

INTERIM INFORMATION

for the six months period ended 30 June 2023

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CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

for the six months period ended 30 June 2023

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

| | Notes | 30 June 2023 | | 31 December 2022 | |
|---|-------|------------------|------------------|------------------|------------------|
| | | Group | Bank | Group | Bank |
| ASSETS | | | | | |
| Cash and cash equivalents | | 420,607 | 419,469 | 384,758 | 383,518 |
| Securities in the trading book | 2 | 63,911 | 29,021 | 58,301 | 27,287 |
| Due from other banks | | 2,741 | 2,741 | 2,733 | 2,733 |
| Derivative financial instruments | | 389 | 389 | 897 | 897 |
| Loans to customers | 1 | 2,519,009 | 2,505,745 | 2,391,629 | 2,370,762 |
| Finance lease receivables | 1 | 272,280 | 272,035 | 242,448 | 242,192 |
| Investment securities at fair value | 2 | 75,143 | 75,143 | 90,225 | 90,225 |
| Investment securities at amortized cost | 2 | 804,446 | 791,990 | 969,033 | 956,332 |
| Investments in subsidiaries and associates | 2 | 100 | 25,703 | 100 | 31,441 |
| Intangible assets | | 8,920 | 7,021 | 8,283 | 6,450 |
| Property, plant and equipment | | 15,494 | 14,805 | 16,151 | 15,525 |
| Investment property | | 1,009 | - | 1,827 | - |
| Current income tax prepayment | | 4,931 | 4,920 | 6 | - |
| Deferred income tax asset | | 3,654 | 3,229 | 5,659 | 5,234 |
| Other assets | 3 | 17,713 | 14,843 | 12,331 | 8,724 |
| Assets held for sale | 3 | 150 | 150 | 150 | 150 |
| Total assets | | 4,210,497 | 4,167,204 | 4,184,531 | 4,141,470 |
| LIABILITIES | | | | | |
| Due to other banks and financial institutions | 5 | 553,232 | 553,985 | 685,075 | 686,559 |
| Derivative financial instruments | | 579 | 579 | 7,152 | 7,152 |
| Due to customers | 4 | 2,856,013 | 2,860,349 | 2,784,968 | 2,789,348 |
| Special and lending funds | 5 | 17,460 | 17,460 | 14,184 | 14,184 |
| Debt securities in issue | | 224,834 | 224,834 | 171,231 | 171,231 |
| Current income tax liabilities | | 9,779 | 9,585 | 4,374 | 4,036 |
| Deferred income tax liabilities | | 1,423 | - | 1,463 | - |
| Liabilities related to insurance activities | 17 | 38,710 | - | 39,313 | - |
| Other liabilities | | 37,228 | 27,970 | 35,075 | 26,176 |
| Total liabilities | | 3,739,258 | 3,694,762 | 3,742,835 | 3,698,686 |
| EQUITY | | | | | |
| Share capital | 6 | 174,211 | 174,211 | 174,211 | 174,211 |
| Share premium | | 3,428 | 3,428 | 3,428 | 3,428 |
| Treasury shares (-) | 6 | - | - | - | - |
| Reserve capital | | 756 | 756 | 756 | 756 |
| Statutory reserve | 6 | 47,804 | 47,605 | 37,113 | 36,922 |
| Reserve for acquisition of own shares | 6 | 20,000 | 20,000 | 20,000 | 20,000 |
| Financial instruments revaluation reserve | | (7,786) | (7,786) | (8,097) | (8,111) |
| Other equity | 6 | 1,700 | 1,209 | 2,355 | 1,917 |
| Retained earnings | | 231,126 | 233,019 | 211,930 | 213,661 |
| Non-controlling interest | | - | - | - | - |
| Total equity | | 471,239 | 472,442 | 441,696 | 442,784 |
| Total liabilities and equity | | 4,210,497 | 4,167,204 | 4,184,531 | 4,141,470 |

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

Chief Executive Officer

Chief Financial Officer

31 July 2023



Vytautas Sinius



Donatas Savickas

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

| | Notes | 30 June 2023 | | 30 June 2022 | |
|---|-------|---------------|---------------|---------------|---------------|
| | | Group | Bank | Group | Bank |
| <i>Interest revenue calculated using the effective interest method</i> | 7 | 87,053 | 80,171 | 47,426 | 40,480 |
| <i>Other similar income</i> | 7 | 9,526 | 9,438 | 5,481 | 5,369 |
| <i>Interest expense and similar charges</i> | 7 | (21,112) | (21,121) | (5,726) | (5,731) |
| Net interest income | | 75,467 | 68,488 | 47,181 | 40,118 |
| <i>Fee and commission income</i> | 8 | 13,311 | 13,822 | 12,769 | 13,208 |
| <i>Fee and commission expense</i> | 8 | (3,706) | (3,645) | (3,671) | (3,577) |
| Net fee and commission income | | 9,605 | 10,177 | 9,098 | 9,631 |
| <i>Net gain from trading activities</i> | 11 | 6,442 | 3,952 | 78 | 4,013 |
| <i>Net gain (loss) from derecognition of financial assets</i> | | 319 | 36 | 477 | 202 |
| <i>Net gain (loss) from disposal of tangible assets</i> | | 721 | 37 | 254 | 93 |
| <i>Revenue related to insurance activities</i> | | 2,347 | - | 4,487 | - |
| <i>Other operating income</i> | | 256 | 314 | 1,332 | 1,196 |
| <i>Salaries and related expenses</i> | | (16,838) | (15,478) | (14,449) | (12,768) |
| <i>Depreciation and amortization expenses</i> | | (2,612) | (2,505) | (2,300) | (2,087) |
| <i>Expenses related to insurance activities</i> | 11 | (4,046) | - | 366 | - |
| <i>Other operating expenses</i> | 9 | (11,526) | (9,225) | (8,740) | (6,583) |
| Operating profit before impairment losses | | 60,135 | 55,796 | 37,784 | 33,815 |
| <i>Allowance for impairment losses on loans and other assets</i> | 10 | (5,339) | (3,831) | (1,897) | (1,132) |
| <i>Allowance for impairment losses on investments in subsidiaries</i> | | - | - | - | - |
| <i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i> | 12 | - | 2,370 | - | 2,516 |
| Profit before income tax | | 54,796 | 54,335 | 35,887 | 35,199 |
| <i>Income tax expense</i> | | (11,540) | (10,941) | (6,378) | (5,792) |
| Net profit for the period | | 43,256 | 43,394 | 29,509 | 29,407 |
| <i>Profit (loss) from discontinued operations, net of tax</i> | | - | - | - | - |
| Net profit for the period | | 43,256 | 43,394 | 29,509 | 29,407 |
| Net profit attributable to: | | | | | |
| <i>Owners of the Bank</i> | | 43,256 | 43,394 | 29,509 | 29,407 |
| <i>From continuing operations</i> | | 43,256 | 43,394 | 29,509 | 29,407 |
| <i>From discontinued operations</i> | | - | - | - | - |
| <i>Non-controlling interest</i> | | - | - | - | - |
| <i>Basic earnings per share (in EUR per share) attributable to owners of the Bank</i> | | 0.07 | | 0.05 | |
| <i>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</i> | | 0.07 | | 0.05 | |

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

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

| | for the three months period | | | | |
|---|-----------------------------|---------------|------------------------|---------------|---------------|
| | 1 April - 30 June 2023 | | 1 April - 30 June 2022 | | |
| | Notes | Group | Bank | Group | Bank |
| <i>Interest revenue calculated using the effective interest method</i> | | 47,002 | 43,566 | 24,854 | 21,329 |
| <i>Other similar income</i> | | 5,373 | 5,329 | 2,929 | 2,857 |
| <i>Interest expense and similar charges</i> | | (12,343) | (12,355) | (2,628) | (2,630) |
| Net interest income | | 40,032 | 36,540 | 25,155 | 21,556 |
| <i>Fee and commission income</i> | | 6,980 | 7,270 | 6,456 | 6,740 |
| <i>Fee and commission expense</i> | | (1,922) | (1,892) | (1,861) | (1,805) |
| Net fee and commission income | | 5,058 | 5,378 | 4,595 | 4,935 |
| <i>Net gain from trading activities</i> | | 3,516 | 2,231 | 180 | 2,221 |
| <i>Net gain (loss) from derecognition of financial assets</i> | | 53 | - | 339 | 195 |
| <i>Net gain (loss) from disposal of tangible assets</i> | | 83 | 39 | 49 | 68 |
| <i>Revenue related to insurance activities</i> | | (231) | - | 2,292 | - |
| <i>Other operating income</i> | | 110 | 154 | 751 | 627 |
| <i>Salaries and related expenses</i> | | (8,034) | (7,550) | (6,941) | (6,074) |
| <i>Depreciation and amortization expenses</i> | | (1,266) | (1,263) | (1,191) | (1,090) |
| <i>Expenses related to insurance activities</i> | | (774) | - | 245 | - |
| <i>Other operating expenses</i> | | (5,748) | (4,693) | (4,819) | (3,594) |
| Operating profit before impairment losses | | 32,799 | 30,836 | 20,655 | 18,844 |
| <i>Allowance for impairment losses on loans and other assets</i> | | (2,577) | (1,946) | 775 | 1,163 |
| <i>Allowance for impairment losses on investments in subsidiaries</i> | | - | - | - | - |
| <i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i> | | - | 978 | - | 1,132 |
| Profit before income tax | | 30,222 | 29,868 | 21,430 | 21,139 |
| <i>Income tax expense</i> | | (6,119) | (5,898) | (3,378) | (3,090) |
| Net profit for the period | | 24,103 | 23,970 | 18,052 | 18,049 |
| <i>Profit (loss) from discontinued operations, net of tax</i> | | - | - | - | - |
| Net profit for the year | | 24,103 | 23,970 | 18,052 | 18,049 |
| Net profit attributable to: | | | | | |
| <i>Owners of the Bank</i> | | 24,103 | 23,970 | 18,052 | 18,049 |
| <i>From continuing operations</i> | | 24,103 | 23,970 | 18,052 | 18,049 |
| <i>From discontinued operations</i> | | - | - | - | - |
| <i>Non-controlling interest</i> | | - | - | - | - |

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

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

| | for the six months period ended | | | |
|---|---------------------------------|---------------|----------------|----------------|
| | 30 June 2023 | | 30 June 2022 | |
| | Group | Bank | Group | Bank |
| Net profit for the period | 43,256 | 43,394 | 29,509 | 29,407 |
| Other comprehensive income | | | | |
| <i>Items that may be subsequently reclassified to profit or loss:</i> | | | | |
| Gain from revaluation of financial assets | 390 | 406 | (6,671) | (6,670) |
| Deferred income tax on gain from revaluation of financial assets | (79) | (81) | 1,334 | 1,334 |
| <i>Items that may not be subsequently reclassified to profit or loss:</i> | | | | |
| Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk | - | - | - | - |
| Other comprehensive income, net of deferred tax | 311 | 325 | (5,337) | (5,336) |
| Total comprehensive income for the period | 43,567 | 43,719 | 24,172 | 24,071 |
| Total comprehensive income (loss) attributable to: | | | | |
| Owners of the Bank | 43,567 | 43,719 | 24,172 | 24,071 |
| Non-controlling interest | - | - | - | - |
| | 43,567 | 43,719 | 24,172 | 24,071 |

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

| | for the three months period | | | |
|---|-----------------------------|---------------|------------------------|----------------|
| | 1 April - 30 June 2023 | | 1 April - 30 June 2022 | |
| | Group | Bank | Group | Bank |
| Net profit for the period | 24,103 | 23,970 | 18,052 | 18,049 |
| Other comprehensive income (loss) | | | | |
| <i>Items that may be subsequently reclassified to profit or loss:</i> | | | | |
| Gain (loss) from revaluation of financial assets | (327) | (310) | (3,675) | (3,674) |
| Deferred income tax on gain (loss) from revaluation of financial assets | 64 | 62 | 735 | 735 |
| <i>Items that may not be subsequently reclassified to profit or loss:</i> | | | | |
| Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk | - | - | - | - |
| Other comprehensive income (loss), net of deferred tax | (263) | (248) | (2,940) | (2,939) |
| Total comprehensive income for the period | 23,840 | 23,722 | 15,112 | 15,110 |
| Total comprehensive income (loss) attributable to: | | | | |
| Owners of the Bank | 23,840 | 23,722 | 15,112 | 15,110 |
| Non-controlling interest | - | - | - | - |
| | 23,840 | 23,722 | 15,112 | 15,110 |

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

THE GROUP'S CONDENSED STATEMENT OF CHANGES IN EQUITY

| | Notes | Share capital | Share premium | Treasury shares (-) | Reserve capital | Financial instruments revaluation | Statutory reserve | Reserve for acquisition of own shares | Other equity | Retained earnings | Total Non-controlling interest | Total equity |
|---|-------|----------------|---------------|---------------------|-----------------|-----------------------------------|-------------------|---------------------------------------|--------------|-------------------|--------------------------------|------------------|
| Attributable to Bank shareholders | | | | | | | | | | | | |
| 1 January 2022 | | 174,211 | 3,428 | (516) | 756 | (583) | 21,893 | 10,000 | 3,288 | 193,950 | 406,427 | - 406,427 |
| Transfer to statutory reserve | | - | - | - | - | - | 15,220 | - | - | (15,220) | - | - |
| Transfer to reserve for acquisition of own shares | 6 | - | - | - | - | - | - | 10,000 | - | (10,000) | - | - |
| Acquisition of own shares | 6 | - | - | (1,557) | - | - | - | (234) | - | - | (1,791) | (1,791) |
| Share-based payment | 6 | - | - | 2,073 | - | - | - | 234 | (977) | 21 | 1,351 | 1,351 |
| Payment of dividends | 6 | - | - | - | - | - | - | - | - | (20,425) | (20,425) | (20,425) |
| Total comprehensive income | | - | - | - | - | (5,337) | - | - | - | 29,509 | 24,172 | 24,172 |
| 30 June 2022 | | 174,211 | 3,428 | - | 756 | (5,920) | 37,113 | 20,000 | 2,311 | 177,835 | 409,734 | - 409,734 |
| Share-based payment | 6 | - | - | - | - | - | - | - | 44 | (10) | 34 | 34 |
| Total comprehensive income | | - | - | - | - | (2,177) | - | - | - | 34,105 | 31,928 | 31,928 |
| 31 December 2022 | | 174,211 | 3,428 | - | 756 | (8,097) | 37,113 | 20,000 | 2,355 | 211,930 | 441,696 | - 441,696 |
| Impact of change in accounting principles | | - | - | - | - | - | - | - | - | 2,566 | 2,566 | 2,566 |
| 1 January 2023 | | 174,211 | 3,428 | - | 756 | (8,097) | 37,113 | 20,000 | 2,355 | 214,496 | 444,262 | - 444,262 |
| Transfer to statutory reserve | | - | - | - | - | - | 10,691 | - | - | (10,691) | - | - |
| Acquisition of own shares | 6 | - | - | (1,868) | - | - | - | - | - | - | (1,868) | (1,868) |
| Share-based payment | 6 | - | - | 1,868 | - | - | - | - | (655) | (16) | 1,197 | 1,197 |
| Payment of dividends | 6 | - | - | - | - | - | - | - | - | (15,919) | (15,919) | (15,919) |
| Total comprehensive income | | - | - | - | - | 311 | - | - | - | 43,256 | 43,567 | 43,567 |
| 30 June 2023 | | 174,211 | 3,428 | - | 756 | (7,786) | 47,804 | 20,000 | 1,700 | 231,126 | 471,239 | - 471,239 |

THE BANK'S CONDENSED STATEMENT OF CHANGES IN EQUITY

| | Notes | Share capital | Share premium | Treasury shares (-) | Reserve capital | Financial instruments revaluation reserve | Statutory reserve | Reserve for acquisition of own shares | Other equity | Retained earnings | Total equity |
|---|-------|----------------|---------------|---------------------|-----------------|---|-------------------|---------------------------------------|--------------|-------------------|----------------|
| 1 January 2022 | | 174,211 | 3,428 | (516) | 756 | (597) | 21,770 | 10,000 | 2,870 | 195,659 | 407,581 |
| Transfer to statutory reserve | | - | - | - | - | - | 15,152 | - | - | (15,152) | - |
| Transfer to reserve for acquisition of own shares | 6 | - | - | - | - | - | - | 10,000 | - | (10,000) | - |
| Acquisition of own shares | 6 | - | - | (1,557) | - | - | - | (234) | - | - | (1,791) |
| Share-based payment | 6 | - | - | 2,073 | - | - | - | 234 | (953) | - | 1,354 |
| Payment of dividends | 6 | - | - | - | - | - | - | - | - | (20,425) | (20,425) |
| Total comprehensive income | | - | - | - | - | (5,336) | - | - | - | 29,407 | 24,071 |
| 30 June 2022 | | 174,211 | 3,428 | - | 756 | (5,933) | 36,922 | 20,000 | 1,917 | 179,489 | 410,790 |
| Total comprehensive income | | - | - | - | - | (2,178) | - | - | - | 34,172 | 31,994 |
| 31 December 2022 | | 174,211 | 3,428 | - | 756 | (8,111) | 36,922 | 20,000 | 1,917 | 213,661 | 442,784 |
| Impact of change in accounting principles | | - | - | - | - | - | - | - | - | 2,566 | 2,566 |
| 1 January 2023 | | 174,211 | 3,428 | - | 756 | (8,111) | 36,922 | 20,000 | 1,917 | 216,227 | 445,350 |
| Transfer to statutory reserve | | - | - | - | - | - | 10,683 | - | - | (10,683) | - |
| Acquisition of own shares | 6 | - | - | (1,868) | - | - | - | - | - | - | (1,868) |
| Share-based payment | 6 | - | - | 1,868 | - | - | - | - | (708) | - | 1,160 |
| Payment of dividends | 6 | - | - | - | - | - | - | - | - | (15,919) | (15,919) |
| Total comprehensive income | | - | - | - | - | 325 | - | - | - | 43,394 | 43,719 |
| 30 June 2023 | | 174,211 | 3,428 | - | 756 | (7,786) | 47,605 | 20,000 | 1,209 | 233,019 | 472,442 |

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

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

| | Notes | for the six months period ended | | | |
|--|-------|---------------------------------|------------------|------------------|------------------|
| | | 30 June 2023 | | 30 June 2022 | |
| | | Group | Bank | Group | Bank |
| Operating activities | | | | | |
| Interest received on loans and advances | | 86,247 | 79,785 | 50,311 | 42,935 |
| Interest received on securities in the trading book | | 979 | 907 | 491 | 426 |
| Interest paid | | (15,256) | (15,258) | (5,268) | (5,278) |
| Fees and commissions received | | 13,311 | 13,822 | 12,769 | 13,208 |
| Fees and commissions paid | | (3,706) | (3,645) | (3,671) | (3,577) |
| Net cash inflows from trade in securities in the trading book | | (5,079) | (5,982) | (21,584) | (16,532) |
| Net inflows from foreign exchange operations | | 3,059 | 3,059 | 4,141 | 4,038 |
| Net inflows from derecognition of financial assets | | 319 | 36 | 477 | 202 |
| Net inflows from derecognition of non-financial assets | | 721 | 37 | 254 | 93 |
| Cash inflows related to other activities of Group companies | | 2,603 | 314 | 7,151 | 1,196 |
| Cash outflows related to other activities of Group companies | | (4,046) | - | 366 | - |
| Recoveries on loans previously written off | | 134 | 91 | 638 | 52 |
| Salaries and related payments to and on behalf of employees | | (17,215) | (15,855) | (15,285) | (13,604) |
| Payments related to operating and other expenses | | (11,526) | (9,225) | (8,740) | (6,583) |
| Income tax paid | | (5,337) | (4,991) | (5,147) | (4,531) |
| Net cash flow from operating activities before change in operating assets and liabilities | | 45,208 | 43,095 | 16,903 | 12,045 |
| Change in operating assets and liabilities: | | | | | |
| Decrease (increase) in due from other banks | | (8) | (8) | 884 | 884 |
| (Increase) in loans to customers and finance lease receivables | | (121,437) | (131,512) | (227,089) | (228,238) |
| (Increase)/decrease in finance lease receivables | | (31,387) | (31,398) | (21,749) | (21,787) |
| Decrease (increase) in other assets | | (5,698) | (6,430) | 8,671 | 10,056 |
| Decrease (increase) in due to banks and financial institutions | | (134,348) | (135,079) | 15,449 | 12,540 |
| Increase (decrease) increase in due to customers | | 67,777 | 67,733 | (34,208) | (32,437) |
| Increase in special and lending funds | | 3,276 | 3,276 | 660 | 660 |
| Increase (decrease) in other liabilities | | (2,337) | 1,791 | (1,363) | (1,036) |
| Change | | (224,162) | (231,627) | (258,745) | (259,358) |
| Net cash flow from (used in) from operating activities | | (178,954) | (188,532) | (241,842) | (247,313) |
| Investing activities | | | | | |
| Acquisition of property, plant and equipment, investment property and intangible assets | | (1,264) | (1,046) | (3,031) | (2,889) |
| Disposal of property, plant and equipment, investment property and intangible assets | | 2,016 | 523 | 2,725 | 1,237 |
| Acquisition of debt securities at amortized cost | | (45,987) | (44,032) | (270,923) | (270,876) |
| Proceeds from redemption of debt securities at amortized cost | | 208,025 | 207,254 | 44,587 | 43,958 |
| Interest received on debt securities at amortized cost | | 5,115 | 4,899 | 4,982 | 4,825 |
| Dividends received | | 11 | 10,011 | 22 | 5,722 |
| Acquisition of investment securities at fair value | | - | - | (21,429) | (18,213) |
| Sale or redemption of investment securities at fair value | | 15,221 | 15,221 | 7,602 | 6,191 |
| Interest received on investment securities at fair value | | 251 | 251 | 232 | 150 |
| Acquisition of shares in subsidiaries | | (400) | (400) | (100) | (100) |
| Net cash flow (used in) from investing activities | | 182,988 | 192,681 | (235,333) | (229,995) |
| Financing activities | | | | | |
| Payment of dividends | | (15,883) | (15,883) | (20,381) | (20,381) |
| Issue of debt securities | | 50,000 | 50,000 | - | - |
| Acquisition of own shares | | (1,868) | (1,868) | (1,557) | (1,557) |
| Principal elements of lease payments | | (434) | (447) | (442) | (453) |
| Net cash flow (used in) financing activities | | 31,815 | 31,802 | (22,380) | (22,391) |
| Net increase (decrease) in cash and cash equivalents | | 35,849 | 35,951 | (499,555) | (499,699) |
| Cash and cash equivalents at 1 January | | 384,758 | 383,518 | 965,723 | 964,849 |
| Cash and cash equivalents at 30 June | | 420,607 | 419,469 | 466,168 | 465,150 |

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

GENERAL INFORMATION

Šiaulių Bankas AB was registered as a public company in the Enterprise Register of the Republic of Lithuania on 4 February 1992. The Bank is licensed by the Bank of Lithuania to perform all banking operations provided for in the Law on Banks of the Republic of Lithuania and the Charter of the Bank. In this document, Šiaulių Bankas AB is referred to as the Bank, Šiaulių Bankas AB and its subsidiaries (described in more detail in Note 2) - the Group.

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. At the end of the reporting period the Bank had 56 customer service outlets (31 December 2022: 56 outlets). As at 30 June 2023 the Bank had 857 employees (31 December 2022: 817). As at 30 June 2023 the Group had 950 employees (31 December 2022: 908 employees).

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

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

This condensed interim financial information for the six months period ended 30 June 2023 has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by EU. Except for the points described below, all the accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements of the Bank for the year ended 31 December 2022.

Income tax

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

New and amended standards, and interpretations

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

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

IFRS 17 Insurance contracts is applicable for yearly periods starting on 1 January 2023. IFRS 17 supersedes IFRS 4 according which companies had 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 standard based on general principles setting accounting requirements for all types of insurance contracts including reinsurance contracts held by insurer. The Company has not applied this standard earlier.

It is considered that contract is insurance contract only if it meets definition of significant insurance risk taking into account future cash inflows (evaluated by probability) from premiums and disbursements due to fulfilment of obligations/ in case of death, terminal value and administrative costs discounted using EIOPA risk-free interest rate curve. In evaluating significance of insurance risk additional amounts are used which would be payable in economic base scenarios. Two scenarios are created - one when no insurance event is occurring, another when insurance event is occurring by 100%. Insurance event will cause losses if current value of future cash flows according to second scenario is larger than in first scenario. If losses are generated because of insurance event and additional amounts which would be payable according to scenarios which are based on second scenario are by 10% larger than in first scenario, insurance risk is significant.

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

- Portfolio – similar risk contracts managed together.
- Profitability – contracts of same profitability.
- Cohort – contracts which conclusion dates differ by more than one year.

GENERAL INFORMATION (CONTINUED)

New and amended standards, and interpretations (continued)

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

Boundary of insurance contract is regarded as matching term declared in insurance contract unless policy holder has used right for certain or unlimited period not to pay periodic insurance premiums. In such case contract boundary is date when cumulative part of contract is less than payments deductible. The Company is including all future cashflows falling in each groups boundaries when assessing insurance contract group.

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

Carrying value of insurance contracts group at end of each reporting period is calculated by adding liabilities of remaining insurance protection and damages suffered. Estimates of future cashflows are recalculated at each reporting date using updated data. Contractual service margin at reporting date demonstrates profit of insurance contracts group which was not recognised as profit or loss as it is related with future service, which will be provided under group contracts.

According to IFRS 17 clause B119 provisions insurance contracts group CSM amount is recognised as profit or loss of each period to demonstrate insurance contract services provided by insurance contract group in that period. Amount distributable to certain period is determined by identifying coverage units within portfolio. Coverage units within group is quantity of insurance contracts services provided according group contracts determined according to outflows value in each contract and expected insurance period.

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

The Company decided to use EIOPA risk-free interest rates curves for discounting of cash flows. To reflect contract cashflows and liquidity features for liquid products, i.e. for products related with investment funds, EIOPA risk-free interest rate without variable correction is used and for other non-liquid products EIOPA risk-free interest rate with variable correction is applied.

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

IFRS 17 requires entities to disclose risk inherent in insurance contracts including non-financial risk correction in assessment of such contracts. Risk correction due to non-financial risk is defined as compensation which entity requires to assume uncertainty regarding amount and timing of cashflows arising from non-financial risk and is calculated separately from other cashflows. The Company chose to calculate risk correction based on Solvency II capital requirement before diversification. Assumption is made that all Solvency II non-financial risk (mortality, longevity, disability, validity, outflows and disaster risk) is distributed by normal distribution. Due to low quantitative impact assumption for life models can be made that disaster risk can be approximately assessed under normal distribution. Risk correction calculation is based on risk determination at reporting date ($t = 0$) and its forecasting based on liquidation model applicable for each non-financial risk based on coverage units. According to clause 81 in IFRS 17 requirements the Company decided not to split risk correction due to non-financial risk to insurance services result and insurance financial income and expenses. Non-financial risk correction changes are assessed using current interest rate and all risk correction change is included in insurance services result.

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

GENERAL INFORMATION (CONTINUED)

New and amended standards, and interpretations (continued)

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

| Product | Transition method | Model applied |
|---|--|----------------------|
| Endowment insurance (KG) | Fair value method | GMM |
| Endowment insurance for survival (KI) | Fair value method | GMM |
| Hybrid (GD, GP) | For contracts concluded till 2016 – Fair value method. For contracts concluded after 2016 – Full retrospective approach | VFA |
| Studies insurance (SD) | Fair value method | GMM |
| Pension insurance (PD) | Fair value method | GMM |
| Pension annuities insurance (PA) | Fair value method | GMM |
| Annuities (SD_pay_out, PD_pay_out) | Fair value method | GMM |
| 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 | VFA |
| 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 | VFA |
| Children future programme (VP) | Full retrospective approach | VFA |
| Life risk insurance (GG) | Fair value method | GMM |
| 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 | GMM |
| „I'm safe“ insurance (GN) | Fair value method | GMM |
| Life risk „Safe family“ insurance (SB) | Full retrospective approach | GMM |
| Mortgage life insurance (BK) | Full retrospective approach | GMM |

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

The Company has evaluated impact on financial statements of initial IFRS 17 application. According to assessments made the Company's equity correction is increase of EUR 2,566 thousand as at 1 January 2023.

| <i>IFRS 17 application impact on Company's equity</i> | 31 December 2022 | 31 December 2021 |
|--|-------------------------|-------------------------|
| Equity under IFRS 4 | 9,068 | 9,124 |
| Increase (decrease) in equity due to IFRS 17 application | 2,566 | (1,636) |
| Equity under IFRS 17 | 11,634 | 7,488 |

Insurance contract liabilities (excluding investment units)

| | 30 June 2023 | 31 December 2022 |
|--|---------------------|-------------------------|
| Liabilities for remaining coverage | 31,080 | 27,915 |
| Present value of the future cash flows | 23,693 | 21,181 |
| Risk adjustment | 2,466 | 2,248 |
| Contractual service margin | 4,921 | 4,486 |
| Liabilities of incurred claims | 33 | 740 |
| Total | 31,113 | 28,655 |

Insurance contract revenue

| | 30 June 2023 | 30 June 2022 |
|---|---------------------|---------------------|
| Expected insurance expenses | 667 | 1,232 |
| Expected contract acquisition expenses | 688 | 556 |
| Change in risk adjustment | (2) | 992 |
| Contractual service margin for the service provided | 369 | 316 |
| Recovery of insurance contract acquisition expenses | 420 | 349 |
| Total | 2,142 | 3,445 |

GENERAL INFORMATION (CONTINUED)
New and amended standards, and interpretations (continued)

Net insurance finance income

| | 30 June 2023 | 30 June 2022 |
|---|---------------------|---------------------|
| <i>Interest accrued under insurance contracts</i> | (434) | 53 |
| <i>Change of financial assumptions</i> | (2,009) | 4,360 |
| <i>Changes related to impact of discount rates set at initial recognition</i> | 16 | 3 |
| <i>Change of value of assets related to insurance contracts</i> | 2,485 | (4,308) |
| Total | 58 | 108 |

Amendments of **IFRS 9 Financial instruments** provided possibility for insurers to use temporary exempt from IFRS 9 application till 2023 together with IFRS 17 application if liabilities form insurance contracts exceeded 90 % of all liabilities. Entities postponing IFRS 9 application were applying IAS 39. The Company has used temporary exempt from IFRS 9 application and started applying it from 1 January 2023. The Company has applied IFRS 9 clauses which were not different to those described in annual financial statements as at and for the year ended 31 December 2022. Due to application of IFRS 9 clauses the Company recognised Eur 11 thousand debt securities impairment expenses.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. In preparing these condensed interim financial statements, the significant judgements made in applying Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2022, except for judgements and estimations used for calculation of impairment, which were revised to reflect the most recent economic forecasts. These judgements and estimates are described in more detail in Notes 1 and 10. It should be noted that at the moment of producing the financial reports there was no full clarity regarding further development scenarios of Russia invasion to Ukraine and uncertainties regarding further global, country and sector development trends existed, therefore there is a significant probability that actual results may deviate from the estimated. These interim financial statements also include specific estimates and judgements applied for calculation of temporary solidarity contribution which calculation and payment order were set in provisions of Law on temporary solidarity contribution of Republic of Lithuania adopted in 2nd quarter of 2023. According to clarifications received from tax authorities regarding calculation of this contribution, amount of temporary solidarity contribution calculated for 2nd quarter of 2023 by the Bank is equal to 0 Eur however this amount could change if tax authorities clarifications would be amended.

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

No significant amounts of the Group's and the Bank's income or expenses are of a substantial seasonal nature.

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES

Credit risk is defined as the risk for the Group to incur losses due to the Group's customers' failure to fulfil their financial obligations towards the Group. Credit exposures arise principally in lending activities and it is the most significant risk in the Group's banking activities. There is also credit risk in investment activities that arise from debt securities and in the Group's asset portfolio as well as in the off-balance sheet financial instruments, such as loan commitments, guarantees and letters of credit.

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

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

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

Maximum exposure to credit risk before collateral held or other credit enhancements:

| | 30 June 2023 | | 31 December 2022 | |
|--|------------------|------------------|------------------|------------------|
| | Group | Bank | Group | Bank |
| <i>Cash equivalents</i> | 340,879 | 339,785 | 307,443 | 306,303 |
| <i>Loans and advances to banks</i> | 2,741 | 2,741 | 2,733 | 2,733 |
| <i>Loans and advances to customers:</i> | 2,519,009 | 2,505,745 | 2,391,629 | 2,370,762 |
| <i>Loans and advances to financial institutions</i> | - | 244,084 | - | 195,623 |
| <i>Loans to individuals (Retail)</i> | 1,201,292 | 965,367 | 1,114,258 | 916,118 |
| <i>Loans to business customers</i> | 1,317,717 | 1,296,294 | 1,277,371 | 1,259,021 |
| <i>Finance lease receivables</i> | 272,280 | 272,035 | 242,448 | 242,192 |
| <i>Debt securities at fair value through profit or loss</i> | 31,826 | 28,736 | 30,148 | 27,056 |
| <i>Derivative financial instruments</i> | 389 | 389 | 897 | 897 |
| <i>Debt securities at fair value through other comprehensive income</i> | 71,175 | 71,175 | 85,271 | 85,271 |
| <i>Debt securities at amortized cost</i> | 804,446 | 791,990 | 969,033 | 956,332 |
| <i>Other assets subject to credit risk</i> | 4,996 | 4,799 | 5,815 | 5,620 |
| <i>Credit risk exposures relating to off-balance sheet items are as follows:</i> | | | | |
| <i>Financial guarantees</i> | 56,566 | 56,627 | 52,655 | 52,716 |
| <i>Letters of credit</i> | 877 | 877 | 5,756 | 5,756 |
| <i>Loan commitments and other credit related liabilities</i> | 556,351 | 550,890 | 490,944 | 492,592 |
| Total | 4,661,535 | 4,625,789 | 4,584,772 | 4,548,230 |

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

Loans to customers

Loans and advances are summarized as follows:

| | 30 June 2023 | | 31 December 2022 | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | Group | Bank | Group | Bank |
| Gross loans at amortized cost | 2,552,892 | 2,531,476 | 2,423,800 | 2,395,409 |
| Less: allowance for impairment | (37,260) | (29,108) | (34,229) | (26,705) |
| Net loans at amortized cost | 2,515,632 | 2,502,368 | 2,389,571 | 2,368,704 |
| Gross loans at fair value | 3,573 | 3,573 | 2,058 | 2,058 |
| Less: decrease in fair value | (196) | (196) | - | - |
| Net loans at fair value | 3,377 | 3,377 | 2,058 | 2,058 |
| Total loans | 2,519,009 | 2,505,745 | 2,391,629 | 2,370,762 |

The Bank has provided loans as investment to securitization vehicle through Banks's subsidiary SB Modernizavimo Fondas UAB for financing multiapartment buildings renovation projects. Bank's investments in securitization are provided in several tranches to different investment layers bearing different risk levels. Part of investments made so far were made into layer bearing highest level of risk, therefore according to clauses in IFRS 9 applicable to contractually linked instruments, loans to SB Modernizavimo Fondas UAB are accounted at fair value through profit and loss and are disclosed in statement of financial position within line "Loans to customers". At initial recognition it was considered that fair value of these loans is equal to its acquisition value. During six months period ended 30 June 2023 losses from fair value change of such loans of EUR 196 thousand were recognized.

The distribution of loans by stages and days past due:

| | 30 June 2023 | | | | | 31 December 2022 | | | | |
|--------------------------|------------------|---------------------|---------------------|-------------------|------------------|------------------|---------------------|---------------------|-------------------|------------------|
| | Not past due | Past due <= 30 days | Past due 31-90 days | Past due >90 days | Total | Not past due | Past due <= 30 days | Past due 31-90 days | Past due >90 days | Total |
| Stage 1: | | | | | | | | | | |
| Gross amount | 2,270,838 | 45,272 | 1,815 | 4 | 2,317,929 | 2,146,375 | 36,617 | - | - | 2,182,992 |
| Allowance for impairment | (15,454) | (770) | (80) | - | (16,304) | (12,893) | (645) | - | - | (13,538) |
| Net amount | 2,255,384 | 44,502 | 1,735 | 4 | 2,301,625 | 2,133,482 | 35,972 | - | - | 2,169,454 |
| Stage 2: | | | | | | | | | | |
| Gross amount | 142,006 | 6,860 | 11,699 | 24 | 160,589 | 155,834 | 9,688 | 10,275 | - | 175,797 |
| Allowance for impairment | (1,767) | (224) | (694) | (6) | (2,691) | (1,614) | (117) | (679) | - | (2,410) |
| Net amount | 140,239 | 6,636 | 11,005 | 18 | 157,898 | 154,220 | 9,571 | 9,596 | - | 173,387 |
| Stage 3: | | | | | | | | | | |
| Gross amount | 43,749 | 4,056 | 4,438 | 25,704 | 77,947 | 31,903 | 10,939 | 1,517 | 22,710 | 67,069 |
| Allowance for impairment | (7,837) | (1,088) | (1,588) | (7,948) | (18,461) | (6,878) | (1,759) | (529) | (9,115) | (18,281) |
| Net amount | 35,912 | 2,968 | 2,850 | 17,756 | 59,486 | 25,025 | 9,180 | 988 | 13,595 | 48,788 |
| Total: | | | | | | | | | | |
| Gross amount | 2,456,593 | 56,188 | 17,952 | 25,732 | 2,556,465 | 2,334,112 | 57,244 | 11,792 | 22,710 | 2,425,858 |
| Allowance for impairment | (25,058) | (2,082) | (2,362) | (7,954) | (37,456) | (21,385) | (2,521) | (1,208) | (9,115) | (34,229) |
| Net amount | 2,431,535 | 54,106 | 15,590 | 17,778 | 2,519,009 | 2,312,727 | 54,723 | 10,584 | 13,595 | 2,391,629 |

| | 30 June 2023 | | | | | 31 December 2022 | | | | |
|--------------------------|------------------|---------------------|---------------------|-------------------|------------------|------------------|---------------------|---------------------|-------------------|------------------|
| | Not past due | Past due <= 30 days | Past due 31-90 days | Past due >90 days | Total | Not past due | Past due <= 30 days | Past due 31-90 days | Past due >90 days | Total |
| Stage 1: | | | | | | | | | | |
| Gross amount | 2,060,263 | 24,327 | - | 4 | 2,084,594 | 1,961,097 | 25,618 | - | - | 1,986,715 |
| Allowance for impairment | (12,052) | (44) | - | - | (12,096) | (9,390) | (35) | - | - | (9,425) |
| Net amount | 2,048,211 | 24,283 | - | 4 | 2,072,498 | 1,951,707 | 25,583 | - | - | 1,977,290 |
| Stage 2: | | | | | | | | | | |
| Gross amount | 364,242 | 6,163 | 8,973 | - | 379,378 | 332,429 | 9,340 | 7,615 | - | 349,384 |
| Allowance for impairment | (1,739) | (100) | (78) | - | (1,917) | (1,560) | (64) | (50) | - | (1,674) |
| Net amount | 362,503 | 6,063 | 8,895 | - | 377,461 | 330,869 | 9,276 | 7,565 | - | 347,710 |
| Stage 3: | | | | | | | | | | |
| Gross amount | 42,064 | 2,672 | 1,597 | 24,744 | 71,077 | 30,029 | 9,992 | 875 | 20,472 | 61,368 |
| Allowance for impairment | (7,048) | (455) | (290) | (7,498) | (15,291) | (5,993) | (1,318) | (229) | (8,066) | (15,606) |
| Net amount | 35,016 | 2,217 | 1,307 | 17,246 | 55,786 | 24,036 | 8,674 | 646 | 12,406 | 45,762 |
| Total: | | | | | | | | | | |
| Gross amount | 2,466,569 | 33,162 | 10,570 | 24,748 | 2,535,049 | 2,323,555 | 44,950 | 8,490 | 20,472 | 2,397,467 |
| Allowance for impairment | (20,839) | (599) | (368) | (7,498) | (29,304) | (16,943) | (1,417) | (279) | (8,066) | (26,705) |
| Net amount | 2,445,730 | 32,563 | 10,202 | 17,250 | 2,505,745 | 2,306,612 | 43,533 | 8,211 | 12,406 | 2,370,762 |

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

Loans are assigned to stages using the following principles (a deviation from these principles is allowed in the process of individual loan assessment based on contract-specific circumstances if it would result in more precise assessment of the risk of the contract):

Stage 1 loans: loans with no increase in credit risk observed.

Stage 2 loans: loans with an increase in credit risk observed. Main reasons for determining an increase in credit risk are: deterioration of borrower's financial status from the initial (this criteria is not applicable to the low credit risk loans, i.e. loans that have internal borrower's financial status assessment grades "very good" or "good" or investment grade credit ratings by external credit rating agencies), payment delay of over 30 days, and other objective criteria showing an increase in credit risk.

Stage 3 loans: defaulted loans. Main reasons for determining a default are: payment delay of over 90 days, bankruptcy of the borrower, termination of the contract, start of the foreclosure procedures and other objective criteria.

As lending activities are oriented to Lithuanian market, the Bank and the Group held no significant direct loan positions in Russia, Belarus and Ukraine. Potential risk assessment for separate sectors has not demonstrated economic sectors for which risk would be increased. Due to potential increase in credit risk the Bank has individually assessed clients with loans and finance lease contracts which have medium or high dependency from countries mentioned above through supply or sales chains or through shareholders structure and if increase in risk was determined credit stages for certain clients were reduced.

Finance lease receivables

Information on finance lease receivables is summarized in the tables below:

| | 30 June 2023 | | 31 December 2022 | |
|---------------------------------------|----------------|----------------|------------------|----------------|
| | Group | Bank | Group | Bank |
| <i>Business customers</i> | 243,046 | 241,989 | 220,087 | 219,025 |
| <i>Individuals</i> | 35,024 | 35,024 | 27,661 | 27,661 |
| Gross | 278,070 | 277,013 | 247,748 | 246,686 |
| <i>Less: Allowance for impairment</i> | (5,790) | (4,978) | (5,300) | (4,494) |
| Net | 272,280 | 272,035 | 242,448 | 242,192 |

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

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

| | 30 June 2023 | | | | | 31 December 2022 | | | | |
|--------------------------|----------------|---------------------|---------------------|-------------------|----------------|------------------|---------------------|---------------------|-------------------|----------------|
| | Not past due | Past due <= 30 days | Past due 31-90 days | Past due >90 days | Total | Not past due | Past due <= 30 days | Past due 31-90 days | Past due >90 days | Total |
| Group | | | | | | | | | | |
| Stage 1: | | | | | | | | | | |
| Gross amount | 249,841 | 10,452 | 16 | - | 260,309 | 216,512 | 10,934 | - | - | 227,446 |
| Allowance for impairment | (2,965) | (148) | (1) | - | (3,114) | (1,757) | (124) | - | - | (1,881) |
| Net amount | 246,876 | 10,304 | 15 | - | 257,195 | 214,755 | 10,810 | - | - | 225,565 |
| Stage 2: | | | | | | | | | | |
| Gross amount | 9,240 | 750 | 1,018 | - | 11,008 | 10,866 | 596 | 1,201 | - | 12,663 |
| Allowance for impairment | (269) | (24) | (27) | - | (320) | (246) | (15) | (24) | - | (285) |
| Net amount | 8,971 | 726 | 991 | - | 10,688 | 10,620 | 581 | 1,177 | - | 12,378 |
| Stage 3: | | | | | | | | | | |
| Gross amount | 4,236 | 213 | 127 | 2,177 | 6,753 | 5,053 | 719 | 323 | 1,544 | 7,639 |
| Allowance for impairment | (1,128) | (47) | (32) | (1,149) | (2,356) | (1,761) | (153) | (62) | (1,158) | (3,134) |
| Net amount | 3,108 | 166 | 95 | 1,028 | 4,397 | 3,292 | 566 | 261 | 386 | 4,505 |
| Total: | | | | | | | | | | |
| Gross amount | 263,317 | 11,415 | 1,161 | 2,177 | 278,070 | 232,431 | 12,249 | 1,524 | 1,544 | 247,748 |
| Allowance for impairment | (4,362) | (219) | (60) | (1,149) | (5,790) | (3,764) | (292) | (86) | (1,158) | (5,300) |
| Net amount | 258,955 | 11,196 | 1,101 | 1,028 | 272,280 | 228,667 | 11,957 | 1,438 | 386 | 242,448 |

| | 30 June 2023 | | | | | 31 December 2022 | | | | |
|--------------------------|----------------|---------------------|---------------------|-------------------|----------------|------------------|---------------------|---------------------|-------------------|----------------|
| | Not past due | Past due <= 30 days | Past due 31-90 days | Past due >90 days | Total | Not past due | Past due <= 30 days | Past due 31-90 days | Past due >90 days | Total |
| Bank | | | | | | | | | | |
| Stage 1: | | | | | | | | | | |
| Gross amount | 249,841 | 10,452 | 16 | - | 260,309 | 216,512 | 10,934 | - | - | 227,446 |
| Allowance for impairment | (2,966) | (148) | (1) | - | (3,115) | (1,757) | (124) | - | - | (1,881) |
| Net amount | 246,875 | 10,304 | 15 | - | 257,194 | 214,755 | 10,810 | - | - | 225,565 |
| Stage 2: | | | | | | | | | | |
| Gross amount | 8,984 | 750 | 1,018 | - | 10,752 | 10,606 | 596 | 1,201 | - | 12,403 |
| Allowance for impairment | (258) | (24) | (27) | - | (309) | (241) | (15) | (24) | - | (280) |
| Net amount | 8,726 | 726 | 991 | - | 10,443 | 10,365 | 581 | 1,177 | - | 12,123 |
| Stage 3: | | | | | | | | | | |
| Gross amount | 4,236 | 213 | 127 | 1,376 | 5,952 | 5,053 | 719 | 323 | 742 | 6,837 |
| Allowance for impairment | (1,128) | (47) | (32) | (347) | (1,554) | (1,762) | (153) | (62) | (356) | (2,333) |
| Net amount | 3,108 | 166 | 95 | 1,029 | 4,398 | 3,291 | 566 | 261 | 386 | 4,504 |
| Total: | | | | | | | | | | |
| Gross amount | 263,061 | 11,415 | 1,161 | 1,376 | 277,013 | 232,171 | 12,249 | 1,524 | 742 | 246,686 |
| Allowance for impairment | (4,352) | (219) | (60) | (347) | (4,978) | (3,760) | (292) | (86) | (356) | (4,494) |
| Net amount | 258,709 | 11,196 | 1,101 | 1,029 | 272,035 | 228,411 | 11,957 | 1,438 | 386 | 242,192 |

**NOTE 2
SECURITIES**

Securities in the trading book

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

| | 30 June 2023 | | 31 December 2022 | |
|--|---------------|---------------|------------------|---------------|
| | Group | Bank | Group | Bank |
| Debt securities: | 31,826 | 28,736 | 30,148 | 27,056 |
| Government bonds | 2,701 | 2,637 | 2,880 | 2,602 |
| Corporate bonds | 29,125 | 26,099 | 27,268 | 24,454 |
| Equity securities | 32,085 | 285 | 28,153 | 231 |
| Total | 63,911 | 29,021 | 58,301 | 27,287 |
| | | | | |
| | 30 June 2023 | | 31 December 2022 | |
| | Group | Bank | Group | Bank |
| Trading securities: | | | | |
| Debt securities | 31,756 | 28,736 | 30,079 | 27,056 |
| from AA- to AAA | - | - | - | - |
| from A- to A+ | 2,701 | 2,637 | 2,779 | 2,602 |
| from BBB- to BBB+ | 393 | - | 588 | - |
| from BB- to BB+ | 507 | - | 492 | - |
| lower than BB- | - | - | - | - |
| no rating | 28,155 | 26,099 | 26,220 | 24,454 |
| Equity securities | 285 | 285 | 231 | 231 |
| listed | 262 | 262 | 213 | 213 |
| unlisted | 23 | 23 | 18 | 18 |
| units of investment funds | - | - | - | - |
| Total trading securities | 32,041 | 29,021 | 30,310 | 27,287 |
| | | | | |
| Other trading book securities: | | | | |
| Debt securities | 70 | - | 69 | - |
| from AA- to AAA | - | - | - | - |
| from A- to A+ | - | - | - | - |
| from BBB- to BBB+ | - | - | - | - |
| from BB- to BB+ | - | - | - | - |
| lower than BB- | - | - | - | - |
| no rating | 70 | - | 69 | - |
| Equity securities | 31,800 | - | 27,922 | - |
| listed | - | - | - | - |
| unlisted | - | - | - | - |
| units of investment funds | 31,800 | - | 27,922 | - |
| Total other trading book securities | 31,870 | - | 27,991 | - |
| | | | | |
| TOTAL | 63,911 | 29,021 | 58,301 | 27,287 |

NOTE 2
SECURITIES (CONTINUED)

Investment securities

| | 30 June 2023 | | 31 December 2022 | |
|---|----------------|----------------|------------------|----------------|
| | Group | Bank | Group | Bank |
| <u>Securities at fair value:</u> | | | | |
| Debt securities: | 71,175 | 71,175 | 85,271 | 85,271 |
| Government bonds | 53,194 | 53,194 | 52,570 | 52,570 |
| Corporate bonds | 17,981 | 17,981 | 32,701 | 32,701 |
| Equity securities | 3,968 | 3,968 | 4,954 | 4,954 |
| Total | 75,143 | 75,143 | 90,225 | 90,225 |
| <u>Securities at amortized cost:</u> | | | | |
| Debt securities: | 804,446 | 791,990 | 969,033 | 956,332 |
| Government bonds | 686,082 | 680,122 | 827,765 | 821,781 |
| Corporate bonds | 118,364 | 111,868 | 141,268 | 134,551 |
| Total | 804,446 | 791,990 | 969,033 | 956,332 |

| | 30 June 2023 | | 31 December 2022 | |
|---|----------------|----------------|------------------|----------------|
| | Group | Bank | Group | Bank |
| <u>Securities at fair value:</u> | | | | |
| Debt securities | 71,175 | 71,175 | 85,271 | 85,271 |
| from AA- to AA+ | - | - | - | - |
| from A- to A+ | 57,396 | 57,396 | 56,664 | 56,664 |
| from BBB- to BBB+ | 5,413 | 5,413 | 10,387 | 10,387 |
| from BB- to BB+ | 5,629 | 5,629 | 15,432 | 15,432 |
| lower than BB- | - | - | - | - |
| no rating | 2,737 | 2,737 | 2,788 | 2,788 |
| Equities | 3,968 | 3,968 | 4,954 | 4,954 |
| listed | 275 | 275 | 286 | 286 |
| unlisted | 318 | 318 | 243 | 243 |
| units of investment funds | 3,375 | 3,375 | 4,425 | 4,425 |
| Total | 75,143 | 75,143 | 90,225 | 90,225 |
| <u>Securities at amortized cost:</u> | | | | |
| Debt securities | 804,446 | 791,990 | 969,033 | 956,332 |
| from AA- to AA+ | 2,271 | 2,065 | 3,369 | 3,164 |
| from A- to A+ | 690,820 | 684,843 | 835,290 | 829,303 |
| from BBB- to BBB+ | 109,856 | 105,082 | 128,864 | 123,865 |
| from BB- to BB+ | 1,499 | - | 1,510 | - |
| lower than BB- | - | - | - | - |
| no rating | - | - | - | - |
| Total | 804,446 | 791,990 | 969,033 | 956,332 |

Credit stages of investment debt securities:

| | 30 June 2023 | | 31 December 2022 | |
|--------------------------|----------------|----------------|------------------|------------------|
| | Group | Bank | Group | Bank |
| Stage 1: | | | | |
| Gross amount | 873,212 | 860,745 | 1,054,916 | 1,042,201 |
| Allowance for impairment | (327) | (316) | (612) | (598) |
| Net amount | 872,885 | 860,429 | 1,054,304 | 1,041,603 |
| Stage 2: | | | | |
| Gross amount | 2,936 | 2,936 | - | - |
| Allowance for impairment | (200) | (200) | - | - |
| Net amount | 2,736 | 2,736 | - | - |
| Stage 3: | | | | |
| Gross amount | 1,020 | - | 1,020 | - |
| Allowance for impairment | (1,020) | - | (1,020) | - |
| Net amount | - | - | - | - |

During six months periods ended 30 June 2023 and 30 June 2022 no material reclassifications between portfolios of securities were performed.

NOTE 2
SECURITIES (CONTINUED)

Investments in subsidiaries

As of 30 June 2023 the Bank owned the following directly controlled subsidiaries:

1. SB Draudimas UAB (name changed Bonum Publicum GD UAB; life insurance activities),
2. SB Lizingas UAB (consumer financing activities),
3. Šiaulių Banko Lizingas UAB (lease activities),
4. SB Turto Fondas UAB (real estate management activities),
5. SB Modernizavimo Fondas (multiapartment buildings renovation financing activities),
6. SB Asset Management UAB (funds management activities).

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

1. SB Draudimas UAB (life insurance activities),
2. SB Lizingas UAB (consumer financing activities),
3. Šiaulių Banko Lizingas UAB (lease activities),
4. Šiaulių Banko Turto Fondas UAB (real estate management activities),
5. SB Modernizavimo Fondas UAB (multiapartment buildings renovation financing activities),

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

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

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

On April 5, 2022 the Bank established a special purpose entity - SB Modernizavimo Fondas UAB which started its activities on April 25, 2022 after respective agreements with investors were signed. Bank's investment in share capital of SB Modernizavimo Fondas UAB is EUR 100 thousand. According to agreements with investors and provision in IFRS 10, Bank holds no control in SB Modernizavimo Fondas UAB therefore it is not consolidated in Group's consolidated financial statements. According to clauses in IFRS 9 applicable to contractually linked instruments, investment in SB Modernizavimo Fondas UAB is accounted at fair value through profit and loss and is disclosed in statement of financial position within line "Investments in subsidiaries and associates". At initial recognition it was considered that fair value of this investment is equal to its acquisition value. Since initial recognition there were no circumstances due to which fair value of investment in SB Modernizavimo Fondas UAB would change significantly.

By implementing its strategic plan, the Bank optimizes the structure of its subsidiaries. During six months period ended 30 June 2023 Bank's indirectly controlled subsidiary Šiaulių Banko Investicijų Valdymas UAB was liquidated. Šiaulių Banko Lizingas UAB directly controlled by the Bank is under liquidation procedure.

Bank's investments in subsidiaries consisted of:

| | Share in equity | 30 June 2023 | 31 December 2022 |
|--|-----------------|---------------|------------------|
| <i>SB draudimas GD UAB</i> | 100% | 14,736 | 11,732 |
| <i>SB lizingas UAB</i> | 100% | 5,803 | 13,904 |
| <i>Šiaulių Banko Lizingas UAB</i> | 100% | - | 1,074 |
| <i>SB Turto Fondas UAB</i> | 100% | 4,664 | 4,631 |
| <i>SB Asset Management UAB</i> | 100% | 400 | - |
| Total investments in subsidiaries using equity method | | 25,603 | 31,341 |
| <i>SB Modernizavimo Fondas UAB</i> | 100% | 100 | 100 |
| Total investments in subsidiaries at fair value | | 100 | 100 |

NOTE 3
SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Other assets

| | 30 June 2023 | | 31 December 2022 | |
|---|---------------|---------------|------------------|--------------|
| | Group | Bank | Group | Bank |
| <i>Amounts receivable</i> | 4,996 | 4,799 | 5,815 | 5,620 |
| <i>Inventories</i> | 137 | - | 146 | - |
| <i>Deferred charges</i> | 2,919 | 2,884 | 1,004 | 974 |
| <i>Assets under reinsurance and insurance contracts</i> | 1,353 | - | 2,767 | - |
| <i>Prepayments</i> | 2,338 | 1,214 | 928 | 405 |
| <i>Foreclosed assets</i> | 68 | 64 | 468 | 464 |
| <i>Other</i> | 5,902 | 5,882 | 1,203 | 1,261 |
| Total | 17,713 | 14,843 | 12,331 | 8,724 |

NOTE 3
SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS
(CONTINUED)

Assets held for sale

Assets held for sale consist of:

| | 30 June 2023 | | 31 December 2022 | |
|---|--------------|------------|------------------|------------|
| | Group | Bank | Group | Bank |
| <i>Real estate classified as held for sale</i> | 150 | 150 | 150 | 150 |
| Total assets classified as held for sale | 150 | 150 | 150 | 150 |

NOTE 4
DUE TO CUSTOMERS

| | 30 June 2023 | | 31 December 2022 | |
|--|------------------|------------------|------------------|------------------|
| | Group | Bank | Group | Bank |
| <i>Demand deposits:</i> | | | | |
| <i>National government institutions</i> | 54,703 | 54,703 | 59,258 | 59,258 |
| <i>Local government institutions</i> | 154,349 | 154,349 | 139,054 | 139,054 |
| <i>Governmental and municipal companies</i> | 43,033 | 43,033 | 33,252 | 33,252 |
| <i>Corporate entities</i> | 637,344 | 641,159 | 763,766 | 767,625 |
| <i>Non-profit organizations</i> | 36,741 | 36,741 | 42,535 | 42,535 |
| <i>Individuals</i> | 704,101 | 704,101 | 811,586 | 811,586 |
| <i>Unallocated amounts due to customers</i> | 19,166 | 19,687 | 13,473 | 13,994 |
| Total demand deposits | 1,649,437 | 1,653,773 | 1,862,924 | 1,867,304 |
| <i>Term deposits:</i> | | | | |
| <i>National government institutions</i> | 5,168 | 5,168 | 1,015 | 1,015 |
| <i>Local government institutions</i> | 3,611 | 3,611 | 3,803 | 3,803 |
| <i>Governmental and municipality companies</i> | 5,414 | 5,414 | 5,847 | 5,847 |
| <i>Corporate entities</i> | 178,798 | 178,798 | 187,108 | 187,108 |
| <i>Non-profit organizations</i> | 6,755 | 6,755 | 2,298 | 2,298 |
| <i>Individuals</i> | 1,006,830 | 1,006,830 | 721,973 | 721,973 |
| Total term deposits | 1,206,576 | 1,206,576 | 922,044 | 922,044 |
| Total | 2,856,013 | 2,860,349 | 2,784,968 | 2,789,348 |

NOTE 5

SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITIES ITEMS

Due to other banks and financial institutions

On 28th June 2023 the Bank has repaid a EUR 150 million loan borrowed under the ECB's TLTRO III programme. After this repayment outstanding borrowing on the balance sheet under third series of the targeted longer-term refinancing operations (TLTRO-III) program of the European Central Bank amounted to EUR 479 million as at 30 June 2023. On 29 September 2021 Bank has borrowed additional EUR 479 million via ECB's latest TLTRO III.9 operation. Loan maturity date is on 25 September 2024 with early repayment option started on 29 June 2022. The Bank has not used early repayment option. Interest rate on TLTRO III was -0.5% from June 2020 to June 2021 and for banks meeting the lending thresholds, the interest rate can be as low as -1%. The Bank has met the lending thresholds during first two quarters of 2022 therefore has included the bonus on the special interest period in its effective interest recognition. Based on an internal assessment, part of the inflow of economic benefits from TLTRO-III borrowing with negative effective interest rate, which may be justified as market rate, was recognised within the income statement line "Interest income". The remainder is a benefit of the below-market rate of interest and was recognised within the income statement line "Other income" as a support or compensation for the fulfilment of the required obligations. Since 14th September 2022 interest rates for TLTRO-III borrowings are positive, TLTRO-III positive interest recorded in 2023 and 2022 income statement line "Interest expenses". Securities with a carrying value of EUR 508,376 thousand were placed as a collateral for these borrowings.

Special and lending funds

The special funds consist of the funds from the mandatory social and health insurance funds. The special funds should be returned to the institutions which have placed them upon the first requirement of the latter. The increase in special and lending funds from EUR 14,184 thousand in the beginning of the year to EUR 17,460 thousand in the end of the reporting period is attributable to routine fluctuations in these funds.

NOTE 6
CAPITAL

As of 30 June 2023 and 31 December 2022 the Banks's share capital amounted to EUR 174,210,616.27, it comprised 600,726,263 ordinary registered shares with par value of EUR 0.29 each.

At 31 December 2020 European Bank for Reconstruction and Development (EBRD) possessed 26.02% of the authorised capital and votes of the Bank. On 22 December 2021 EBRD announced that it has agreed to sell an 18 % stake in Bank. EBRD has signed 3 separate agreements with Invalda INVL, an asset management group, Tesonet Global, (part of the Tesonet group of companies), 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. On 29 December 2021 Willgrow announced about acquisition of 5.71% of Bank's shares. On 31 May 2023 the second series of transactions was completed after which the shareholding held by Invalda INVL grew to 10.00%, Willgrow to 7.81%, and Tesonet Global - 3.91%. After these transactions as of 30 June 2023 EBRD possessed 14.00% of the authorised capital and votes of the Bank.

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

As at 30 June 2023, the Bank had 19,737 shareholders (as at 31 December 2022: 18,524).

Dividends:

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

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

Reserve for acquisition of own shares:

On 28 March 2019 ordinary general meeting of shareholders made a decision to form a reserve for acquisition of own shares from retained earnings. On 30 March 2022 ordinary general meeting of shareholders made a decision to increase reserve for acquisition of own shares by EUR 10,000 thousand. The reserve can be used for two purposes – to preserve the market price of Bank's shares and to acquire the shares that will be granted to Group's employees as part of variable remuneration. As of 30 June 2023 carrying value of reserve for own shares acquisition amounts to EUR 20,000 thousand (as at 31 December 2022: EUR 20,000 thousand).

NOTE 6
CAPITAL (CONTINUED)

During six months period ended 30 June 2023 the Bank acquired 2,491 thousand units of own shares for EUR 1,868 thousand. The acquired shares were granted to the employees of the Bank and its subsidiaries as a deferred part of variable remuneration for 2019. As of 30 June 2023 the Bank held no own shares.

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

Other equity:

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

The Group's remuneration policy prescribes two main elements of remuneration – fixed remuneration and variable remuneration, and various additional benefits. Employees whose professional activities and/or decisions might have a significant impact on the risk accepted by the Group, receive deferred variable remuneration. The remuneration amounts are accrued as staff expenses in income statement. Until 2018, Group's incentive scheme included deferred payments in shares and cash of not less than 40% of variable remuneration being paid in equal instalments during three-year period. From 2019 under the Group's incentive scheme employees whose professional activities and/or decisions may have a significant impact on the risk assumed by the Group receive 50% of the annual long-term incentive program in cash and 50% in form of Bank's shares options executable after 3 years. From 2023 Bank's shares options are executable after 4-5 years. The number of share options is based on the currency value of the achieved results divided by the weighted average price at which the Bank's shares are traded on Nasdaq Vilnius during the period of five months prior the approval of remuneration. Each option is convertible into one ordinary share.

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

- For the option granted 31 March 2023: grant date (31 March 2023), expiry days (9 April 2027 and 14 April 2028), share price 0.747 on grant day, exercise price 0.65, expected price volatility of the bank's shares 26%, risk free interest rates - 5% ir 2.3%;
- For the option granted 30 March 2022: grant date (30 March 2022), expiry day (11 April 2025), share price 0.656 on grant day, exercise price 0.588, expected price volatility of the bank's shares 28%, risk free interest rate - 0.1%;
- For the option granted 31 March 2021: grant date (31 March 2021), expiry day (12 April 2024), share price 0.538 on grant day, exercise price 0.498, expected price volatility of the bank's shares 25%, risk free interest rate - 0.1%;

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

| | 30 June 2023 | | 31 December 2022 | |
|--|--------------|--------------|------------------|--------------|
| | Group | Bank | Group | Bank |
| <i>Options</i> | 1,700 | 1,209 | 2,355 | 1,917 |
| <i>Shares distributable to employees</i> | - | - | - | - |
| Total | 1,700 | 1,209 | 2,355 | 1,917 |

No options were forfeited or expired during periods ended 30 June 2023 and 31 December 2022. During six months period ended 30 June 2023 2,491 thousand units of share options were exercised for benefit of Group's defined employees (for benefit of Bank's defined employees – 2,165 thousand units) on exercise date at weighted average share price of 0.67 EUR. Weighted average option exercise price was 0 EUR.

Basic earnings per share:

Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period. There were no potential ordinary shares at 30 June 2023 and 30 June 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 30 June and 30 June 2022 was 600,726 thousand. Weighted average number of shares in issue for the period ended 30 June 2023 was 600,194 thousand (30 June 2022: 599,840 thousand).

| | 30 June 2023 | 30 June 2022 |
|--|---------------|---------------|
| <i>Net profit from continuing operations attributable to equity holders</i> | 43,256 | 29,509 |
| <i>Net profit (loss) from discontinued operations attributable to equity holders</i> | - | - |
| Net profit attributable to equity holders | 43,256 | 29,509 |
| <i>Weighted average number of shares in issue during the period (thousand units)</i> | 600,194 | 599,840 |
| Basic earnings per share (EUR) | 0.07 | 0.05 |
| <i>Basic earnings per share (EUR) from continuing operations</i> | 0.07 | 0.05 |
| <i>Basic earnings per share (EUR) from discontinued operations</i> | - | - |

NOTE 7
NET INTEREST INCOME

| | 1 January - 30 June 2023 | | 1 January - 30 June 2022 | |
|---|--------------------------|-----------------|--------------------------|----------------|
| | Group | Bank | Group | Bank |
| Interest revenue calculated using the effective interest method (on financial assets at amortized cost and fair value through other comprehensive income): | 87,053 | 80,171 | 47,426 | 40,480 |
| on loans to other banks and financial institutions and placements with credit institutions | 4,313 | 8,265 | 2,453 | 4,150 |
| on loans to customers | 78,574 | 67,839 | 42,555 | 34,010 |
| on debt securities at amortized cost | 3,810 | 3,713 | 2,266 | 2,168 |
| on debt securities at fair value through other comprehensive income | 356 | 354 | 152 | 152 |
| Other similar income: | 9,526 | 9,438 | 5,481 | 5,369 |
| on debt securities at fair value through profit or loss | 979 | 907 | 524 | 426 |
| on loans at fair value through profit or loss | 321 | 321 | - | - |
| on finance leases | 8,226 | 8,210 | 4,228 | 4,214 |
| other interest income | - | - | 729 | 729 |
| Total interest income | 96,579 | 89,609 | 52,907 | 45,849 |
| Interest expense: | | | | |
| on financial liabilities designated at fair value through profit or loss | - | - | - | - |
| on financial liabilities measured at amortized cost | (21,100) | (21,116) | (3,965) | (3,972) |
| on other liabilities | (12) | (5) | (1,761) | (1,759) |
| Total interest expense | (21,112) | (21,121) | (5,726) | (5,731) |
| Net interest income | 75,467 | 68,488 | 47,181 | 40,118 |

NOTE 8
NET FEE AND COMMISSION INCOME

| | 1 January - 30 June 2023 | | 1 January - 30 June 2022 | |
|---|--------------------------|----------------|--------------------------|----------------|
| | Group | Bank | Group | Bank |
| Fee and commission income: | | | | |
| for administration of loans of third parties | 2,329 | 2,329 | 2,045 | 2,045 |
| for settlement services | 2,718 | 2,726 | 2,719 | 2,727 |
| for cash operations | 2,454 | 2,454 | 2,648 | 2,648 |
| for account administration | 3,151 | 3,151 | 2,279 | 2,279 |
| for guarantees, letters of credit, documentary collection | 412 | 412 | 383 | 383 |
| for collection of utility and similar payments | 113 | 113 | 120 | 120 |
| for services related to securities | 1,682 | 1,722 | 2,029 | 2,072 |
| other fee and commission income | 452 | 915 | 546 | 934 |
| Total fee and commission income | 13,311 | 13,822 | 12,769 | 13,208 |
| Fee and commission expense: | | | | |
| for payment cards | (2,289) | (2,289) | (2,197) | (2,197) |
| for cash operations | (371) | (371) | (490) | (490) |
| for correspondent bank and payment system fees | (243) | (186) | (311) | (230) |
| for services of financial data vendors | (167) | (167) | (113) | (113) |
| for services related to securities | (423) | (423) | (359) | (359) |
| other fee and commission expenses | (213) | (209) | (201) | (188) |
| Total fee and commission expense | (3,706) | (3,645) | (3,671) | (3,577) |
| Net fee and commission income | 9,605 | 10,177 | 9,098 | 9,631 |

NOTE 9
OTHER OPERATING EXPENSES

| | 1 January - 30 June 2023 | | 1 January - 30 June 2022 | |
|---|--------------------------|----------------|--------------------------|----------------|
| | Group | Bank | Group | Bank |
| <i>Rent of buildings and premises</i> | (143) | (145) | (131) | (134) |
| <i>Utility services for buildings and premises</i> | (724) | (711) | (598) | (546) |
| <i>Other expenses related to buildings and premises</i> | (386) | (386) | (197) | (197) |
| <i>Transportation expenses</i> | (194) | (158) | (198) | (151) |
| <i>Legal costs</i> | (474) | (474) | (189) | (189) |
| <i>Personnel and training expenses</i> | (473) | (444) | (210) | (195) |
| <i>IT and communication expenses</i> | (4,773) | (4,425) | (3,608) | (3,234) |
| <i>Marketing and charity expenses</i> | (1,847) | (600) | (1,437) | (457) |
| <i>Service organization expenses</i> | (1,465) | (1,389) | (1,237) | (1,144) |
| <i>Non-income taxes, fines</i> | (303) | (32) | (313) | (38) |
| <i>Costs incurred due to debt recovery</i> | (223) | (100) | (128) | (28) |
| <i>Other expenses</i> | (521) | (361) | (495) | (271) |
| Total | (11,526) | (9,225) | (8,740) | (6,583) |

NOTE 10
IMPAIRMENT LOSSES

| | 1 January - 30 June 2023 | | 1 January - 30 June 2022 | |
|--|--------------------------|----------------|--------------------------|----------------|
| | Group | Bank | Group | Bank |
| <i>(Impairment losses) / reversal of impairment losses on loans</i> | (4,543) | (3,009) | (2,125) | (775) |
| <i>Recoveries of loans previously written-off</i> | 93 | 91 | 217 | 52 |
| <i>Reversal of impairment losses / (impairment losses) on finance lease receivables</i> | (490) | (484) | (480) | (475) |
| <i>Recovered previously written-off finance lease receivables</i> | - | - | - | 1 |
| <i>(Impairment losses) on debt securities</i> | 71 | 82 | (63) | (65) |
| <i>Reversal of impairment losses on due from banks</i> | - | - | 61 | 61 |
| <i>Reversal of impairment losses / (impairment losses) on other financial assets</i> | (511) | (511) | 73 | 69 |
| <i>(Impairment losses) on subsidiaries</i> | - | - | - | - |
| <i>(Impairment losses) / reversal of impairment losses on other non-financial assets</i> | - | - | - | - |
| <i>Recoveries of other non-financial assets previously written-off</i> | - | - | - | - |
| <i>Provisions for other liabilities</i> | 41 | - | 420 | - |
| Total | (5,339) | (3,831) | (1,897) | (1,132) |

NOTE 10
IMPAIRMENT LOSSES (CONTINUED)

| | 1 January - 30 June 2023 | | 1 January - 30 June 2022 | |
|---|--------------------------|---------------|--------------------------|---------------|
| | Group | Bank | Group | Bank |
| Allowance for impairment of loans | | | | |
| As at 1 January | 34,229 | 26,705 | 35,696 | 28,137 |
| Change in allowance for loan impairment | 4,543 | 3,009 | 2,125 | 775 |
| Loans written off during the period | (1,316) | (411) | (1,860) | (935) |
| Other factors (reclassification, FX rate shift, etc.) | - | 1 | (1) | (1) |
| As at 30 June | 37,456 | 29,304 | 35,960 | 27,976 |
| Allowance for impairment of finance lease receivables | | | | |
| As at 1 January | 5,300 | 4,494 | 3,787 | 3,039 |
| Change in allowance for impairment of finance lease receivables | 490 | 484 | 480 | 475 |
| Finance lease receivables written off during the period | - | - | - | - |
| Other factors (reclassification, FX rate shift, etc.) | - | - | 1 | 1 |
| As at 30 June | 5,790 | 4,978 | 4,268 | 3,515 |
| Allowance for impairment of debt securities | | | | |
| As at 1 January | 1,632 | 598 | 1,365 | 331 |
| Change in allowance for impairment of debt securities | (71) | (82) | 63 | 65 |
| Debt securities written off during the period | - | - | - | - |
| Other factors (reclassification, FX rate shift, etc.) | (14) | - | 1 | (1) |
| As at 30 June | 1,547 | 516 | 1,429 | 395 |
| Allowance for impairment of due from banks | | | | |
| As at 1 January | 39 | 39 | 106 | 106 |
| Change in allowance for impairment of due from banks | - | - | (61) | (61) |
| Due from banks written off during the period | - | - | - | - |
| Other factors (reclassification, FX rate shift, etc.) | - | - | - | - |
| As at 30 June | 39 | 39 | 45 | 45 |
| Allowance for impairment of other financial assets | | | | |
| As at 1 January | 506 | 490 | 260 | 228 |
| Change in allowance for impairment of other financial assets | 511 | 511 | (73) | (69) |
| Other financial assets written off during the period | (3) | (3) | (2) | (2) |
| Other factors (reclassification, FX rate shift, etc.) | (1) | (2) | 6 | 6 |
| As at 30 June | 1,013 | 996 | 191 | 163 |

As environmental factors changed, assumptions and estimates used in probability of default (PD) estimations were changed. The scenarios used to calculate PDs were based on the latest available economic change scenarios published by institutions, Group's management assigned judgement-based probabilities to these scenarios. It should be noted that economic forecasts used took into account ongoing Russia's invasion to Ukraine but without knowing result scenario of it significant uncertainties existed on how it will impact further global, country and sectors development trends. Due to such circumstances there is a significant probability that actual results may deviate from the estimated.

Scenario probabilities and weighted average GDP growth:

| | 2023 | | 2024 | | 2025 | | 2026 | | 2027 | |
|-----------------------------|---------|-------------|--------|-------------|--------|-------------|--------|-------------|--------|-------------|
| | GDP | Probability | GDP | Probability | GDP | Probability | GDP | Probability | GDP | Probability |
| At 30 June 2023: | | | | | | | | | | |
| Base scenario | -1.30 % | 60 % | 2.70 % | 60 % | 2.00 % | 60 % | 2.00 % | 60 % | 2.00 % | 60 % |
| Pessimistic scenario | -0.50 % | 15 % | 2.90 % | 15 % | 2.80 % | 15 % | 2.80 % | 15 % | 2.80 % | 15 % |
| Optimistic scenario | -2.80 % | 25 % | 1.10 % | 25 % | 0.10 % | 25 % | 0.10 % | 25 % | 0.10 % | 25 % |
| Weighted average GDP growth | -1.56% | | 2.33% | | 1.65% | | 1.65% | | 1.65% | |
| At 31 December 2022: | | | | | | | | | | |
| Base scenario | 0.70% | 60 % | 3.00% | 60 % | 3.00% | 60 % | 2.30% | 60 % | 2.30% | 60 % |
| Optimistic scenario | 1.30% | 15 % | 3.80% | 15 % | 3.80% | 15 % | 3.10% | 15 % | 3.10% | 15 % |
| Pessimistic scenario | -2.80% | 25 % | 1.10% | 25 % | 1.10% | 25 % | 0.10% | 25 % | 0.10% | 25 % |
| Weighted average GDP growth | -0.09% | | 2.65% | | 2.65% | | 1.87% | | 1.87% | |

Recovery rates used to derive LGD parameters were also revised to take into account latest available collateral sales data. Group's impairment expenses due to changes in accounting estimates amounted to: for the six months period ended 30 June 2023 – impairment loss of EUR 286 thousand (all attributable to change in calculation parameters), for the six months period ended 30 June 2022 – a reversal of impairment loss of EUR 1,042 thousand (all attributable to change in calculation parameters).

As described in Note 1, the Bank and the Group held no significant direct loan positions in Russia, Belarus and Ukraine. However due to Russia/Ukraine war exposures with gross value of EUR 16,391 thousand were added to Watch List as at 30 June 2022. From these exposures EUR 636 thousand (5 clients) remained in Watch List as of 30 June 2023. From EUR 9,629 thousand (at gross value) exposures added to Not Performing Exposures (NPE) list EUR 7,245 thousand (1 client) was still in NPE list as of 30 June 2023. Due to these circumstances Bank accounted of EUR 262 thousand impairment provision as at 30 June 2023.

NOTE 11

SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from trading activities

| | 1 January - 30 June 2023 | | 1 January - 30 June 2022 | |
|---|--------------------------|--------------|--------------------------|--------------|
| | Group | Bank | Group | Bank |
| <i>Net gain from operations with securities</i> | 2,614 | 124 | (4,074) | (36) |
| <i>Net gain from foreign exchange and related derivatives</i> | 4,973 | 4,973 | (5,176) | (5,270) |
| <i>Net gain (loss) from other derivatives</i> | (1,145) | (1,145) | 9,328 | 9,319 |
| Total | 6,442 | 3,952 | 78 | 4,013 |

Net gain from trading activities includes investment result of the insurance company assets under unit-linked contracts (see below): a net profit of EUR 2,487 thousand for the six months period ended 30 June 2023; a net loss of EUR 3,870 thousand for the six months period ended 30 June 2022.

Expenses related to insurance activities

| | 1 January - 30 June 2023 | | 1 January - 30 June 2022 | |
|---|--------------------------|----------|--------------------------|----------|
| | Group | Bank | Group | Bank |
| <i>Part of the change of insurance contract liabilities that covers the result of investment of assets under unit-linked contracts*</i> | (2,487) | - | 3,870 | - |
| <i>Other changes of insurance contract liabilities and other expenses related to insurance activities</i> | (1,559) | - | (3,504) | - |
| Total expenses related to insurance activities | (4,046) | - | 366 | - |

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

| | 1 January - 30 June 2023 | | 1 January - 30 June 2022 | |
|--|--------------------------|----------|--------------------------|----------|
| | Group | Bank | Group | Bank |
| <i>Interest and similar income</i> | 2 | - | - | - |
| <i>Net gain (loss) from operations with securities</i> | 2,485 | - | (3,973) | - |
| <i>Net gain (loss) from foreign exchange</i> | - | - | 103 | - |
| Total | 2,487 | - | (3,870) | - |

NOTE 12

RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

- members of the Bank's Supervisory Council and Board (which also are the main decision makers of the Group), their close family members and companies that are controlled, jointly controlled over by these related parties;
- subsidiaries of the Bank;
- the shareholders holding over 20% of the Bank's share capital or being a part of a voting group acting in concert that holds over 20% of voting rights therefore presumed to have a significant influence over the Group.

During 2023 and 2022, a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions. According to the local legislation, the information on executed material transactions with related parties is published on Bank's website (www.sb.lt › About bank › Information › Reports regarding the transactions with related parties).

NOTE 12

RELATED-PARTY TRANSACTIONS (CONTINUED)

The balances of loans granted to and deposits accepted from the Bank's related parties, except for subsidiaries, were as follows:

| | 30 June 2023 | | 31 December 2022 | |
|---|----------------------|--|----------------------|--|
| | Balances of deposits | Balances of loans (incl. off-balance sheet credit commitments) | Balances of deposits | Balances of loans and debt securities (incl. off-balance sheet credit commitments) |
| <i>Members of the Council and the Board</i> | 483 | 302 | 508 | 26 |
| <i>Other related parties (excluding subsidiaries of the Bank)</i> | 999 | 9,384 | 142 | 61 |
| Total | 1,482 | 9,686 | 650 | 87 |

As of 30 June 2023, the balance of individual allowance for impairment losses on loans to related parties, except subsidiaries, amounted to EUR 15 thousand (31 December 2022: EUR 0 thousand).

Remuneration of the management of the Bank:

According to the Bank's Remuneration Policy, the members of the management bodies are paid a fixed and annual variable remuneration. The annual variable remuneration fund is formed based on the Bank's performance, taking into account current and future risks. During 6 months period ended 30 June 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 1,350 thousand (2022: EUR 1,973 thousand).

Transactions with subsidiaries:

Balances of transactions with the subsidiaries are presented below:

| | 30 June 2023 | | 31 December 2022 | |
|-----------------------------------|----------------------|--|----------------------|--|
| | Balances of deposits | Balances of loans (incl. off-balance sheet credit commitments) | Balances of deposits | Balances of loans (incl. off-balance sheet credit commitments) |
| <i>Non-financial institutions</i> | 52 | 44,395 | 5,069 | 44,500 |
| <i>Financial institutions</i> | 8,811 | 225,437 | 1,119 | 187,350 |
| | 8,863 | 269,832 | 6,188 | 231,850 |

Bank's total balances with subsidiaries:

| | 30 June 2023 | 31 December 2022 |
|---|--------------|------------------|
| Assets | | |
| <i>Loans</i> | 232,681 | 179,148 |
| <i>Other assets</i> | - | - |
| <i>Bank's investment in subsidiaries</i> | 25,703 | 31,441 |
| Liabilities and shareholders' equity | | |
| <i>Deposits</i> | 8,863 | 6,188 |
| <i>Other liabilities</i> | - | - |

Income and expenses arising from transactions with subsidiaries:

| | 1 January – 30 June 2023 | 1 January – 30 June 2022 |
|---|--------------------------|--------------------------|
| Income | | |
| <i>Interest</i> | 4,401 | 1,665 |
| <i>Commission income</i> | 1,040 | 454 |
| <i>FX gain (loss)</i> | - | - |
| <i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i> | 2,370 | 2,516 |
| <i>Other income</i> | 189 | 164 |
| Expenses | | |
| <i>Interest</i> | (16) | (9) |
| <i>Operating expenses</i> | 17 | - |
| <i>(Impairment losses)/ reversal of impairment losses on loans</i> | 15 | (106) |
| <i>Allowance for impairment losses on investments in subsidiaries</i> | - | - |

As of 30 June 2023, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 256 thousand (31 December 2022: EUR 271 thousand).

NOTE 13

LIQUIDITY, MARKET AND OPERATIONAL RISKS

Liquidity risk

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

Liquidity risk management process

The liquidity risk management depends on the Bank's ability to cover the cash shortage by borrowing from the market and the liquidity of the market itself. Liquidity risk management is regulated by the Procedures for Liquidity Risk Management approved by the Board of the Bank. The management of the current and non-current liquidity risk is distinguished in the mentioned procedures. The current liquidity is based on the control of the incoming and outgoing cash flow. The non-current liquidity is managed on the limit system basis.

No Bank's liquidity situation deterioration was observed during Covid-19 epidemic situation.

Tables below present the assets and liabilities according to their remaining maturity defined in the agreements. However, actual maturity of the particular types of assets and liabilities may be longer as, for example a portion of loans and deposits is extended and thus the real repayment terms of short-term loans and demand deposits move forward.

The structure of the Group's assets and liabilities by maturity as at 30 June 2023 was as follows:

| | Less than 1 month | Less than 1 month | 1 to 3 months | 3 to 6 months | 6 to 12 months | 1 to 3 years | More than 3 years | Maturity undefined | Total |
|---|-------------------|-------------------|---------------|---------------|----------------|--------------|-------------------|--------------------|-----------|
| <i>Total assets</i> | 231,586 | 271,417 | 141,202 | 196,053 | 549,584 | 1,171,420 | 1,558,489 | 90,746 | 4,210,497 |
| <i>Total liabilities and shareholders' equity</i> | 1,724,331 | 73,585 | 136,274 | 241,296 | 561,858 | 857,286 | 105,918 | 509,949 | 4,210,497 |
| <i>Net liquidity gap</i> | (1,492,745) | 197,832 | 4,928 | (45,243) | (12,274) | 314,134 | 1,452,571 | (419,203) | - |

The structure of the Group's assets and liabilities by maturity as at 31 December 2022 was as follows:

| | Less than 1 month | Less than 1 month | 1 to 3 months | 3 to 6 months | 6 to 12 months | 1 to 3 years | More than 3 years | Maturity undefined | Total |
|---|-------------------|-------------------|---------------|---------------|----------------|--------------|-------------------|--------------------|-----------|
| <i>Total assets</i> | 384,989 | 66,841 | 125,136 | 339,293 | 328,261 | 1,232,280 | 1,628,496 | 79,235 | 4,184,531 |
| <i>Total liabilities and shareholders' equity</i> | 1,920,883 | 101,132 | 180,183 | 312,743 | 329,869 | 801,214 | 96,811 | 441,696 | 4,184,531 |
| <i>Net liquidity gap</i> | (1,535,894) | (34,291) | (55,047) | 26,550 | (1,608) | 431,066 | 1,531,685 | (362,461) | - |

The structure of the Bank's assets and liabilities by maturity as at 30 June 2023 was as follows:

| | Less than 1 month | Less than 1 month | 1 to 3 months | 3 to 6 months | 6 to 12 months | 1 to 3 years | More than 3 years | Maturity undefined | Total |
|---|-------------------|-------------------|---------------|---------------|----------------|--------------|-------------------|--------------------|-----------|
| <i>Total assets</i> | 230,448 | 262,958 | 128,032 | 175,528 | 732,505 | 1,083,660 | 1,485,571 | 68,502 | 4,167,204 |
| <i>Total liabilities and shareholders' equity</i> | 1,723,795 | 65,771 | 135,882 | 244,758 | 562,248 | 856,689 | 105,619 | 472,442 | 4,167,204 |
| <i>Net liquidity gap</i> | (1,493,347) | 197,187 | (7,850) | (69,230) | 170,257 | 226,971 | 1,379,952 | (403,940) | - |

NOTE 13

LIQUIDITY, MARKET AND OPERATIONAL RISKS (CONTINUED)

The structure of the Bank's assets and liabilities by maturity as at 31 December 2022 was as follows:

| | Less than 1 month | Less than 1 month | 1 to 3 months | 3 to 6 months | 6 to 12 months | 1 to 3 years | More than 3 years | Maturity undefined | Total |
|---|-------------------|-------------------|---------------|---------------|----------------|--------------|-------------------|--------------------|-----------|
| <i>Total assets</i> | 383,749 | 59,231 | 284,777 | 321,057 | 300,353 | 1,158,883 | 1,568,370 | 65,050 | 4,141,470 |
| <i>Total liabilities and shareholders' equity</i> | 1,925,706 | 93,833 | 179,885 | 312,514 | 327,040 | 798,457 | 61,251 | 442,784 | 4,141,470 |
| <i>Net liquidity gap</i> | (1,541,957) | (34,602) | 104,892 | 8,543 | (26,687) | 360,426 | 1,507,119 | (377,734) | - |

Operational risk

Operational risk is the risk to incur losses due to inadequate internal control processes or incorrect process implementation, errors and (or) illegal actions of employees, malfunctioning of information systems or external incidents. Unlike other risks (credit, market, liquidity), which are not being taken on purposefully, with anticipation of benefits, operational risk occurs naturally in the course of Bank's business.

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

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

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

In March 2023, a working group for the monitoring and assessment of the risks arising for the Bank due to Russia's military actions in Ukraine was formed in the Bank.

NOTE 14

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Types of inputs used in valuation techniques determine the following fair value hierarchy:

- Level I – Quoted prices (unadjusted) or public price quotations in active markets for identical assets or liabilities;
- Level II – Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level III – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the six months period ended 30 June 2023, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2022. For the valuation of financial assets and liabilities purposes, estimates, valuation techniques and inputs used to develop those measurements have not changed significantly during the six months period ended 30 June 2023.

NOTE 14

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

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

| | 30 June 2023 | | 31 December 2022 | |
|--|---------------|---------------|------------------|---------------|
| | Group | Bank | Group | Bank |
| LEVEL I | | | | |
| Trading book securities | 12,136 | 9,847 | 11,966 | 9,381 |
| Investment securities at fair value | 69,566 | 69,566 | 83,623 | 83,623 |
| Total Level I financial assets | 81,702 | 79,413 | 95,589 | 93,004 |
| LEVEL II | | | | |
| Derivative financial instruments - assets | 389 | 389 | 897 | 897 |
| Derivative financial instruments - liabilities | (579) | (579) | (7,152) | (7,152) |
| LEVEL III | | | | |
| Trading book securities | 51,775 | 19,174 | 46,335 | 17,906 |
| Investment securities at fair value | 5,577 | 5,577 | 6,602 | 6,602 |
| Total Level III financial assets | 57,352 | 24,751 | 52,937 | 24,508 |

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

Changes in Level III instruments during the six months period ended 30 June:

| Group | Trading book securities | | Investment securities at fair value | |
|---|-------------------------|---------------------|-------------------------------------|---------------------|
| | 1 Jan - 30 Jun 2023 | 1 Jan - 30 Jun 2022 | 1 Jan - 30 Jun 2023 | 1 Jan - 30 Jun 2022 |
| As at 31 December | 46,335 | 33,115 | 6,602 | 4,573 |
| Impact of change in accounting principles | - | - | - | - |
| As at 1 January | 46,335 | 33,115 | 6,602 | 4,573 |
| Additions | 15,810 | 33,040 | - | 31 |
| Disposals / redemption / derecognition | (10,194) | (18,690) | (837) | (91) |
| Changes due to interest accrued/paid | 43 | 119 | 23 | - |
| Changes in fair value | (219) | (22) | (211) | 173 |
| As at 30 June | 51,775 | 47,562 | 5,577 | 4,686 |

| Bank | Trading book securities | | Investment securities at fair value | |
|---|-------------------------|---------------------|-------------------------------------|---------------------|
| | 1 Jan - 30 Jun 2023 | 1 Jan - 30 Jun 2022 | 1 Jan - 30 Jun 2023 | 1 Jan - 30 Jun 2022 |
| As at 31 December | 17,906 | 6,946 | 6,602 | 4,536 |
| Impact of change in accounting principles | - | - | - | - |
| As at 1 January | 17,906 | 6,946 | 6,602 | 4,536 |
| Additions | 10,655 | 29,886 | - | 31 |
| Disposals / redemption / derecognition | (9,423) | (16,739) | (837) | (54) |
| Changes due to interest accrued/paid | 259 | 276 | 23 | - |
| Changes in fair value | (223) | (59) | (211) | 173 |
| As at 30 June | 19,174 | 20,310 | 5,577 | 4,686 |

| | 1 January – 30 June 2023 | | 1 January – 30 June 2022 | |
|---|--------------------------|-------|--------------------------|------|
| | Group | Bank | Group | Bank |
| Total result from revaluation of Level III instruments included in the income statement | (430) | (434) | 151 | 114 |

Fair value of investment securities held to collect cash flows:

The fair value for Group's investment securities at amortized cost is based on market prices or broker/dealer price quotations – i.e. it is estimated using valuation technique attributable to Level 1 in the fair value hierarchy.

| | 30 June 2023 | | 31 December 2022 | |
|---|----------------|------------|------------------|------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Investment securities at amortized cost | 804,446 | 762,708 | 969,033 | 914,070 |

NOTE 15
SEGMENT INFORMATION

Business segments

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 June 2023 and in the Statement of comprehensive income for the six months period then ended is presented in the table below.

| | Traditional banking operations and lending | Treasury | Non-core banking activities | Other activities | Eliminations | Total |
|--|--|----------------|-----------------------------|------------------|-----------------|-----------------|
| <i>Internal</i> | (313) | - | (5) | 14 | 304 | - |
| <i>External</i> | 72,644 | 2,266 | 392 | 165 | - | 75,467 |
| Net interest income | 72,331 | 2,266 | 387 | 179 | 304 | 75,467 |
| <i>Internal</i> | 449 | - | - | 28 | (477) | - |
| <i>External</i> | 9,671 | - | - | (66) | - | 9,605 |
| Net fee and commissions income | 10,120 | - | - | (38) | (477) | 9,605 |
| <i>Internal</i> | 136 | - | (5) | 42 | (173) | - |
| <i>External</i> | 82,315 | 2,266 | 392 | 99 | - | 85,072 |
| Net interest, fee and commissions income | 82,451 | 2,266 | 387 | 141 | (173) | 85,072 |
| <i>Internal</i> | (116) | - | - | (94) | 210 | - |
| <i>External</i> | (25,408) | (2,470) | - | (4,532) | - | (32,410) |
| Operating expenses | (25,524) | (2,470) | - | (4,626) | 210 | (32,410) |
| <i>Amortisation charges</i> | (614) | (68) | - | (14) | - | (696) |
| <i>Depreciation charges</i> | (1,699) | (182) | - | (35) | - | (1,916) |
| <i>Internal</i> | - | - | - | - | - | - |
| <i>External</i> | (4,941) | - | (428) | 30 | - | (5,339) |
| Impairment expenses | (4,941) | - | (428) | 30 | - | (5,339) |
| <i>Internal</i> | 2,081 | - | 478 | (2) | (2,557) | - |
| <i>External</i> | 4,871 | 330 | (91) | 4,975 | - | 10,085 |
| Net other income | 6,952 | 330 | 387 | 4,973 | (2,557) | 10,085 |
| Profit (loss) before tax from continuing operations | 56,625 | (124) | 346 | 469 | (2,520) | 54,796 |
| <i>Income tax</i> | (10,446) | (1,094) | - | - | - | (11,540) |
| Profit (loss) per segment after tax from continuing operations | 46,179 | (1,218) | 346 | 469 | (2,520) | 43,256 |
| <i>Profit or (loss) per segment after tax from discontinued operations</i> | - | - | - | - | - | - |
| Profit (loss) per segment | 46,179 | (1,218) | 346 | 469 | (2,520) | 43,256 |
| <i>Non-controlling interest</i> | - | - | - | - | - | - |
| Profit (loss) for the period attributable to the owners of the Bank | 46,179 | (1,218) | 346 | 469 | (2,520) | 43,256 |
| <i>Total segment assets</i> | 3,065,171 | 1,335,475 | 5,164 | 57,450 | (252,763) | 4,210,497 |
| <i>Total segment liabilities</i> | 2,738,792 | 1,184,070 | 4,579 | 40,090 | (228,273) | 3,739,258 |
| Net segment assets (shareholders' equity) | 326,379 | 151,405 | 585 | 17,360 | (24,490) | 471,239 |

NOTE 15
SEGMENT INFORMATION (CONTINUED)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 June 2022 and in the Statement of comprehensive income for the six months period then ended is presented in the table below.

| | Traditional banking operations and lending | Treasury | Non-core banking activities | Other activities | Eliminations | Total |
|--|--|----------------|-----------------------------|------------------|----------------|-----------------|
| <i>Internal</i> | (383) | - | (9) | 4 | 388 | - |
| <i>External</i> | 43,305 | 2,770 | 913 | 193 | - | 47,181 |
| Net interest income | 42,922 | 2,770 | 904 | 197 | 388 | 47,181 |
| <i>Internal</i> | 377 | - | - | 16 | (393) | - |
| <i>External</i> | 9,194 | - | - | (96) | - | 9,098 |
| Net fee and commissions income | 9,571 | - | - | (80) | (393) | 9,098 |
| <i>Internal</i> | (6) | - | (9) | 20 | (5) | - |
| <i>External</i> | 52,499 | 2,770 | 913 | 97 | - | 56,279 |
| Net interest, fee and commissions income | 52,493 | 2,770 | 904 | 117 | (5) | 56,279 |
| <i>Internal</i> | (98) | - | - | (53) | 151 | - |
| <i>External</i> | (20,139) | (1,935) | - | (749) | - | (22,823) |
| Operating expenses | (20,237) | (1,935) | - | (802) | 151 | (22,823) |
| <i>Amortisation charges</i> | (606) | (67) | - | (44) | - | (717) |
| <i>Depreciation charges</i> | (1,336) | (141) | - | (106) | - | (1,583) |
| <i>Internal</i> | - | - | - | (1) | 1 | - |
| <i>External</i> | (2,389) | - | 67 | 425 | - | (1,897) |
| Impairment expenses | (2,389) | - | 67 | 424 | 1 | (1,897) |
| <i>Internal</i> | 2,259 | - | 377 | 3 | (2,639) | - |
| <i>External</i> | 4,733 | (25) | 1,115 | 805 | - | 6,628 |
| Net other income | 6,992 | (25) | 1,492 | 808 | (2,639) | 6,628 |
| Profit (loss) before tax from continuing operations | 34,917 | 602 | 2,463 | 397 | (2,492) | 35,887 |
| <i>Income tax</i> | (5,802) | (579) | - | 3 | - | (6,378) |
| Profit (loss) per segment after tax from continuing operations | 29,115 | 23 | 2,463 | 400 | (2,492) | 29,509 |
| <i>Profit or (loss) per segment after tax from discontinued operations</i> | - | - | - | - | - | - |
| Profit (loss) per segment | 29,115 | 23 | 2,463 | 400 | (2,492) | 29,509 |
| <i>Non-controlling interest</i> | - | - | - | - | - | - |
| <i>Profit (loss) for the period attributable to the owners of the Bank</i> | 29,115 | 23 | 2,463 | 400 | (2,492) | 29,509 |
| <i>Total segment assets</i> | 2,561,944 | 1,519,968 | 4,952 | 54,161 | (184,134) | 3,956,891 |
| <i>Total segment liabilities</i> | 2,296,508 | 1,358,862 | 4,427 | 39,962 | (156,887) | 3,542,872 |
| <i>Net segment assets (shareholders' equity)</i> | 265,436 | 161,106 | 525 | 14,199 | (27,247) | 414,019 |

NOTE 16
SELECTED INFORMATION OF FINANCIAL GROUP

According to local legislation the Bank is required to disclose certain information for the Financial group. As of 30 June 2023 the Bank owned the following subsidiaries included in the prudential scope of consolidation (the Bank and four subsidiaries comprised the Financial group, all of the entities attributable to Financial Group operate in Lithuania):

1. Šiaulių Banko Lizingas UAB (finance and operating lease activities),
2. SB Turto Fondas UAB (real estate management activities),
3. SB Lizingas UAB (consumer financing activities),
4. SB Asset Management UAB (investment management activities).

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

1. Šiaulių Banko Lizingas UAB (finance and operating lease activities),
2. Šiaulių Banko Investicijų Valdymas UAB (investment management activities),
3. SB Turto Fondas UAB (real estate management activities),
4. SB Lizingas UAB (consumer financing activities).

In the Financial Group financial statements, the subsidiaries of the Bank that are not included in the Financial Group are not consolidated in full as would be required by IFRS 10 but presented on the consolidated balance sheet of the Financial Group as investments in subsidiaries at cost less impairment, in the same way as presented on the balance sheet of the Bank. This presentation is consistent with the regulatory reporting made by the Bank according to the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR).

Financial Group's condensed statement of financial position

| | 30 June 2023 | 31 December 2022 |
|--|------------------|------------------|
| ASSETS | | |
| <i>Cash and cash equivalents</i> | 419,684 | 383,834 |
| <i>Securities in the trading book</i> | 29,021 | 27,287 |
| <i>Due from other banks</i> | 2,741 | 2,733 |
| <i>Derivative financial instruments</i> | 389 | 897 |
| <i>Loans to customers</i> | 2,515,632 | 2,391,629 |
| <i>Finance lease receivables</i> | 272,280 | 242,448 |
| <i>Investment securities at fair value</i> | 78,520 | 90,225 |
| <i>Investment securities at amortized cost</i> | 791,990 | 956,332 |
| <i>Investments in subsidiaries and associates</i> | 14,836 | 11,832 |
| <i>Intangible assets</i> | 7,021 | 6,450 |
| <i>Property, plant and equipment</i> | 15,061 | 15,777 |
| <i>Investment property</i> | 1,009 | 1,827 |
| <i>Current income tax prepayment</i> | 4,927 | 6 |
| <i>Deferred income tax asset</i> | 3,652 | 5,657 |
| <i>Other assets</i> | 16,478 | 9,705 |
| Total assets | 4,173,241 | 4,146,639 |
| LIABILITIES | | |
| <i>Due to other banks and financial institutions</i> | 553,535 | 685,480 |
| <i>Derivative financial instruments</i> | 579 | 7,152 |
| <i>Due to customers</i> | 2,856,534 | 2,785,489 |
| <i>Special and lending funds</i> | 17,460 | 14,184 |
| <i>Debt securities in issue</i> | 224,834 | 171,231 |
| <i>Current income tax liabilities</i> | 9,779 | 4,336 |
| <i>Deferred income tax liabilities</i> | 1,423 | 1,463 |
| <i>Other liabilities</i> | 36,513 | 34,266 |
| Total liabilities | 3,700,657 | 3,703,601 |
| EQUITY | | |
| <i>Share capital</i> | 174,211 | 174,211 |
| <i>Share premium</i> | 3,428 | 3,428 |
| <i>Treasury shares (-)</i> | - | - |
| <i>Reserve capital</i> | 756 | 756 |
| <i>Statutory reserve</i> | 47,682 | 36,990 |
| <i>Reserve for acquisition of own shares</i> | 20,000 | 20,000 |
| <i>Financial instruments revaluation reserve</i> | (7,786) | (8,111) |
| <i>Other equity</i> | 1,607 | 2,287 |
| <i>Retained earnings</i> | 232,686 | 213,477 |
| <i>Non-controlling interest</i> | - | - |
| Total equity | 472,584 | 443,038 |
| Total liabilities and equity | 4,173,241 | 4,146,639 |

SELECTED INFORMATION OF FINANCIAL GROUP (CONTINUED)

Financial Group's condensed income statement

| | for the six months period ended | |
|---|---------------------------------|---------------|
| | 30 June 2023 | 30 June 2022 |
| | | |
| <i>Interest revenue calculated using the effective interest method</i> | 87,001 | 47,365 |
| <i>Other similar income</i> | 9,454 | 5,383 |
| <i>Interest expense and similar charges</i> | (21,111) | (5,734) |
| Net interest income | 75,344 | 47,014 |
| <i>Fee and commission income</i> | 13,364 | 12,821 |
| <i>Fee and commission expense</i> | (3,693) | (3,627) |
| Net fee and commission income | 9,671 | 9,194 |
| <i>Net gain from trading activities</i> | 3,952 | 4,015 |
| <i>Net gain (loss) from derecognition of financial assets</i> | 319 | 477 |
| <i>Net gain (loss) from disposal of tangible assets</i> | 721 | 254 |
| <i>Revenue related to insurance activities</i> | - | - |
| <i>Other operating income</i> | 256 | 1,333 |
| <i>Salaries and related expenses</i> | (16,639) | (13,894) |
| <i>Depreciation and amortization expenses</i> | (2,583) | (2,177) |
| <i>Expenses related to insurance activities</i> | - | - |
| <i>Other operating expenses</i> | (11,346) | (8,447) |
| Operating profit before impairment losses | 59,695 | 37,769 |
| <i>Allowance for impairment losses on loans and other assets</i> | (5,328) | (1,898) |
| <i>Allowance for impairment losses on investments in subsidiaries</i> | - | - |
| <i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i> | 427 | 18 |
| Profit before income tax | 54,794 | 35,889 |
| <i>Income tax expense</i> | (11,540) | (6,378) |
| Net profit for the period | 43,254 | 29,511 |
| <i>Profit (loss) from discontinued operations, net of tax</i> | - | - |
| Net profit for the year | 43,254 | 29,511 |
| Net profit attributable to: | | |
| <i>Owners of the Bank</i> | 43,254 | 29,511 |
| <i>From continuing operations</i> | 43,254 | 29,511 |
| <i>From discontinued operations</i> | - | - |
| <i>Non-controlling interest</i> | - | - |

Financial Group's condensed statement of comprehensive income

| | for the six months period ended | |
|---|---------------------------------|----------------|
| | 30 June 2023 | 30 June 2022 |
| Net profit for the period | 43,254 | 29,511 |
| Other comprehensive income | | |
| <i>Items that may be subsequently reclassified to profit or loss:</i> | | |
| <i>Gain from revaluation of financial assets</i> | 406 | (6,670) |
| <i>Deferred income tax on gain from revaluation of financial assets</i> | (81) | 1,334 |
| Other comprehensive income, net of deferred tax | 325 | (5,336) |
| Total comprehensive income for the period | 43,579 | 24,175 |
| Total comprehensive income (loss) attributable to: | | |
| <i>Owners of the Bank</i> | 43,579 | 24,175 |
| <i>Non-controlling interest</i> | - | - |
| | 43,579 | 24,175 |

NOTE 17
LIABILITIES RELATED TO INSURANCE ACTIVITIES

Insurance contract liabilities

Bank's subsidiary SB draudimas UAB is engaged in life insurance business. For the periods ended 30 June 2023 and 31 December 2022 the liabilities from insurance contracts and their changes were as follows:

| | <i>Best estimate of liabilities</i> | <i>Risk adjustment for non-financial risks</i> | <i>Contractual service margin</i> | <i>Investment units</i> | <i>Total</i> |
|-----------------------------|-------------------------------------|--|-----------------------------------|-------------------------|---------------|
| Gross: | | | | | |
| <i>At 1 January 2022</i> | 28,606 | 2,949 | 4,139 | 6,068 | 41,762 |
| <i>Change during period</i> | (6,705) | (680) | 346 | 135 | (6,904) |
| <i>At 31 December 2022</i> | 21,901 | 2,269 | 4,485 | 6,203 | 34,858 |
| <i>Change during period</i> | 1,452 | 186 | 436 | 1,294 | 3,368 |
| <i>At 30 June 2023</i> | 23,353 | 2,455 | 4,921 | 7,497 | 38,226 |
| Reinsurance share: | | | | | |
| <i>At 1 January 2022</i> | 1 | - | - | - | 1 |
| <i>Change during period</i> | (141) | (5) | - | - | (146) |
| <i>At 31 December 2022</i> | (140) | (5) | - | - | (145) |
| <i>Change during period</i> | 236 | 5 | (2) | - | 239 |
| <i>At 30 June 2023</i> | 96 | - | (2) | - | 94 |
| Net value | | | | | |
| <i>At 31 December 2022</i> | 21,761 | 2,263 | 4,485 | 6,203 | 34,712 |
| <i>At 30 June 2023</i> | 23,449 | 2,455 | 4,919 | 7,497 | 38,320 |

NOTE 18
SUBSEQUENT EVENTS

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

ADDITIONAL INFORMATION

for the six month period ended 30 June 2023

The present additional information of Šiaulių Bankas AB (hereinafter — the Bank) covers the period 01 January 2023 to 30 June 2023.

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

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

ACTIVITY RESULTS

- In H1, Šiaulių Bankas Group earned EUR 43.3 million of unaudited net profit
- Corporate and private clients demand for financing remains high, with the loan portfolio increasing by over EUR 150 million to EUR 2.8 billion
- Interest in investment and savings products is growing rapidly, with the term deposit portfolio increasing by more than 30% to EUR 1.22 billion
- Moody's has upgraded Šiaulių Bankas rating to Baa1, highest in the Bank's history
- EUR 50 million subordinated bond issue will support the Group's continued sustainable and efficient growth
- In H1, the number of the Bank's shareholders increased by more than 1.2 thousand and reached almost 20 thousand

"The markets are still dominated by central banks and the changing interest rate environment, but demand for financing remains high in both the corporate and private segments. Favourable interest rates are also encouraging people to place term deposits and more actively look for savings and investment solutions. We aim to maintain the momentum and plan to focus on the review of the Bank's strategy and the implementation of the transaction with INVL in the upcoming quarters. We believe that together we can create even more value for both investors and clients" said Vytautas Sinius, CEO of Šiaulių Bankas.

Overview of Key Performance Indicators

In H1, Šiaulių Bankas Group earned EUR 43.3 million of unaudited net profit (47% more than a year ago, when the profit amounted to EUR 29.5 million). Profit for the Q2 was EUR 24.1 million and increased by 34% compared to the profit of EUR 18.1 million for the same period last year.

The operating revenue grew rapidly in H1 - compared to the same period of 2022, net interest income increased by 60% and reached EUR 75.5 million, net fee and commission income increased by 6% and reached EUR 9.6 million.

The Group made provisions of EUR 2.6 million in the Q2 and EUR 5.3 million since the beginning of the year. The updated risk assessment of individual exposures had a significant impact on provisioning. At the end of the half-year, the loan portfolio's cost of risk (CoR) reached 0.4% and is in line with the target (compared to 0.2% in the corresponding period of the previous year).

The Group's cost-to-income ratio (excluding the impact of client portfolio of SB Draudimas) stood at 35.1% at year-end (43.4% in the corresponding period of the previous year) and the return on equity was 19.4% (14.7% last year). The capital and liquidity position continues to remain sustainable and prudential ratios are being met by a wide margin

Overview of Business Segments

Corporate and Private Clients Financing

Despite the continuing uncertainty and macroeconomic environment still showing no signs of improvement in Lithuania and key export markets, we continue to see strong demand for financing from our clients. Over EUR 740 million worth of new credit agreements were signed in H1, almost 9% more than in the corresponding period last year. The Bank Group's total loan and leasing portfolio grew by 4% (EUR 100 million) in Q2 and by 6% (EUR 157 million) since the beginning of the year, reaching EUR 2.8 billion.

Almost 15% more business financing loans (worth EUR 438 million) were issued compared to the first half of the previous year. The corporate finance portfolio grew by 3% (EUR 40 million) in Q2 and 5% (EUR 63 million) since the beginning of the year and reaches EUR 1.45 billion.

Although the volume of new loan applications remains high, the first half of the year has been characterised by a decline in the volume of sales of mortgage financing, which is also seen in the overall mortgage market. In total, contracts worth EUR 96 million were signed during the half-year (21% less than in H1 2022). The mortgage loan portfolio grew by 5% (EUR 36 million) in Q2 and by 10% (EUR 68 million) since the beginning of the year, reaching EUR 732 million.

The consumer finance market remains highly competitive, but active and visible advertising and the availability and attractiveness of services have led to a significant increase in business volumes. Almost 24% more consumer loans (worth EUR 112 million) were issued compared to the first half of the previous year. The consumer finance portfolio grew by 10% (EUR 25 million) in Q2 and by 17% (EUR 40 million) since the beginning of the year, reaching EUR 269 million.

Demand for financing of energy efficiency projects remains very high. In Q2 alone, SB Modernizavimo Fondas signed multi-apartment building renovation contracts for EUR 57 million (325 projects worth a total of EUR 218 million were financed since the company's inception). Clients continue to take a keen interest in green mortgage loans, which has led to an increase in demand for these loans.

Daily banking

The number of clients and their activity is steadily increasing. The same trend is with the Bank's new solutions offered - the number of clients authenticated or onboarded for the Bank's services by remote means continues to grow, as does the number of users of regularly updated electronic channels.

In Q2, 8.5 thousand new private and business clients started using the Bank's services, and since the beginning of the year, more than 16 thousand have joined the Bank. The number of active clients is growing, while the number of subscribers to stable commission-generating service plans has remained similar at 190 thousand.

With consumption remaining at a high level, demand for credit cards has been strong, with a 9% quarter-on-quarter and 35% year-on-year increase in the number of credit cards issued, while the total number of payment cards issued has decreased to 175 thousand cards.

Saving and Investing

Demand for both investment and savings products is growing rapidly, with the term deposit portfolio growing by more than 30% to EUR 1.22 billion since the beginning of the year. Interest rates on deposits are one of the main reasons driving the interest in the Bank's term deposits. The Bank's total client deposit portfolio amounts to almost EUR 2.9 billion. In response to clients' needs to save on their own, the Bank has offered a new instrument for saving and investing for the future – 3rd pillar pension funds.

The high inflationary environment continues to encourage clients to direct their savings into the Bank's investment products - the value of clients' investments in the Bank has been growing and exceeded EUR 1.7 billion, which is almost double the value at the beginning of the year.

Merger of Retail Businesses

The transaction to merge the Bank's and Invalda INVL's retail businesses is progressing smoothly and is expected to be completed by the end of the year. Preparations are underway to ensure the best experience for employees, clients and investors. In Q2, the review of the Group's strategy for 2024 - 2026 was launched to create a strong next-generation financial services provider.

Other Important Milestones

In June, Moody's upgraded Šiaulių Bankas rating to Baa1 and affirmed the stable outlook on long-term deposit ratings. This is the highest rating in the Bank's history and a confidence-boosting indicator for both investors and clients entrusting their funds to the Bank.

In Q2, 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. In the second half of this year, as in the previous year and in 2021, the Bank plan to issue bonds to meet the Bank's MREL requirements.

In May, Lithuanian companies (Invalda INVL, Tesonet Global and Willgrow) increased their shareholdings in Šiaulių Bankas, following the implementation of the second series of the transaction with the European Bank for Reconstruction and Development (EBRD). There is still a year left to complete the share acquisition processes, and to this day, out of 18% of the shares sold by the EBRD, settlement of transactions for 12% have already taken place. In H1, the total number of the Bank's shareholders increased by more than 1.2 thousand and reached almost 20 thousand.

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

The increased monitoring is not limited to credit risk, but also includes a stronger monitoring of the bank's liquidity position (except for the increased cash withdrawals a few days after the start of the invasion, there were no negative trends related to the invasion), increased

focus on business continuity and IT security (business continuity plans have been updated with a number of additional scenarios, cybersecurity status is constantly being monitored, additional cyber-protection measures have been implemented, and testing of measures and plans is ongoing). Also, due to the rapidly changing situation and the introduction of new sanction packages, the processes and procedures for complying with the sanctions for clients and payments are under considerable scrutiny, which may in some cases lead to longer process time.

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

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.

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. In its statement, Moody's noted that the key driver for the upgrade of the ratings is the continued strengthening of the bank's fundamentals, improving profitability, strong levels of capitalisation and adequate liquidity profile, with problem loans to gross loans ratio improving to below 3%. Moody's believes that despite the unfavourable macroeconomic situation, fundamentals of Šiaulių Bankas will remain strong during the next 12 to 18 months, and that the bank will be able to manage its asset quality and capitalisation ratios, and that its liquidity position will remain stable.

Moody's has also upgraded the long-term Counterparty Risk Ratings from Baa1 to A3. The long-term Counterparty Risk Assessments (CR Assessments) were upgraded from Baa1(cr) to A3(cr). Moody's has affirmed short-term deposit ratings of Šiaulių Bankas at P-2 and the short-term CR Assessments at P-2(cr). The Baseline Credit Assessment has also been upgraded from Ba1 to Baa3.

COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

Income was growing faster than its expenses which led to the high efficiency of the performance. Capital and liquidity position remain robust - prudential requirements are implemented with adequate reserve. According to the data as of 30 June 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 | 30/06/2022 | 31/12/2022 | 30/06/2023 |
|---|------------|------------|------------|------------|------------|------------|
| ROAA, % | 2.1 | 1.5 | 1.6 | 1.5 | 1.6 | 2.1 |
| ROAE, % | 17.6 | 12.7 | 14.3 | 14.7 | 15.2 | 19.4 |
| Cost to income ratio, % | 42.5 | 42.7 | 44.1 | 39.9 | 42.9 | 36.8 |
| Cost to income ratio (adjusted due to the impact of the SB draudimas clients' portfolio), % | 40.8 | 42.9 | 42.8 | 43.4 | 43.2 | 35.1 |
| Loan to deposit ratio, % | 82.2 | 75.0 | 78.6 | 88.9 | 94.6 | 97.7 |

At the end of Q1 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 1 January 2023, such targets comprise MREL-TREA of 15.43% and MREL-LRE of 5.89%, subordinated MREL-TREA of 13.50% and subordinated MREL-LRE of 5.79%. The levels of MREL requirements are revised by the supervisory authorities of the bank each year.

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% |

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

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

- on operating profitability indicators:
[Homepage](#) › [Bank Investors](#) › [Financial Information](#) › [Profitability Ratios](#)
- prudential requirements:
[Homepage](#) › [Bank Investors](#) › [Financial Information](#) › [Prudential Standards](#)
- the description of alternative performance indicators:
[Homepage](#) › [Bank Investors](#) › [Financial Information](#) › [Alternative Performance Measures](#)

AUTHORIZED CAPITAL, SHAREHOLDERS

As of 30 June 2023, the authorized capital of the Bank totalled to EUR 174,210,616.27 and is divided into 600,726,263 units of ordinary registered shares with a nominal value of EUR 0.29 each (ISIN LT0000102253 Nasdaq CSD Lithuanian branch). The Charter of the Bank were registered in the Register of Legal Entities on 13 December 2018 after the last increase of the authorized capital by additional contributions. The authorized capital of the bank was not increased during 2023.

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

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

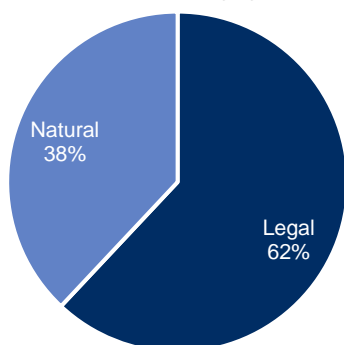
Authorized capital:

| | 03/06/2014 | 26/05/2015 | 14/09/2015 | 26/05/2016 | 06/06/2017 | 01/06/2018 | 13/12/2018 |
|---------------------|------------|------------|---------------|----------------|----------------|----------------|----------------|
| <i>Capital, EUR</i> | 78,300,000 | 85,033,800 | 91,226,381.99 | 109,471,658.33 | 131,365,989.88 | 157,639,187.74 | 174,210,616.27 |

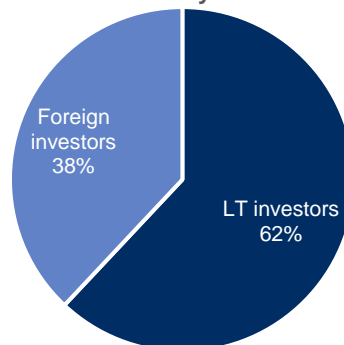
As of 30 June 2023 the number if the Bank's shareholders was 19,737 (as of 30 June 2022 – 17,857). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the The Republic of Lithuania of Lithuania and the Charter of the Bank:

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Shareholders by type



Shareholders by residence



Shareholders owning more than 5% of the Bank's shares and votes as of 30 June 2023:

| | Share of shares and votes, % |
|--|------------------------------|
| <i>EBRD, LEI code 549300HTGDOVDU60GK19</i> | 14.00 |
| <i>Invalda INVL AB, c.c. 121304349*</i> | 10.00 |
| <i>UAB Willgrow, c.c. 302489393</i> | 7.81 |
| <i>Algirdas Butkus **</i> | 5.41 |
| <i>Gintaras Kateiva***</i> | 5.39 |

* Pursuant to the Law on Securities of the Republic of Lithuania, the shareholder's votes are counted together with the controlled companies: INVL LIFE UAB, c.c. 305859887 – 3.91%, INVL Asset Management UAB, c.c. 126263073 - 0.66% of the votes

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

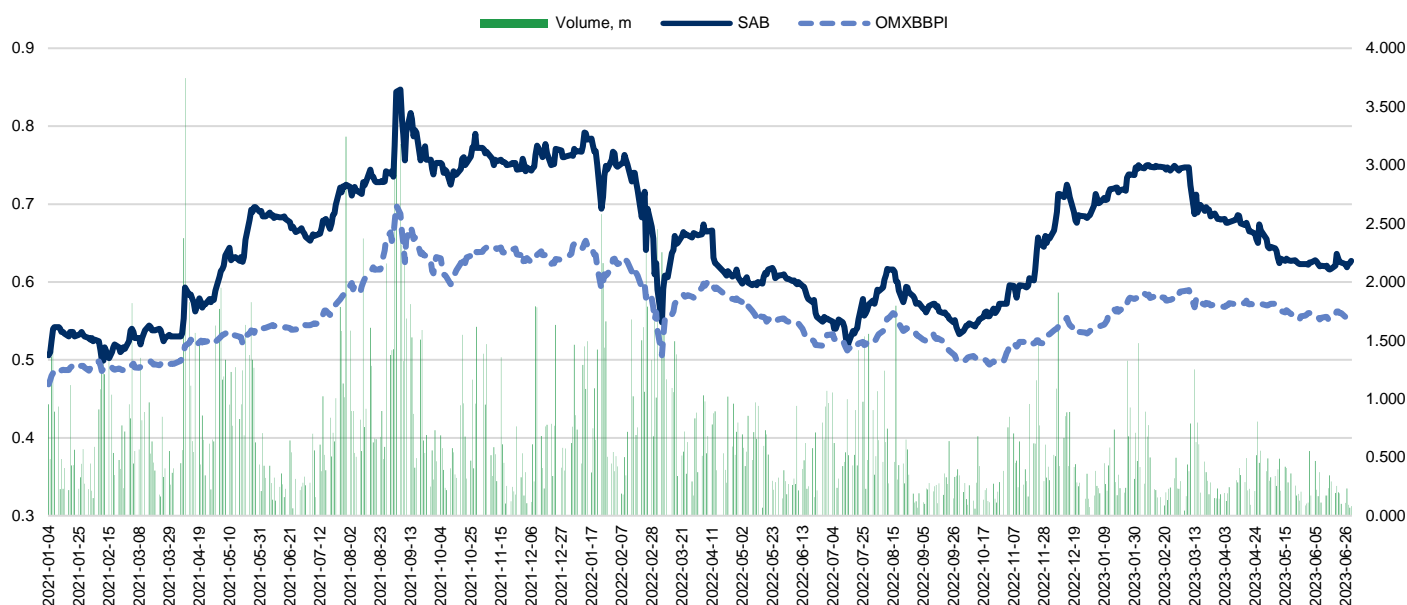
*** Votes are counted together with the votes held by the spouse

Information on shares

| | 31/12/2019 | 31/12/2020 | 31/12/2021 | 30/06/2022 | 31/12/2022 | 30/06/2023 |
|---|------------|------------|------------|------------|------------|------------|
| Capitalization, m EUR | 304.0 | 299.2 | 457.2 | 332.2 | 412.1 | 376.7 |
| Turnover, mln. Eur | 48.3 | 84.5 | 134.8 | 65.3 | 101.9 | 29.6 |
| Share price on the last trading session day | 0.506 | 0.498 | 0.761 | 0.553 | 0.686 | 0.627 |
| Lowest share price during the reporting period | 0.394 | 0.320 | 0.493 | 0.548 | 0.511 | 0.614 |
| Highest share price during the reporting period | 0.534 | 0.558 | 0.890 | 0.792 | 0.794 | 0.754 |
| Average share price during the reporting period | 0.473 | 0.442 | 0.663 | 0.657 | 0.624 | 0.683 |
| Share book value | 0.518 | 0.592 | 0.678 | 0.691 | 0.737 | 0.786 |
| P/BV | 1.0 | 0.8 | 1.1 | 0.8 | 0.9 | 0.8 |
| P/E | 5.9 | 7.0 | 8.3 | 5.6 | 6.5 | 7.8 |
| Capital increase from retained earnings, % | - | - | - | - | - | - |

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

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



The shares of the Bank are traded on the regulated market. They are traded on the Nasdaq Baltic Market and admitted to official listing. All 600,726,263 registered ordinary shares of the Bank with a nominal value of EUR 0.29 per share and total nominal value of EUR 174,210,616.27 are admitted to the listing.

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

- *OMX Baltic Benchmark (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, OMXB10EXP)* - is a tradable index of the Baltic states consisting of the 10 most actively traded stocks on the Baltic exchanges;
- *OMX Baltic (OMXBGI, OMXBPI)* – is an all-share index consisting of all the shares listed on the Main and Secondary lists of the Baltic exchanges with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Vilnius (OMXVGI)* – is an all-share index which includes all the shares listed on the Main and Secondary lists on the Nasdaq Vilnius with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Baltic Financials (B30GI, B30PI)* - an index of the Baltic financial institutions;
- *OMX Baltic Banks (B3010GI, B3010PI)* - an index of the Baltic banks.

Gross Index (GI) tracks the gross return of the stocks it includes. It reflects not only changes in their prices, but also any dividends they pay. This is generally seen as a fuller measure of a market's performance than a price index. Price Index (PI) only reflects changes in the prices of the stocks that the index includes, not taking dividends into account. In a Capped Index (CAP), there is a limit to the weight of any single security. If a stock exceeds the upper limit, its weight in the index is reduced to that maximum limit.

Besides, the Bank's shares are included into such indices as *STOXX Eastern Europe TMI, STOXX All Europe Total Market, STOXX Eastern Europe 300, STOXX EU Enlarged TMI, STOXX Eastern Europe 300 Banks, STOXX Eastern Europe Small 100, STOXX Eastern Europe TMI Small, STOXX Global Total Market, STOXX Lithuania Total Market, Bloomberg ESB Data Index, S&P Frontier BMI Index, MSCI Frontier and Emerging Markets Select Index and in some FTSE Russell Frontier indices.*

ACQUISITION OF OWN SHARES

There were no outstanding own shares acquired by the Bank as of 30 June 2023.

AGREEMENTS WITH INTERMEDIARIES IN PUBLIC CIRCULATION

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

As of 30 June 2023, the Bank itself, as an intermediary in public circulation, under agreements with more than 750 securities issuing companies managed accounting of 1000 securities issues (including shares of public and private companies, debt securities, and investment fund units). The Bank also executed market making and at the end of June 2023 was the market maker of 10 securities issues on the Nasdaq Baltic market.

INFORMATION ON DETRIMENTAL TRANSACTIONS

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

DIVIDENDS

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

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

Information on the dividends paid:

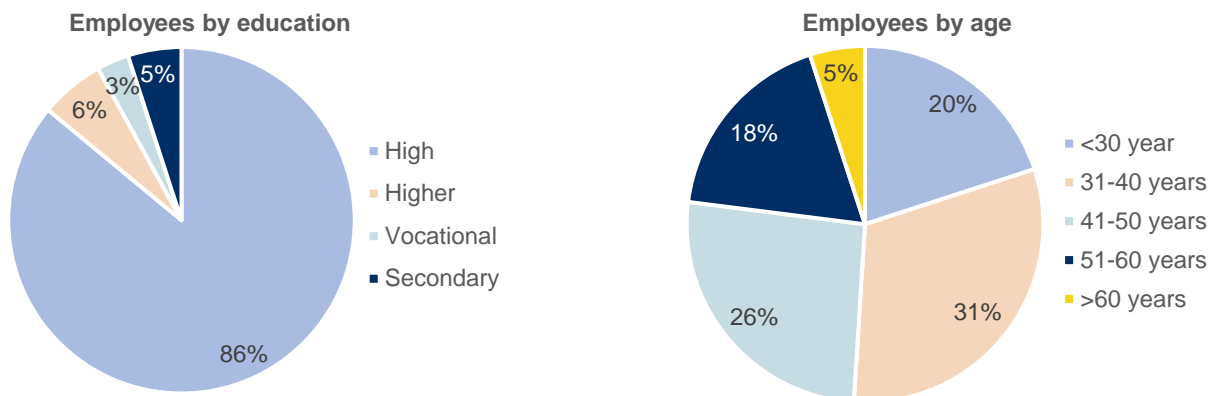
| <i>The year for which the dividends are allocated and paid</i> | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|-------------|-------------|-------------|-------------|-------------|
| <i>Per cent from nominal value</i> | 10 | - | 1.90 | 11.72 | 9.14 |
| <i>Dividend amount per share, Eur</i> | 0.0290 | - | 0.0055 | 0.0340 | 0.0265 |
| <i>Dividend amount, Eur</i> | 17,421,064 | - | 3,303,994 | 20,424,693 | 15,919,246 |
| <i>Yields from dividends, %</i> | 6.2 | - | 1.1 | 4.5 | 3.9 |
| <i>Dividends to Group net profit, per cent</i> | 33.0 | - | 7.7 | 37.0 | 25.0 |

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

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

As on 30 June 2023, the Bank had 857 employees and the Group had 950 employees (compared to 30 June 2022 the Bank had 810 employees and the Group had 905 employees).

As on 30 June 2023, the Group had 79.7 percent female and 20.3 percent male employees (compared to 30 June 2022 – 78.1 percent female and 21.9 percent male employees)



Average monthly salary of the employees, before taxes:

| | Bank | | | | Group | | | |
|----------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|
| | Leading Employees | | Other Employees | | Leading Employees | | Other Employees | |
| | Average number of employees | Average salary per month, EUR | Average number of employees | Average salary per month, EUR | Average number of employees | Average salary per month, EUR | Average number of employees | Average salary per month, EUR |
| <i>2023 H1</i> | 71 | 11,761 | 726 | 2,470 | 88 | 11,228 | 764 | 2,572 |

Information on the annual variable remuneration, before taxes, of the Bank's and some of the Group's companies' nominated employees whose professional activities have a significant impact on the Bank's and the Group's risk profile:

| | Bank | Group |
|--|-------------|--------------|
| 31/12/2022 outstanding deferred annual variable remuneration: | | |
| - in cash, thou EUR | 0.00 | 0.00 |
| - in shares, thou units | 5,650 | 6,509 |
| Annual variable remuneration allocated in 2023 for 2022: | | |
| - in cash, thou EUR | 984 | 1,185 |
| - in shares, thou units | 1,403 | 1,701 |
| Annual variable remuneration paid in the first half of 2023: | | |
| - in cash, thou EUR | 984 | 1,185 |
| - in shares, thou units | 2,165 | 2,491 |
| 30/06/2023 outstanding deferred annual variable remuneration: | | |
| - in cash, thou EUR | 0.00 | 0.00 |
| - in shares, thou units | 4,888 | 5,719 |

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.

Information on the committee members as of 30 June 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 monitors and discusses the process of financial statement preparation, the efficiency of the Bank's internal control, risk management and internal audit systems, the processes of the audit and internal audit performance on regular basis and performs other functions foreseen by the legal acts of the supervisory authority and provisions of the Internal Audit Committee. Following the laws and legal act of the supervisory authority the composition, competences and arrangement of activities of the internal Audit Committee are formed and controlled by the Bank's Supervisory Council.

| | Name, surname | |
|-------------------|-------------------------|---|
| <i>Chairwoman</i> | Ramunė Vilija Zabulienė | Independent member of the Supervisory Council |
| <i>Members:</i> | Valdas Vitkauskas | Independent member of the Supervisory Council |
| | Susan Gail Buyske | Independent member of the Supervisory Council |

The Nomination Committee nominates and recommends, 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, evaluates the balance of the skills, evaluates 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, submits respective comments and findings, assesses the structure, size, composition, performance results and shall carries out other functions provided for in its provisions.

| | Name, surname | |
|-----------------|----------------------|---|
| <i>Chairman</i> | Valdas Vitkauskas | Independent member of the Supervisory Council |
| <i>Members:</i> | Darius Šulnis | Member of the Supervisory Council |
| | Miha Košak | Independent member of the Supervisory Council |

The Remuneration Committee evaluates the variable remuneration policies, practices and incentives developed to manage the risk, capital and liquidity of the Bank, supervises the independent control functions including remuneration to managers in charge of risk management and compliance function, drafts resolutions on variable remuneration, advises the Council on the gender neutrality of remuneration policies and performs other functions provided for in its provisions.

| | 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 30 June 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> | Mindaugas Rudys | Head of Service Development Division |
| | Algimantas Gaulia | Head of Risk Management Division |
| | Daiva Šorienė | Head of Sales and Marketing Division |
| | Ramūnas Dešukas | Director of Special Assets Department |
| | Aurelija Geležūnė | Director of 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 Dauroras | 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 Sales and Marketing Division |
| | Denis Zubov | Director of Credit Risk Management and Control Department |

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).

On 28 July 2022, by the decision of the Extraordinary General Meeting of Shareholders of AB Šiaulių bankas, Mindaugas Raila was elected as a member of the Bank's Supervisory Council, and took up his duties on 18 January 2023, after obtaining the permission of the Bank's supervisory authority.

On 28 July 2022, by the decision of the Extraordinary General Meeting of Shareholders of AB Šiaulių bankas, Tomas Okmanas was elected as an independent member of the Bank's Supervisory Council, and took up his duties on 2 February 2023, after obtaining the permission of the Bank's supervisory authority.

The Bank's Supervisory Council, whose term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024, composition for 30/06/2023 date was:

| Name, Surname | Duties at the Supervisory Council | Share of capital under the right of ownership, % (30/06/2023) | Share of votes together with the related persons, % (30/06/2023) |
|--------------------------------|--|--|---|
| <i>Valdas Vitkauskas</i> | Independent member since 01/06/2022 Chairman since 05/08/2022 | - | - |
| <i>Gintaras Kateiva</i> | Member since 2008 | 5.37 | 5.39* |
| <i>Ramunė Vilija Zabulienė</i> | Independent member since 2012 | - | - |
| <i>Darius Šulnis</i> | Member since 2016 | - | - |
| <i>Miha Košak</i> | Independent member since 2017 | - | - |
| <i>Susan Gail Buyske</i> | Independent member since 2020 | - | - |
| <i>Mindaugas Raila</i> | Member since 18/01/2023 | - | 7.81** |
| <i>Tomas Okmanas</i> | Independent member since 02/02/2023 | - | - |

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

** Pursuant to the Law on Securities of the Republic of Lithuania, votes are counted together with Willgrow UAB, company code 302489393 – 7.81%

On 23 February 2023, by the decision of the Supervisory Council of AB Šiaulių bankas, Agnė Dukšienė was elected to the Bank's Management Board and took up her duties on 8 May 2023, after obtaining the permission of the Bank's supervisory authority.

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 30/06/2023 date was:

| Name, Surname | Duties at the Board | Other current leading positions at the Bank | Share of capital under the right of ownership, % (30/06/2023) | Share of votes together with the related persons, % (30/06/2023) |
|--------------------------|----------------------------|---|--|---|
| <i>Vytautas Sinius</i> | Chairman since 19/08/2022 | Chief Executive Officer | 0.29 | 0.29 |
| <i>Donatas Savickas</i> | Deputy Chairman since 1995 | Deputy Chief Executive Officer, Head of Finance Division | 0.14 | 0.14 |
| <i>Daiva Šorienė</i> | Member since 2005 | Deputy Chief Executive Officer, Head of Sales and Marketing Division | 0.05 | 0.05 |
| <i>Mindaugas Rudys</i> | Member since 2020 | Head of Service Development Division | 0.07 | 0.07 |
| <i>Algimantas Gaulia</i> | Member since 30/07/2021 | Head of Risk Management Division | 0.01 | 0.01 |
| <i>Agnė Dukšienė</i> | Member since 08/05/2023 | Head of Legal, Compliance and Prevention Division | - | - |

BANK'S COMPANY GROUP

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

The Bank directly controls the following subsidiaries

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

*in liquidation process

**not consolidated under IFRS 10 requirements

OTHER INFORMATION, PUBLISHED INFORMATION AND MAJOR EVENTS

In accordance with the procedures set by the Charter of the Bank and the legal acts of the Republic of Lithuania reports on material events are announced in the Central regulated information base and on the Bank's website at:

[Homepage](#) › [Bank Investors](#) › [Reports on Stock Events](#).

Other important events are available on the Bank's website at:

[Homepage](#) › [About Us](#) › [News](#).

Chief Executive Officer

31 July 2023



Vytautas Sinius

CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Chief Financial Officer Donatas Savickas, confirm that as far as we know, the financial statements for six months of 2023 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the total assets, liabilities, financial status, activity result and cash flow of Šiaulių bankas AB and consolidated companies.

Chief Executive Officer



Vytautas Sinius

Chief Financial Officer



Donatas Savickas

31 July 2023