure, work towards better results and offer a competitive overall remuneration package. The Group seeks to be socially responsible, have regard for the welfare, health and the quality of life of its employees and maintain effective motivational benefits in line with the practices applicable in the labour market.
- 3.6. Additional benefits apply regardless of the individual performance of the employees, without providing an incentive to take risks, and therefore they are not considered to be a remuneration for the work or functions performed. Additional benefits are based on predefined criteria, they reflect the professional experience of the employees and are irrevocable for the stated effective term of the benefits and/or until the employee holds a specific job position with assigned certain additional benefits in accordance with the internal documents of the Bank and the additional benefits, limits and/or rates set therein.

#### ***Fixed remuneration for Council members***

- 3.7. Council members are paid fixed remuneration consisting of an official remuneration and a supplement to the official remuneration.

- 3.8. The official remuneration of a Council member is an annual monetary remuneration of EUR 50,000 (before applicable taxes) paid to the Council member for the performance of his/her functions.
- 3.9. A supplement to the official remuneration of a Council member is an annual monetary supplement paid for performing additional functions while performing the duties of a Council member. The annual supplement of a member of the Council shall be EUR 200,000 (before applicable taxes) for the post of Chairperson of the Council, EUR 18,000 (before applicable taxes) for the one post of Chairperson of a Committee, and EUR 10,000 (before applicable taxes) for the one post of Member of a Committee. A Council member receiving a supplement for the post of Chairperson of a Committee does not receive a supplement for the post of a member of the same Committee.
- 3.10. The official remuneration and the supplement for the entire term of office of a member of the Council shall be determined by the Bank's General Meeting of Shareholders when approving the Policy (amendments thereto).
- 3.11. The official remuneration and the supplement for Council members is established regardless of the gender, age, nationality, and experience of the member and is paid proportionately for the previous month, quarter or any other period as determined by agreement between the Bank and the Council member.

#### **4. VARIABLE REMUNERATION**

- 4.1. Variable remuneration is established, calculated, and paid in accordance with the procedure set out in this Policy and internal documents of the Bank/Group Companies.
- 4.2. Methods for calculating variable remuneration are designed to meet the Group's business strategy, objectives, values, the long-term interests of continuing operations, and promote sound and effective risk management, help avoid conflicts of interest, ensure compliance with the Code of Ethics and discourage employees from taking excessive risks that are unacceptable to the Group, also ensure the principles of investor and customer protection in the provision of services by the Group and not harming the interests of customers.
- 4.3. A variable remuneration fund is formed only after assessing the Bank's performance, taking into account current and future risks, costs of the capital employed and liquidity support needs. The variable remuneration fund and its size must not limit the ability of the Group to strengthen its capital base. Where the persons performing risk management and compliance control functions of the Bank are in doubt as to the effect on employee's behaviour and operational risk exposure, they provide input within their respective competences during the setting-up of variable remuneration budgets, establishing performance criteria and awarding variable remuneration.
- 4.4. Variable remuneration is paid to link the individual performance targets of employees to the long-term interests of the Group to ensure sustainable business development and to encourage employees to act in and respectful, honest, transparent and professional manner, respecting the rights and interests of customers.
- 4.5. The amount of variable remuneration is based on the assessment of the achievement of pre-defined targets and the performance of the Bank, the Group, individual Group Companies, divisions, specific groups of activities and the employee. The variable remuneration awarded to an employee may depend on the job position of the employee, the importance of his/her decisions that may have a significant effect on the risk taken by the Group. The assessment of an employee's individual annual performance targets and achievements includes not only his/her personal financial performance, but also his/her non-financial/non-quantitative input (e.g., compliance with the Code of Ethics, values of the Bank, relations with customers/colleagues, compliance with standards, implementation of the requirements set out in internal documents, initiative, leadership/engagement in project activity, performance improvement, etc.).

- 4.6. The variable remuneration of employees engaged in risk management, compliance and internal audit functions is awarded for the works performed and the results related to the performance of their assigned functions; the performance of the units under their control is not taken into account. It may be linked, however, to the overall performance of the Bank/Group/Group Company or other groups of business units unrelated to the business units under their control. The remuneration of these employees performing internal control functions should be predominantly fixed, to reflect the nature of their responsibilities.

#### **Annual variable remuneration**

- 4.7. Annual variable remuneration may only be awarded to Nominated Employees, except Council members. **Nominated Employees** are the members of the Council of the Bank, managers and members of the Management Board of the Bank and part of the Group companies, as well as other employees of the Bank whose professional activities have material impact on the risk profile of the Bank and the Group, due to which such employees are considered to be recipients of variable annual remuneration for the purpose of the applicable laws of the Republic of Lithuania and the European Union and internal documents of the Bank. Group Companies, with due regard to the applicable special regulatory requirements, designate the nominated employees of a specific Group Company. Such nominated employees are not considered to be the Nominated Employees. The Group Companies that are subject to special remuneration requirements under other legislation determine the principles of variable remuneration applicable to nominated employees of the Group company and variable remuneration is awarded and paid in accordance with the procedures set out in the Group Company's internal documents.
- 4.8. The annual variable remuneration fund for Nominated Employees is approved by the Management Board of the Bank in accordance with the approved remuneration budget.
- 4.9. Annual variable remuneration may be awarded to Nominated Employees, maintaining adequate balance between the variable and the fixed remuneration components, and by preserving the ability to pursue a flexible policy related to the variable remuneration components, i.e., the variable remuneration awarded for one (1) calendar year must not be more than 100 per cent of the fixed remuneration component in the same one (1) calendar year for which the variable remuneration is awarded (i.e., the ratio of variable to fixed remuneration may not exceed 100%), in order to promote sound and effective risk management, unless the Bank's General Meeting of Shareholders (applicable only to the Bank's Nominated Employees) / the Bank's Management Board as the sole shareholder of the Group Companies (applicable to the executives and members of the Management Board of the Group Companies, who are Nominated Employees), increases the maximum ratio between variable and fixed remuneration to 200 per cent in accordance with the requirements of the law. The actual ratio between variable and fixed remuneration in the Group is calculated by adding up all components of the variable remuneration awarded to the Nominated Employee over a certain period and dividing their sum by the amount of the components of fixed remuneration awarded during the same period.
- 4.10. The ratio of the variable to fixed remuneration for Nominated Employees performing internal control functions shall be lower than the ratio of variable to fixed remuneration for Nominated Employees within the business units they control.
- 4.11. For the purpose of calculating the ratio of variable to fixed components of remuneration for a Nominated Employee, the variable component of remuneration is the amount of severance pay in excess of the severance pay levels established by applicable law or by the decisions of public authorities (courts, etc.).
- 4.12. The annual variable remuneration, including the deferred portion thereof, may be awarded, approved, granted and paid only provided the financial position of the Bank/Group is sustainable, upon application of ex ante and ex post adjustments (where applicable) and without prejudice to the requirements of other laws. The Bank's assessment of current and potential future risks, including ESG risk, arising from, or directly related to, the payment of annual

variable remuneration is based on the Bank's assessment of quantitative and qualitative criteria. Quantitative criteria are the Bank's capital and liquidity ratios, and qualitative criteria are the Bank's business continuity risk management indicators. Annual variable remuneration must be reduced or not paid at all upon motion of the Bank's management/supervisory bodies/Remuneration Committee, if the performance of the Bank/Group fails to meet the indicators set out in the strategy, or where losses are recorded, where the Nominated Employee has acted in bad faith or where his/her actions resulted in a loss to the Bank or the Group. The annual variable remuneration may be withheld if the Nominated Employee does not complete a full calendar year.

- 4.13. The amount of the annual variable remuneration for Nominated Employees shall be determined taking into account the financial and non-financial performance, i.e., the results of the assessment of the Bank's/Group's objectives, the results of the assessment of the achievement by the Nominated Employee of the targets of the Group Company/division/certain group of activities/personal objectives, and the weight assigned to these objectives, the coefficients of the annual variable remuneration approved by the respective body of the Bank, and possible adjustments to the calculated coefficient, which may also be influenced by the employee's non-financial/non-quantitative contribution. Annual variable remuneration is linked to the risk taken by the unit/employee and the performance of the Group/Group company and the unit/ certain group of activities / employee. The criteria for calculating annual variable remuneration and target ratios are affected by the job position and responsibility, the effect on operating performance as well as the existing and future risks. The relative weighting of the performance criteria of each level (group of posts) is established by the respective body of the Bank that sets the exact proportions/weightings of the targets. In calculating the annual variable remuneration for:
- 4.13.1. members of the Bank's Management Board, Chief Executive Officer, Deputy Chief Executive Officers, Heads of Divisions, managers of significant business units of the Bank, except where the persons referred to herein are also the heads of internal control functions (i.e., the CRO, CCO, Head of Internal Audit Division) – the Bank's / Group's performance shall be given a greater weighting than the unit's/ certain group of activities/ individual performance.
- 4.13.2. other Nominated Employees, including heads of internal control functions – the Bank's / Group's performance shall be given less weight than the unit's/ certain group of activities/ individual performance or Group Company's performance.
- 4.14. The annual variable remuneration may be granted in one of the following ways:
- 4.14.1. by granting total annual variable remuneration in Bank shares and deferring it:
- 4.14.1.1. **100 per cent in Bank shares, subject to deferral period of five (5) years** from the date of award of the annual variable remuneration to the date of award of the deferred portion, taking into account the potential risks associated with the outcome of the Nominated Employee's annual performance review, as stipulated in the Bank's internal documents;
- 4.14.1.2. **100 per cent in Bank shares, subject to deferral period of four (4) years** from the date of award of the annual variable remuneration to the date of award of the deferred portion, taking into account the potential risks associated with the outcome of the Nominated Employee's annual performance review, as stipulated in the Bank's internal documents;
- 4.14.2. by granting part of the annual variable remuneration in cash and immediately paying it and granting part of the annual variable remuneration in Bank shares and deferring it:
- 4.14.2.1. **50 per cent is paid in cash (no deferral) and 50 per cent in Bank shares, subject to deferral period of four (4) years** from the date of award of the annual variable remuneration to the date of award of the deferred portion,

taking into account the potential risks associated with the outcome of the Nominated Employee's annual performance review, as stipulated in the Bank's internal documents;

- 4.14.3. by granting the full annual variable remuneration in cash and immediately paying it:
- 4.14.3.1. **100 per cent is paid in cash (no deferral)**; this method may be used where the annual variable remuneration awarded for a given performance year does not exceed EUR 50,000 (gross) and does not represent more than one third (1/3) of the total annual remuneration of the Nominated Employee to whom the annual variable remuneration is awarded, and where such option is provided for by law.
- 4.15. The annual variable remuneration shall be granted to the members of the Bank's Management Board (who also perform internal control functions), Chief Executive Officer, Deputy Chief Executive Officers, Heads of Divisions (except for Heads of Divisions performing internal control functions) in accordance with the method set out in sub-paragraph 4.14.1.1 of the Policy. The annual variable remuneration for Nominated Employees performing internal control functions, except for the members of the Bank's Management Board, shall be granted in accordance with sub-paragraph 4.14.3 of the Policy. For other Nominated Employees (including those performing internal control functions, who do not meet the conditions set out in sub-paragraph 4.14.3.1 of the Policy), the decision to award an annual variable remuneration by one of the methods set out in paragraph 4.14 of the Policy shall be subject to the approval of the relevant body (the Bank's Management Board or Supervisory Council) within the scope of its competence.
- 4.16. The draft proposal prepared by the Remuneration Committee for the award of the annual variable remuneration to Nominated Employees shall be approved by the Management Board of the Bank (except for the members of the Management Board of the Bank holding other positions in the Bank and the Head of Internal Audit Division whose annual variable remuneration shall be approved by the Council) while maintaining the ratio of the parts of variable and fixed remuneration specified in paragraph 4.9 of the Policy. The award of annual variable remuneration to the Head of Internal Audit Division is also subject to the approval of the Audit Committee. When approving the award of annual variable remuneration:
- 4.16.1. the method of awarding the variable remuneration to be used shall be specified (as provided for in paragraphs 4.14-4.15 of the Policy);
  - 4.16.2. the amount of the annual variable remuneration awarded shall be specified;
  - 4.16.3. the portion of the deferred annual variable remuneration that has been awarded shall be specified, indicating the performance year for which it has been awarded and when the deferred portion shall be granted, including the applicable retention period, if approved;
  - 4.16.4. the approved deferred portion of the annual variable remuneration shall be specified, indicating the performance year for which it is approved and when the deferred portion shall be granted, including the applicable retention period, if approved.
- 4.17. The deferred portion in shares, i.e., the total number of shares awarded, shall be calculated taking into account the amount of the annual variable remuneration awarded, the method of award of the annual variable remuneration and the average market share price. The calculation for the average market share price is approved by the Bank's Management Board.
- 4.18. Upon an award of a deferred portion of annual variable remuneration, the relevant body of the Bank (the Management Board or the Council) must approve the deferred portion of the annual variable remuneration awarded for each year; the approval shall follow the following principles:
- 4.18.1. the approval of the first deferred portion shall take place one year after the award of the annual variable remuneration by approving the specific deferred portion of the annual variable remuneration awarded, and the other deferred portions of the annual variable



remuneration shall be approved pro rata on an annual basis, taking into account the length of the deferral period;

- 4.18.2. For Nominated Employees, the annual variable remuneration is awarded only after an annual performance review and based on the results of the most recent year's performance review, i.e., the approval of the deferred portion must be based on the results of the Nominated Employee's performance reviews of at least the 3 most recent years. Where the duration of the employment relationship or the contract with a Nominated Employee is less than 3 years, account is taken of the available performance review data of the employee.
- 4.19. Principles for granting the approved deferred portion(s) of the annual variable remuneration (transfer of the Bank's shares to the Nominated Employee's ownership):
    - 4.19.1. where a 5-year deferral period applies, 3/5 of the deferred portion shall be granted 3 years after the award of the annual variable remuneration, 1/5 of the deferred portion shall be granted 4 years after the award of the annual variable remuneration, and the remaining 1/5 of the deferred portion shall be granted 5 years after the award of the annual variable remuneration;
    - 4.19.2. where a 4-year deferral period applies, 3/4 of the deferred portion shall be granted 3 years after the award of the annual variable remuneration, and the remaining 1/4 of the deferred portion shall be granted 4 years after the award of the annual variable remuneration;
    - 4.19.3. a retention period applies to the portions granted;
    - 4.19.4. if the Nominated Employee terminates employment relationship during the deferral period, the unpaid deferred portion shall be granted in accordance with the requirements set out in sub-paragraphs 4.19.1-4.19.3 of the Policy;
    - 4.19.5. the Bank's obligation to grant the approved deferred portion remains until the full deferred portion has been granted (subject to *ex post* adjustments).
  - 4.20. The deferred portion may be released to the Nominated Employee under an option agreement (option contract) between the Bank and the Nominated Employee whereby the Bank grants the Nominated Employee the right to acquire the Bank's shares free of charge upon the expiry of the deferment period, or other method established by the Management Board of the Bank may be used.
  - 4.21. The Bank's shares as a portion of the annual variable remuneration payable to Nominated Employees are awarded in accordance with the *Rules for Awarding Shares* approved by the General Meeting of Shareholders of the Bank; they are awarded to ensure the interest of the Group in increasing employee engagement, promoting long-term employment with the Group and pursuing its long-term strategic objectives.
  - 4.22. In case of expiry of an employment contract with a Nominated Employee, an agreement on the procedure for the payment of annual variable remuneration and/or outstanding portions thereof must be made. Any portions of variable remuneration unpaid/not awarded as at the redundancy date of the Nominated Employee shall be paid/awarded taking into account the employee's performance during the period set by the Bank or Group company, his/her period of service during that year, and in such way that the employee is not remunerated if his/her actions resulted in a loss to the Bank or the Group, except for statutory payments under the law. The award/approval of annual variable remuneration takes place under the same procedure and at the same time as the award/approval of variable remuneration for other employees, regardless of the employee's employment termination date. Analogous rules shall apply if no agreement can be reached with the dismissed Nominated Employee as provided for in this clause.

### **Retention period**

- 4.23. The annual variable remuneration or portion thereof granted in Bank shares and Severance pay granted in whole or in part in Bank shares are subject to a retention period. Retention period is a one-year restriction period for the right of transfer, starting from the date of grant of shares, during which the Nominated Employee may not transfer, pledge, otherwise encumber or otherwise dispose of the shares granted.
- 4.24. During the retention period, the accounting of Bank shares to the Nominated Employee thereof and other necessary actions shall be carried out in accordance with the procedures set out in the Bank's internal documents.
- 4.25. During the retention period, the Bank may recover up to 100% of the Bank shares granted if the Nominated Employee is found to have committed fraud or other deliberate or grossly negligent conduct which has resulted in a significant loss to the Bank or the Group.

#### **Long-Term Incentive Programmes**

- 4.26. For the Nominated Employees whose professional activities have the most significant impact on the Bank's risk profile, the variable remuneration may be granted under long-term incentive programmes.
- 4.27. The Supervisory Council shall have the right to determine which Nominated Employees are eligible for long-term incentive programmes and to establish the terms and conditions of such programmes, in accordance with the requirements set forth in this Policy.
- 4.28. The Nominated Employees enrolled in the long-term incentive programmes shall not be eligible for the variable remuneration provided for in paragraph 4.7 of the Policy.
- 4.29. Long-term incentive programmes shall apply for a period of 3 years or more and shall award annual remuneration in 100 per cent of the Bank's shares, subject to a deferral period of five (5) years and a retention period of one (1) year, taking into account the potential risks associated with the outcome of the Nominated Employee's performance review, as stipulated in the Bank's internal documents.
- 4.30. For the Nominated Employees enrolled in long-term incentive programs, the variable remuneration awarded for 1 (one) calendar year may exceed 100% but may not exceed 200% of the sum of the fixed remuneration components received in the same 1 (one) calendar year for which the variable remuneration has been awarded (i.e. the ratio of variable to fixed remuneration may exceed 100% but may not exceed 200%). The ratio of variable to fixed remuneration for the Nominated Employees enrolled in long-term incentive programmes and performing internal control functions shall be lower than the ratio of variable to fixed remuneration for the Nominated Employees within the business units they control.
- 4.31. An increased ratio of variable to fixed remuneration (as provided for in paragraph 4.30 of the Policy) shall be applied to the Nominated Employees whose annual variable remuneration must be granted using the method provided in paragraph 4.14.1.1 of the Policy<sup>2</sup>.
- 4.32. For the Nominated Employees enrolled in a long-term incentive programme, an increased ration of variable to fixed remuneration (as provided for in paragraph 4.30 of the Policy), may be applied without a further decision of the Bank's General Meeting of Shareholders, subject to the fulfilment of the requirements set out in the legislation, and subject to the following conditions being met:
- 4.32.1. an assessment has been made that the application of a variable/fixed remuneration ratio of more than 100 % does not adversely affect the requirement to have a sound capital base;
- 4.32.2. an assessment has been made that the application of a variable/fixed remuneration ratio of more than 100% is consistent with the Bank's obligations under Directive

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<sup>2</sup> The number of the Nominated Employees depends on the organizational structure of the Bank and the legal requirements and may reach up to 10 employees.

2013/36/EU and Regulation (EU) No 575/2013, in particular as regards the assessment of the Bank's equity liabilities;

- 4.32.3. the General Meeting of Shareholders has not revoked the option provided for in paragraph 4.30 of the Policy to apply a variable/fixed remuneration ratio of more than 100 per cent;
  - 4.32.4. upon approving a long-term incentive programmes providing a ratio of the annual variable remuneration to the fixed remuneration exceeding 100 per cent, the Supervisory Council must receive and evaluate the conclusions of the Chief Risk Officer's assessment in accordance with paragraphs 4.32.1 to 4.32.4 of the Policy;
  - 4.32.5. the Nominated Employees who could be subject to a variable/fixed remuneration ratio of more than 100 per cent shall not be allowed to exercise any voting rights, directly or indirectly.
- 4.33. The variable remuneration awarded under a long-term incentive programme shall take into account the Nominated Employee's past performance for at least one (1) year, and shall be subject to the conditions of future performance conditions for a period of 3 (three) years or more. The long-term incentive programme approved by the Supervisory Council shall set out the performance conditions to be fulfilled by the Nominated Employees in order the awarded variable remuneration to vest. The future performance conditions shall be set in accordance with the target-setting principles outlined in the Policy. The performance conditions shall be assessed before the variable remuneration is vested. If the future performance conditions are not met, the variable remuneration awarded shall be reduced pro rata, with the possibility of a reduction to zero.
- 4.34. A Nominated Employee shall only be entitled to receive variable remuneration under a long-term incentive programme if, at the end of the long-term incentive programme, he or she is still an employee of the Bank in a position that has a particularly significant impact on the risk profile of the Bank.
- 4.35. A long-term incentive programme may set interim annual future performance targets which, if achieved, would entitle the Nominated Employee to receive a portion of the variable remuneration awarded, provided that no future performance targets are achieved for a period of three (3) years or more or the Nominated Employee withdraws from the long-term incentive programme due to a good leaver event, and there are no circumstances in which the Nominated Employee is considered to have withdrawn from the long-term incentive programme due to a bad leaver event.
- 4.36. A Nominated Employee shall be deemed to have withdrawn from the long-term incentive programme due to a good leaver event, if the employment relationship with the Nominated Employee is terminated or changed for any of the following reasons:
- 4.36.1. by mutual agreement, on the initiative of the Nominated Employee, or the Bank, not due to the fault of the Nominated Employee, unless the Nominated Employee fails to meet the agreed performance standards as outlined in the performance improvement plan concluded between the parties, in accordance with the Labour Code of the Republic of Lithuania;
  - 4.36.2. due to the retirement of the Nominated Employee;
  - 4.36.3. due to serious illness / disability of the Nominated Employee preventing him/her from working;
  - 4.36.4. due to decease of the Nominated Employee;
  - 4.36.5. due to the material changes in the professional functions performed by the Nominated Employee on the initiative of the Bank;
  - 4.36.6. due to other circumstances under which the Supervisory Council decides that the Nominated Employee shall be considered a good leaver;  
provided that the Nominated Employee has not committed a breach of any contract with the

Bank or Group Companies, or any other policy, procedure, code of conduct or duty applicable to the Nominated Employee's activities.

4.37. A Nominated Employee shall be deemed to have withdrawn from the long-term incentive programme due to a bad leaver event if the employment relationship with the Nominated Employee is terminated for any of the following reasons:

4.37.1. any fraud, embezzlement, felony or criminal offence or similar act committed by the Nominated Employee (whether or not related to the Nominated Employee's relationship with the Bank or its Group Companies);

4.37.2. breach by the Nominated Employee of any agreement between the Bank and the Nominated Employee and/or applicable laws, including, without limitation, any breach of confidentiality, non-competition or non-solicitation covenants, or of any material duty of the Nominated Employee;

4.37.3. performance of any act by the Nominated Employee that entitles the Bank to dismiss the Nominated Employee without paying him/her any or partial severance pay in connection with such dismissal under applicable laws;

4.37.4. the Nominated Employee does not meet the requirements for his/her professional activities, as required under the legal acts applicable to the Bank and internal regulations of the Bank, including cases where the Nominated Employee fails to meet the agreed performance standards as outlined in the performance improvement plan concluded between the parties, in accordance with the Labour Code of the Republic of Lithuania;

unless the Supervisory Council decides that the Nominated Employee in question meeting one (or more) of the above criteria does not become a bad leaver.

4.38. Variable remuneration awarded to the Nominated Employees under long-term incentive programmes shall be subject to the requirements for the award and vesting of annual variable remuneration set out in this Policy and other internal documents of the Bank.

### **Supplements**

4.39. Supplements shall mean variable remuneration that may be awarded to Group employees, except Nominated Employees. Supplements are awarded and paid in cash or in Bank shares, with regard to the performance of the Bank, the Group, the individual units of the Bank and their employees for the previous quarter or other past period. The supplements may be quarterly, annual or at such other frequency as the Bank's Management Board may determine.

4.40. The amounts of the supplement pool for the Bank and Group Companies shall be approved by the Management Board of the Bank.

### **One-time bonuses**

4.41. One-time bonuses shall mean the portion of the variable remuneration awarded at the Bank's initiative that can be awarded to reward an employee for his/her good work, individual or group performance or results, exceptional commitment to values, project activities and results, etc. One-time bonuses are awarded and paid in cash based on the value added generated, scope of work, project relevance to the Group, project execution timeline, personal time allocated for preparation/participation, under employee reward schemes, etc.

4.42. The decision on the award and amount of the one-time bonus shall be taken by: for Bank employees – the Bank's CEO; for Bank employees who are also members of the Management Board of the Bank – the Bank's CEO with the approval of the Council; for the Bank's CEO and Deputy CEOs and for the Bank's key function holders – the Management Board of the Bank with the approval of the Council; for employees of Group Companies – a person or body setting their salary.

## **5. DESIGNATING NOMINATED EMPLOYEES**

- 5.1. Nominated Employees shall be designated in accordance with the criteria set out in the Resolution and the qualitative and quantitative criteria set out in Commission Delegated Regulation (EU) No. 2021/923.
- 5.2. Representatives from independent risk management, compliance, legal, human resources and other departments, as appropriate, are involved in the designation of Nominated Employees, as well as the Remuneration Committee and other committees of the Council (Risk, Nomination and/or Audit), within the scope of their responsibilities in relation to remuneration decisions. All employees and committees involved in the assessment process may, if necessary, exchange available information related to the designation of Nominated Employees.
- 5.3. The list of Nominated Employees shall be reviewed annually, or more frequently if necessary, e.g., in the event of significant changes in the structure of the Bank/Group, in accordance with the criteria set out in the legislation, and taking into account any additional criteria that may be applicable (if appropriate), reflecting the level of risk inherent in the Group's various activities and the impact of employees on the nature of risk.
- 5.4. The list of Nominated Employees shall be approved by the Management Board of the Bank, subject to the designation report. The Council shall be informed of the report on the designation of the Nominated Employees and the list of Nominated Employees.
- 5.5. The Council shall approve all exceptions to the designation of Nominated Employees and shall review and monitor their impact and, where appropriate, approve all exceptions to the designation of Nominated Employees in accordance with the criteria set out in paragraph 5.1 of the Policy, where the Bank determines that the employees do not meet the quantitative criteria set out in the European Commission Delegated Regulation (EU) No. 2021/923, because they do not have a significant impact on the Group's risk profile.

## **6. FINAL PROVISIONS**

- 6.1. The Policy (any changes thereto) shall be drawn up by the CEO who shall submit it for discussion to the Management Board of and the Remuneration Committee the Bank. The Policy, along with the feedback from the Management Board of the Bank, the Remuneration Committee of the Bank, the Chief Compliance Officer (CCO) of the Bank, shall be submitted for approval to the Council; upon approval by the Council, it shall be submitted for approval to the next General Meeting of Shareholders.
- 6.2. The responsibility for the setting of the principles of the Policy and remuneration framework models, the maintenance of the Policy, the supervision of the implementation of the Policy and the periodic review of the Policy at least once per year shall be with the Council; the Management Board of the Bank shall be responsible for the implementation of the Policy. The Internal Audit Service of the Bank shall audit the implementation of the Policy; the audits shall be conducted on a regular basis but at least once per year.
- 6.3. The Policy shall be submitted for approval to the General Meeting of Shareholders at least every four years, as well as in the event of any material changes to the Policy. In the event of a change to the Policy, all remuneration reports approved since the adoption of the last version of the Policy shall be submitted to the General Meeting of Shareholders.
- 6.4. In accordance with applicable law, if the Bank's General Meeting of Shareholders revokes the right referred to in paragraph 4.30 of the Policy to apply a variable/fixed remuneration ratio of more than 100%, all other provisions of the Policy shall remain in force without any change in the numbering of the paragraphs of the Policy.
- 6.5. The Policy shall be published in the Bank's website.
- 6.6. The Bank shall publish information on the implementation of the Policy exclusively in compliance with imperative legal requirements and without prejudice to confidentiality provisions and requirements for the legal protection of personal data.
- 6.7. The Remuneration Policy applies to the awarding, approval, granting and payment of

- remuneration to Nominated Employees as follows:
- for work/activities in 2025 and thereafter, this version of the Policy, as approved in 2025 by the Bank's Ordinary General Meeting of Shareholders, shall apply;
  - for work/activities in 2023 and 2024, the version of the Policy, as approved by the Bank's Ordinary General Meeting of Shareholders on 29 March 2024, shall apply;
  - for work/activities in 2022, the version of the Policy, as approved by the Bank's Ordinary General Meeting of Shareholders on 29 March 2024, shall apply, except for the awarding of remuneration, in which case the version of the Policy, as approved by the Bank's Ordinary General Meeting of Shareholders on 30 March 2022, shall apply;
  - for work/activities in 2021, the version of the Policy, as approved by the Bank's Ordinary General Meeting of Shareholders on 31 March 2020, shall apply.