

# INTERIM INFORMATION

for the three months period ended 31 March 2022

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# CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

for three months period ended 31 March 2022

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

	31 March 2022			31 December 2021	
	Notes	Group	Bank	Group	Bank
<b>ASSETS</b>					
Cash and cash equivalents		837,202	836,569	965,723	964,849
Securities in the trading book	2	48,797	16,920	48,181	15,099
Due from other banks		100	100	1,196	1,196
Derivative financial instruments		1,918	1,918	2,121	2,121
Loans to customers	1	2,010,831	1,994,785	1,908,681	1,889,629
Finance lease receivables	1	200,150	199,912	195,174	194,909
Investment securities at fair value	2	88,772	88,772	82,988	82,951
Investment securities at amortized cost	2	704,974	692,195	705,398	692,226
Investments in subsidiaries and associates	2	-	27,352	-	31,668
Intangible assets		5,403	3,690	4,834	3,114
Property, plant and equipment		14,547	13,915	14,760	14,118
Investment property		2,211	341	2,229	344
Current income tax prepayment		2,363	2,336	847	820
Deferred income tax asset		2,438	2,095	1,593	1,250
Other assets	3	28,853	26,303	28,137	24,560
Assets held for sale	3	170	170	620	620
<b>Total assets</b>		<b>3,948,729</b>	<b>3,907,373</b>	<b>3,962,482</b>	<b>3,919,474</b>
<b>LIABILITIES</b>					
Due to other banks and financial institutions	5	714,982	720,699	697,738	703,271
Derivative financial instruments		834	834	96	96
Due to customers	4	2,636,433	2,639,010	2,679,183	2,681,586
Special and lending funds	5	6,487	6,487	6,667	6,667
Debt securities in issue		95,709	95,709	95,212	95,212
Current income tax liabilities		3,096	2,932	1,084	962
Deferred income tax liabilities		1,468	-	1,452	-
Liabilities related to insurance activities	17	39,930	-	41,409	-
Other non-financial liabilities		56,286	47,142	33,214	24,099
<b>Total liabilities</b>		<b>3,555,225</b>	<b>3,512,813</b>	<b>3,556,055</b>	<b>3,511,893</b>
<b>EQUITY</b>					
Share capital	6	174,211	174,211	174,211	174,211
Share premium		3,428	3,428	3,428	3,428
Treasury shares (-)	6	(2,073)	(2,073)	(516)	(516)
Reserve capital		756	756	756	756
Statutory reserve	6	37,113	36,922	21,893	21,770
Reserve for acquisition of own shares	6	20,000	20,000	10,000	10,000
Financial instruments revaluation reserve		(2,980)	(2,994)	(583)	(597)
Other equity	6	3,288	2,870	3,288	2,870
Retained earnings		159,762	161,440	193,950	195,659
Non-controlling interest		-	-	-	-
<b>Total equity</b>		<b>393,504</b>	<b>394,560</b>	<b>406,427</b>	<b>407,581</b>
<b>Total liabilities and equity</b>		<b>3,948,729</b>	<b>3,907,373</b>	<b>3,962,482</b>	<b>3,919,474</b>

The notes on pages 9 - 32 constitute an integral part of these condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

29 April 2022



Vytautas Sinius



Donatas Savickas

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

	for three months period ended				
		31 March 2022		31 March 2021	
	Notes	Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>	7	22,572	19,151	19,256	16,048
<i>Other similar income</i>	7	2,552	2,512	1,915	1,880
<i>Interest expense and similar charges</i>	7	(3,098)	(3,101)	(2,733)	(2,735)
<b>Net interest income</b>		<b>22,026</b>	<b>18,562</b>	<b>18,438</b>	<b>15,193</b>
<i>Fee and commission income</i>	8	6,313	6,468	5,562	5,662
<i>Fee and commission expense</i>	8	(1,810)	(1,772)	(1,428)	(1,371)
<b>Net fee and commission income</b>		<b>4,503</b>	<b>4,696</b>	<b>4,134</b>	<b>4,291</b>
<i>Net gain from trading activities</i>	11	(102)	1,792	3,172	2,181
<i>Net gain (loss) from derecognition of financial assets</i>		138	7	149	78
<i>Net gain (loss) from disposal of tangible assets</i>		205	25	125	62
<i>Revenue related to insurance activities</i>		2,195	-	1,869	-
<i>Other operating income</i>		581	569	229	148
<i>Salaries and related expenses</i>		(7,508)	(6,694)	(6,819)	(5,942)
<i>Depreciation and amortization expenses</i>		(1,109)	(997)	(1,123)	(993)
<i>Expenses related to insurance activities</i>	11	121	-	(1,743)	-
<i>Other operating expenses</i>	9	(3,921)	(2,989)	(2,810)	(2,030)
<b>Operating profit before impairment losses</b>		<b>17,129</b>	<b>14,971</b>	<b>15,621</b>	<b>12,988</b>
<i>Allowance for impairment losses on loans and other assets</i>	10	(2,672)	(2,295)	(112)	(27)
<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	-	1,384	-	2,276
<b>Profit before income tax</b>		<b>14,457</b>	<b>14,060</b>	<b>15,509</b>	<b>15,237</b>
<i>Income tax expense</i>		(3,000)	(2,702)	(2,824)	(2,480)
<b>Net profit for the period</b>		<b>11,457</b>	<b>11,358</b>	<b>12,685</b>	<b>12,757</b>
<i>Profit (loss) from discontinued operations, net of tax</i>		-	-	(319)	-
<b>Net profit for the period</b>		<b>11,457</b>	<b>11,358</b>	<b>12,366</b>	<b>12,757</b>
<b>Net profit attributable to:</b>					
<i>Owners of the Bank</i>		11,457	11,358	12,366	12,757
<i>From continuing operations</i>		11,457	11,358	12,685	12,757
<i>From discontinued operations</i>		-	-	(319)	-
<i>Non-controlling interest</i>		-	-	-	-
<i>Basic earnings per share (in EUR per share) attributable to owners of the Bank</i>	6	0.02		0.02	
<i>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</i>	6	0.02		0.02	

The notes on pages 9 - 32 constitute an integral part of these condensed interim financial statements.

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

	for three months period ended			
	31 March 2022		31 March 2021	
	Group	Bank	Group	Bank
<b>Net profit for the period</b>	<b>11,457</b>	<b>11,358</b>	<b>12,366</b>	<b>12,757</b>
<b>Other comprehensive income</b>				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain from revaluation of financial assets	(2,996)	(2,996)	(365)	(365)
Deferred income tax on gain from revaluation of financial assets	599	599	73	73
<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	-	-	-	-
<b>Other comprehensive income, net of deferred tax</b>	<b>(2,397)</b>	<b>(2,397)</b>	<b>(292)</b>	<b>(292)</b>
<b>Total comprehensive income for the period</b>	<b>9,060</b>	<b>8,961</b>	<b>12,074</b>	<b>12,465</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of the Bank	9,060	8,961	12,074	12,465
Non-controlling interest	-	-	-	-
	9,060	8,961	12,074	12,465

The notes on pages 9 - 32 constitute an integral part of these condensed interim 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													
<b>1 January 2021</b>		<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>388</b>	<b>14,427</b>	<b>10,000</b>	<b>2,359</b>	<b>149,497</b>	<b>355,066</b>	<b>-</b>	<b>355,066</b>
Transfer to/from statutory reserve		-	-	-	-	-	7,466	-	-	(7,466)	-	-	-
Share-based payment	6	-	-	-	-	-	-	-	122	-	122	-	122
Payment of dividends	6	-	-	-	-	-	-	-	-	(3,304)	(3,304)	-	(3,304)
Total comprehensive income		-	-	-	-	(292)	-	-	-	12,366	12,074	-	12,074
<b>31 March 2021</b>		<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>96</b>	<b>21,893</b>	<b>10,000</b>	<b>2,481</b>	<b>151,093</b>	<b>363,958</b>	<b>-</b>	<b>363,958</b>
Acquisition of own shares	6	-	-	(516)	-	-	-	(234)	-	-	(750)	-	(750)
Share-based payment	6	-	-	-	-	-	-	234	807	-	1,041	-	1,041
Total comprehensive income		-	-	-	-	(679)	-	-	-	42,857	42,178	-	42,178
<b>31 December 2021</b>		<b>174,211</b>	<b>3,428</b>	<b>(516)</b>	<b>756</b>	<b>(583)</b>	<b>21,893</b>	<b>10,000</b>	<b>3,288</b>	<b>193,950</b>	<b>406,427</b>	<b>-</b>	<b>406,427</b>
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	-	-	-	-	-	-	234	-	-	234	-	234
Payment of dividends	6	-	-	-	-	-	-	-	-	(20,425)	(20,425)	-	(20,425)
Total comprehensive income		-	-	-	-	(2,397)	-	-	-	11,457	9,060	-	9,060
<b>31 March 2022</b>		<b>174,211</b>	<b>3,428</b>	<b>(2,073)</b>	<b>756</b>	<b>(2,980)</b>	<b>37,113</b>	<b>20,000</b>	<b>3,288</b>	<b>159,762</b>	<b>393,505</b>	<b>-</b>	<b>393,505</b>

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
<b>1 January 2021</b>		<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>375</b>	<b>14,246</b>	<b>10,000</b>	<b>2,066</b>	<b>150,482</b>	<b>355,564</b>
Transfer to statutory reserve		-	-	-	-	-	7,524	-	-	(7,524)	-
Payment of dividends	6	-	-	-	-	-	-	-	-	(3,304)	(3,304)
Total comprehensive income		-	-	-	-	(292)	-	-	-	12,757	12,465
<b>31 March 2021</b>		<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>83</b>	<b>21,770</b>	<b>10,000</b>	<b>2,066</b>	<b>152,411</b>	<b>364,725</b>
Acquisition of own shares	6	-	-	(516)	-	-	-	(234)	-	-	(750)
Share-based payment	6	-	-	-	-	-	-	234	804	-	1,038
Total comprehensive income		-	-	-	-	(680)	-	-	-	43,248	42,568
<b>31 December 2021</b>		<b>174,211</b>	<b>3,428</b>	<b>(516)</b>	<b>756</b>	<b>(597)</b>	<b>21,770</b>	<b>10,000</b>	<b>2,870</b>	<b>195,659</b>	<b>407,581</b>
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	-	-	-	-	-	-	234	-	-	234
Payment of dividends	6	-	-	-	-	-	-	-	-	(20,425)	(20,425)
Total comprehensive income		-	-	-	-	(2,397)	-	-	-	11,358	8,961
<b>31 March 2022</b>		<b>174,211</b>	<b>3,428</b>	<b>(2,073)</b>	<b>756</b>	<b>(2,994)</b>	<b>36,922</b>	<b>20,000</b>	<b>2,870</b>	<b>161,440</b>	<b>394,560</b>

The notes on pages 9 - 32 constitute an integral part of these condensed interim financial statements.

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

	Notes	for three months period ended			
		31 March 2022		31 March 2021	
		Group	Bank	Group (restated)	Bank (restated)
<b>Operating activities</b>					
Interest received on loans and advances		26,305	22,844	26,369	24,757
Interest received on securities in the trading book		176	143	87	57
Interest paid		(3,388)	(3,398)	(3,349)	(3,342)
Fees and commissions received		6,278	6,468	5,527	5,662
Fees and commissions paid		(1,810)	(1,772)	(1,428)	(1,371)
Net cash inflows (outflows) from trade in securities in the trading book		(4,602)	(2,024)	5,106	3,713
Net inflows from foreign exchange operations		1,925	1,901	6,789	6,808
Net inflows from derecognition of financial assets		138	7	149	78
Net inflows from derecognition of non-financial assets		205	25	125	62
Cash inflows related to other activities of Group companies		3,478	569	229	148
Cash outflows related to other activities of Group companies		-	-	(2,098)	-
Recoveries on loans previously written off		211	27	273	61
Salaries and related payments to and on behalf of employees		(6,660)	(5,846)	(6,029)	(5,152)
Payments related to operating and other expenses		(5,088)	(3,986)	(3,303)	(2,454)
Income tax paid		(3,333)	(3,093)	(2,807)	(2,602)
<b>Net cash flow from operating activities before change in operating assets and liabilities</b>		<b>13,835</b>	<b>11,865</b>	<b>25,642</b>	<b>26,427</b>
<b>Change in operating assets and liabilities:</b>					
Decrease (increase) in due from other banks		1,096	1,096	437	437
(Increase) in loans to customers and finance lease receivables		(104,073)	(106,532)	(63,858)	(61,291)
(Increase)/decrease in finance lease receivables		(4,324)	(4,351)	2,314	1,402
Decrease (increase) in other assets		214	1,689	(4,489)	(12,056)
Decrease (increase) in due to banks and financial institutions		17,254	17,438	(10,282)	(9,163)
Increase (decrease) increase in due to customers		(42,434)	(42,260)	157,154	159,636
Increase in special and lending funds		(180)	(180)	(1,951)	(1,951)
Increase (decrease) in other liabilities		(4,138)	(937)	4,726	5,845
<b>Change</b>		<b>(136,585)</b>	<b>(134,037)</b>	<b>84,051</b>	<b>82,859</b>
<b>Net cash flow from (used in) from operating activities</b>		<b>(122,750)</b>	<b>(122,172)</b>	<b>109,693</b>	<b>109,286</b>
<b>Investing activities</b>					
Acquisition of property, plant and equipment, investment property and intangible assets		(1,948)	(1,841)	(156)	(162)
Disposal of property, plant and equipment, investment property and intangible assets		866	847	304	489
Acquisition of debt securities at amortized cost		(49)	(2)	(35,229)	(35,102)
Proceeds from redemption of debt securities at amortized cost		473	33	8,587	8,575
Interest received on debt securities at amortized cost		2,571	2,531	1,405	1,392
Dividends received		1	1	-	5,000
Acquisition of investment securities at fair value		(14,447)	(12,441)	(2,829)	(2,829)
Sale or redemption of investment securities at fair value		8,636	6,620	27,258	23,223
Interest received on investment securities at fair value		22	4	152	112
<b>Net cash flow (used in) from investing activities</b>		<b>(3,875)</b>	<b>(4,248)</b>	<b>(508)</b>	<b>698</b>
<b>Financing activities</b>					
Acquisition of own shares		(1,557)	(1,557)	-	-
Principal elements of lease payments		(339)	(303)	(613)	(1,023)
<b>Net cash flow (used in) financing activities</b>		<b>(1,896)</b>	<b>(1,860)</b>	<b>(613)</b>	<b>(1,023)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(128,521)</b>	<b>(128,280)</b>	<b>109,188</b>	<b>108,961</b>
<b>Cash and cash equivalents at 1 January</b>		<b>965,723</b>	<b>964,849</b>	<b>432,584</b>	<b>431,649</b>
<b>Cash and cash equivalents at 31 March</b>		<b>837,202</b>	<b>836,569</b>	<b>541,772</b>	<b>540,610</b>

The notes on pages 9 - 32 constitute an integral part of these condensed interim 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 2021: 56 outlets). As at 31 March 2022 the Bank had 799 employees (31 December 2021: 789). As at 31 March 2022 the Group had 892 employees (31 December 2021: 882 employees).

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

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

This condensed interim financial information for the three months period ended 31 March 2022 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 2021, 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 and the Group for the year ended 31 December 2021.

#### 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

Newly published standards, amendments and interpretations that are mandatory for the Bank's and the Group's reporting periods beginning on or after 1 January 2021 did not have a material impact on the Bank's and the Group's financial statements, also there are no new standards, amendments and interpretations that are mandatory for the Bank with effect from 2021, and that would have a material impact on the Bank's and the Group's financial information.

#### 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 2021, 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 world response to it as well as Covid-19 pandemic 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 financial statements combine the consolidated financial statements for the Group and stand-alone financial statements of the Bank.

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 and the Group 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 and the Group 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 and Group's position in the market and would increase the Bank's and Group's value. In assessing exposure to credit risk, the Bank and the Group adheres to the principle of prudence.

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

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

	31 March 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Cash equivalents</i>	767,500	766,933	898,862	897,988
<i>Loans and advances to banks</i>	100	100	1,196	1,196
<b><i>Loans and advances to customers:</i></b>	<b>2,010,831</b>	<b>1,994,785</b>	<b>1,908,681</b>	<b>1,889,629</b>
<i>Loans and advances to financial institutions</i>	-	136,813	-	125,032
<i>Loans to individuals (Retail)</i>	739,782	593,460	693,985	557,086
<i>Loans to business customers</i>	1,271,049	1,264,512	1,214,696	1,207,511
<i>Finance lease receivables</i>	200,150	199,912	195,174	194,909
<b><i>Debt securities at fair value through profit or loss</i></b>	<b>22,076</b>	<b>16,463</b>	<b>20,454</b>	<b>14,622</b>
<i>Derivative financial instruments</i>	1,918	1,918	2,121	2,121
<b><i>Debt securities at fair value through other comprehensive income</i></b>	<b>83,924</b>	<b>83,924</b>	<b>78,126</b>	<b>78,126</b>
<b><i>Debt securities at amortized cost</i></b>	<b>704,974</b>	<b>692,195</b>	<b>705,398</b>	<b>692,226</b>
<b><i>Other assets subject to credit risk</i></b>	<b>18,016</b>	<b>17,910</b>	<b>16,398</b>	<b>16,271</b>
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	51,057	51,118	52,931	52,992
<i>Letters of credit</i>	1,300	1,300	1,308	1,308
<i>Loan commitments and other credit related liabilities</i>	425,652	430,918	397,225	407,440
<b>Total</b>	<b>4,287,498</b>	<b>4,257,476</b>	<b>4,277,874</b>	<b>4,248,828</b>

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

Loans to customers

Loans and advances are summarized as follows:

	31 March 2022		31 December 2021	
	Group	Bank	Group	Bank
<b>Gross</b>	2,048,395	2,024,777	1,944,377	1,917,766
<i>Less: allowance for impairment</i>	(37,564)	(29,992)	(35,696)	(28,137)
<b>Net</b>	<b>2,010,831</b>	<b>1,994,785</b>	<b>1,908,681</b>	<b>1,889,629</b>

The distribution of loans by stages and days past due:

	31 March 2022					31 December 2021				
	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
<b>Stage 1:</b>										
<i>Gross amount</i>	1,679,238	59,269	952	4	1,739,463	1,600,390	41,547	505	6	1,642,448
<i>Allowance for impairment</i>	(12,390)	(1,076)	(11)	-	(13,477)	(11,439)	(1,028)	(1)	-	(12,468)
<b>Net amount</b>	<b>1,666,848</b>	<b>58,193</b>	<b>941</b>	<b>4</b>	<b>1,725,986</b>	<b>1,588,951</b>	<b>40,519</b>	<b>504</b>	<b>6</b>	<b>1,629,980</b>
<b>Stage 2:</b>										
<i>Gross amount</i>	220,701	5,995	8,440	-	235,136	220,434	8,966	6,207	2	235,609
<i>Allowance for impairment</i>	(3,853)	(37)	(1,506)	-	(5,396)	(2,329)	(282)	(1,299)	-	(3,910)
<b>Net amount</b>	<b>216,848</b>	<b>5,958</b>	<b>6,934</b>	<b>-</b>	<b>229,740</b>	<b>218,105</b>	<b>8,684</b>	<b>4,908</b>	<b>2</b>	<b>231,699</b>
<b>Stage 3:</b>										
<i>Gross amount</i>	37,864	12,092	3,705	20,135	73,796	28,278	17,231	2,913	17,898	66,320
<i>Allowance for impairment</i>	(5,155)	(2,277)	(1,188)	(10,071)	(18,691)	(5,351)	(3,151)	(955)	(9,861)	(19,318)
<b>Net amount</b>	<b>32,709</b>	<b>9,815</b>	<b>2,517</b>	<b>10,064</b>	<b>55,105</b>	<b>22,927</b>	<b>14,080</b>	<b>1,958</b>	<b>8,037</b>	<b>47,002</b>
<b>Total:</b>										
<i>Gross amount</i>	1,937,803	77,356	13,097	20,139	2,048,395	1,849,102	67,744	9,625	17,906	1,944,377
<i>Allowance for impairment</i>	(21,398)	(3,390)	(2,705)	(10,071)	(37,564)	(19,119)	(4,461)	(2,255)	(9,861)	(35,696)
<b>Net amount</b>	<b>1,916,405</b>	<b>73,966</b>	<b>10,392</b>	<b>10,068</b>	<b>2,010,831</b>	<b>1,829,983</b>	<b>63,283</b>	<b>7,370</b>	<b>8,045</b>	<b>1,908,681</b>

	31 March 2022					31 December 2021				
	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
<b>Stage 1:</b>										
<i>Gross amount</i>	1,547,591	45,267	952	4	1,593,814	1,476,592	28,571	505	6	1,505,674
<i>Allowance for impairment</i>	(9,230)	(128)	(11)	-	(9,369)	(8,217)	(57)	(1)	-	(8,275)
<b>Net amount</b>	<b>1,538,361</b>	<b>45,139</b>	<b>941</b>	<b>4</b>	<b>1,584,445</b>	<b>1,468,375</b>	<b>28,514</b>	<b>504</b>	<b>6</b>	<b>1,497,399</b>
<b>Stage 2:</b>										
<i>Gross amount</i>	350,977	5,995	4,249	-	361,221	338,302	8,966	2,710	2	349,980
<i>Allowance for impairment</i>	(3,853)	(37)	(43)	-	(3,933)	(2,329)	(282)	(47)	-	(2,658)
<b>Net amount</b>	<b>347,124</b>	<b>5,958</b>	<b>4,206</b>	<b>-</b>	<b>357,288</b>	<b>335,973</b>	<b>8,684</b>	<b>2,663</b>	<b>2</b>	<b>347,322</b>
<b>Stage 3:</b>										
<i>Gross amount</i>	36,558	11,249	2,237	19,698	69,742	26,965	16,442	1,472	17,233	62,112
<i>Allowance for impairment</i>	(4,503)	(1,864)	(469)	(9,854)	(16,690)	(4,695)	(2,762)	(246)	(9,501)	(17,204)
<b>Net amount</b>	<b>32,055</b>	<b>9,385</b>	<b>1,768</b>	<b>9,844</b>	<b>53,052</b>	<b>22,270</b>	<b>13,680</b>	<b>1,226</b>	<b>7,732</b>	<b>44,908</b>
<b>Total:</b>										
<i>Gross amount</i>	1,935,126	62,511	7,438	19,702	2,024,777	1,841,859	53,979	4,687	17,241	1,917,766
<i>Allowance for impairment</i>	(17,586)	(2,029)	(523)	(9,854)	(29,992)	(15,241)	(3,101)	(294)	(9,501)	(28,137)
<b>Net amount</b>	<b>1,917,540</b>	<b>60,482</b>	<b>6,915</b>	<b>9,848</b>	<b>1,994,785</b>	<b>1,826,618</b>	<b>50,878</b>	<b>4,393</b>	<b>7,740</b>	<b>1,889,629</b>

**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 significant 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.

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

During reporting period, the Bank has not performed significant restructurings due to Covid-19 pandemic. As lending activities are oriented to Lithuanian market, the Bank held no significant direct loan positions in Russia, Belarus and Ukraine. Potential risk assessment for separate sectors has not demonstrated economic sectors for which risk would be increased. Due to potential increase in credit risk the Bank has individually assessed clients with loans and finance lease contracts which have medium or high dependency from countries mentioned above through supply or sales chains or through shareholders structure and if increase in risk was determined credit stages for certain clients were reduced.

**Finance lease receivables**

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

	31 March 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Business customers</i>	177,289	176,298	172,214	171,202
<i>Individuals</i>	26,805	26,805	26,746	26,746
<b>Gross</b>	<b>204,094</b>	<b>203,103</b>	<b>198,960</b>	<b>197,948</b>
<i>Less: Allowance for impairment</i>	(3,944)	(3,191)	(3,786)	(3,039)
<b>Net</b>	<b>200,150</b>	<b>199,912</b>	<b>195,174</b>	<b>194,909</b>

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

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

	31 March 2022					31 December 2021				
	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
<b>Group</b>										
<b>Stage 1:</b>										
Gross amount	168,222	6,141	-	-	174,363	165,656	5,304	-	-	170,960
Allowance for impairment	(980)	(28)	-	-	(1,008)	(947)	(19)	-	-	(966)
<b>Net amount</b>	<b>167,242</b>	<b>6,113</b>	<b>-</b>	<b>-</b>	<b>173,355</b>	<b>164,709</b>	<b>5,285</b>	<b>-</b>	<b>-</b>	<b>169,994</b>
<b>Stage 2:</b>										
Gross amount	20,557	619	1,117	-	22,293	19,180	822	543	-	20,545
Allowance for impairment	(326)	(5)	(25)	-	(356)	(212)	(21)	(7)	-	(240)
<b>Net amount</b>	<b>20,231</b>	<b>614</b>	<b>1,092</b>	<b>-</b>	<b>21,937</b>	<b>18,968</b>	<b>801</b>	<b>536</b>	<b>-</b>	<b>20,305</b>
<b>Stage 3:</b>										
Gross amount	4,884	739	211	1,604	7,438	5,618	275	111	1,451	7,455
Allowance for impairment	(1,451)	(42)	(62)	(1,025)	(2,580)	(1,473)	(25)	(43)	(1,039)	(2,580)
<b>Net amount</b>	<b>3,433</b>	<b>697</b>	<b>149</b>	<b>579</b>	<b>4,858</b>	<b>4,145</b>	<b>250</b>	<b>68</b>	<b>412</b>	<b>4,875</b>
<b>Total:</b>										
Gross amount	193,663	7,499	1,328	1,604	204,094	190,454	6,401	654	1,451	198,960
Allowance for impairment	(2,757)	(75)	(87)	(1,025)	(3,944)	(2,632)	(65)	(50)	(1,039)	(3,786)
<b>Net amount</b>	<b>190,906</b>	<b>7,424</b>	<b>1,241</b>	<b>579</b>	<b>200,150</b>	<b>187,822</b>	<b>6,336</b>	<b>604</b>	<b>412</b>	<b>195,174</b>

	31 March 2022					31 December 2021				
	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
<b>Bank</b>										
<b>Stage 1:</b>										
Gross amount	168,222	6,141	-	-	174,363	165,446	5,304	-	-	170,750
Allowance for impairment	(980)	(28)	-	-	(1,008)	(946)	(19)	-	-	(965)
<b>Net amount</b>	<b>167,242</b>	<b>6,113</b>	<b>-</b>	<b>-</b>	<b>173,355</b>	<b>164,500</b>	<b>5,285</b>	<b>-</b>	<b>-</b>	<b>169,785</b>
<b>Stage 2:</b>										
Gross amount	20,367	619	1,117	-	22,103	19,180	822	543	-	20,545
Allowance for impairment	(319)	(5)	(25)	-	(349)	(212)	(21)	(7)	-	(240)
<b>Net amount</b>	<b>20,048</b>	<b>614</b>	<b>1,092</b>	<b>-</b>	<b>21,754</b>	<b>18,968</b>	<b>801</b>	<b>536</b>	<b>-</b>	<b>20,305</b>
<b>Stage 3:</b>										
Gross amount	4,885	739	211	802	6,637	5,618	275	111	649	6,653
Allowance for impairment	(1,451)	(42)	(62)	(279)	(1,834)	(1,473)	(25)	(43)	(293)	(1,834)
<b>Net amount</b>	<b>3,434</b>	<b>697</b>	<b>149</b>	<b>523</b>	<b>4,803</b>	<b>4,145</b>	<b>250</b>	<b>68</b>	<b>356</b>	<b>4,819</b>
<b>Total:</b>										
Gross amount	193,474	7,499	1,328	802	203,103	190,244	6,401	654	649	197,948
Allowance for impairment	(2,750)	(75)	(87)	(279)	(3,191)	(2,631)	(65)	(50)	(293)	(3,039)
<b>Net amount</b>	<b>190,724</b>	<b>7,424</b>	<b>1,241</b>	<b>523</b>	<b>199,912</b>	<b>187,613</b>	<b>6,336</b>	<b>604</b>	<b>356</b>	<b>194,909</b>

**NOTE 2  
SECURITIES**

**Securities in the trading book**

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

	31 March 2022		31 December 2021	
	Group	Bank	Group	Bank
<b>Debt securities:</b>	<b>22,076</b>	<b>16,463</b>	<b>20,454</b>	<b>14,622</b>
Government bonds	9,120	7,247	2,020	4,062
Corporate bonds	12,956	9,216	18,434	10,560
<b>Equity securities</b>	<b>26,721</b>	<b>457</b>	<b>27,727</b>	<b>477</b>
<b>Total</b>	<b>48,797</b>	<b>16,920</b>	<b>48,181</b>	<b>15,099</b>
	31 March 2022		31 December 2021	
	Group	Bank	Group	Bank
<b>Trading securities:</b>				
<b>Debt securities</b>	<b>19,523</b>	<b>16,463</b>	<b>17,721</b>	<b>14,622</b>
from AA- to AAA	-	-	-	-
from A- to A+	7,430	7,247	4,235	4,046
from BBB- to BBB+	604	-	830	207
from BB- to BB+	515	-	514	-
lower than BB-	-	-	-	-
no rating	10,974	9,216	12,142	10,369
<b>Equity securities</b>	<b>457</b>	<b>457</b>	<b>477</b>	<b>477</b>
listed	436	436	449	449
unlisted	21	21	28	28
units of investment funds	-	-	-	-
<b>Total trading securities</b>	<b>19,980</b>	<b>16,920</b>	<b>18,198</b>	<b>15,099</b>
<b>Other trading book securities:</b>				
<b>Debt securities</b>	<b>2,554</b>	-	<b>2,733</b>	-
from AA- to AAA	-	-	-	-
from A- to A+	186	-	199	-
from BBB- to BBB+	1,599	-	1,726	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	769	-	808	-
<b>Equity securities</b>	<b>26,263</b>	-	<b>27,250</b>	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	26,263	-	27,250	-
<b>Total other trading book securities</b>	<b>28,817</b>	-	<b>29,983</b>	-
<b>TOTAL</b>	<b>48,797</b>	<b>16,920</b>	<b>48,181</b>	<b>15,099</b>

**NOTE 2**  
**SECURITIES (CONTINUED)**

Investment securities

	31 March 2022		31 December 2021	
	Group	Bank	Group	Bank
<b><u>Securities at fair value:</u></b>				
<b>Debt securities:</b>	<b>83,924</b>	<b>83,924</b>	<b>78,126</b>	<b>78,126</b>
Government bonds	55,717	55,717	53,991	53,991
Corporate bonds	28,207	28,207	24,135	24,135
<b>Equity securities</b>	<b>4,848</b>	<b>4,848</b>	<b>4,862</b>	<b>4,825</b>
<b>Total</b>	<b>88,772</b>	<b>88,772</b>	<b>82,988</b>	<b>82,951</b>
<b><u>Securities at amortized cost:</u></b>				
<b>Debt securities:</b>	<b>704,974</b>	<b>692,195</b>	<b>705,398</b>	<b>692,226</b>
Government bonds	553,480	547,448	541,026	535,006
Corporate bonds	151,494	144,747	164,372	157,220
<b>Total</b>	<b>704,974</b>	<b>692,195</b>	<b>705,398</b>	<b>692,226</b>

	31 March 2022		31 December 2021	
	Group	Bank	Group	Bank
<b><u>Securities at fair value:</u></b>				
<b>Debt securities</b>	<b>83,924</b>	<b>83,924</b>	<b>78,126</b>	<b>78,126</b>
from AA- to AA+	-	-	-	-
from A- to A+	59,110	59,110	57,534	57,534
from BBB- to BBB+	9,830	9,830	9,696	9,696
from BB- to BB+	14,984	14,984	10,896	10,896
lower than BB-	-	-	-	-
no rating	-	-	-	-
<b>Equities</b>	<b>4,848</b>	<b>4,848</b>	<b>4,862</b>	<b>4,825</b>
listed	280	280	290	290
unlisted	481	481	455	455
units of investment funds	4,087	4,087	4,117	4,080
<b>Total</b>	<b>88,772</b>	<b>88,772</b>	<b>82,988</b>	<b>82,951</b>
<b><u>Securities at amortized cost:</u></b>				
<b>Debt securities</b>	<b>704,974</b>	<b>692,195</b>	<b>705,398</b>	<b>692,226</b>
from AA- to AA+	3,551	3,141	3,101	2,896
from A- to A+	559,808	554,183	551,810	545,789
from BBB- to BBB+	140,095	134,871	148,969	143,541
from BB- to BB+	1,520	-	1,518	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
<b>Total</b>	<b>704,974</b>	<b>692,195</b>	<b>705,398</b>	<b>692,226</b>

Credit stages of investment debt securities:

	31 March 2022		31 December 2021	
	Group	Bank	Group	Bank
<b>Stage 1:</b>				
Gross amount	789,247	776,454	783,670	770,683
Allowance for impairment	(349)	(335)	(342)	(331)
<b>Net amount</b>	<b>788,898</b>	<b>776,119</b>	<b>783,328</b>	<b>770,352</b>
<b>Stage 2:</b>				
Gross amount	-	-	199	-
Allowance for impairment	-	-	(3)	-
<b>Net amount</b>	<b>-</b>	<b>-</b>	<b>196</b>	<b>-</b>
<b>Stage 3:</b>				
Gross amount	1,020	-	1,020	-
Allowance for impairment	(1,020)	-	(1,020)	-
<b>Net amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>788,898</b>	<b>776,119</b>	<b>783,524</b>	<b>770,352</b>

During three months periods ended 31 March 2022 and 31 March 2021, no material reclassifications between portfolios of securities were performed.

**NOTE 2**  
**SECURITIES (CONTINUED)**

**Investments in subsidiaries**

As of 31 March 2022 and 31 December 2021 the Bank owned the following directly controlled subsidiaries:

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

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

1. Šiaulių Banko Investicijų Valdymas UAB (investment management activities; under liquidation process).

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

1. Šiaulių Banko Investicijų Valdymas UAB (investment management activities),
2. Sandworks UAB (real estate management activities).

By implementing its strategic plan, the Bank optimizes the structure of its subsidiaries. During three months period ended 31 March 2022 Bank's indirectly controlled subsidiary Sandworks UAB was liquidated.

Bank's investments in subsidiaries consisted of:

	Share in equity	31 March 2022	31 December 2021
<i>SB draudimas GD UAB</i>	100%	11,771	11,788
<i>SB lizingas UAB</i>	100%	9,915	13,224
<i>Šiaulių Banko Lizingas UAB</i>	100%	1,074	1,074
<i>SB Turto Fondas UAB</i>	100%	4,592	5,582
<b>Total</b>		<b>27,352</b>	<b>31,668</b>

Bank's subsidiary SB draudimas GD UAB was tested for impairment using embedded value approach as of 31 March 2022 and 31 December 2021. No impairment indications were determined at these dates.

**NOTE 3**  
**SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS**

**Other assets**

	31 March 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Amounts receivable</i>	18,016	17,910	16,398	16,271
<i>Inventories</i>	477	-	538	-
<i>Deferred charges</i>	1,149	1,123	1,274	1,243
<i>Assets under reinsurance and insurance contracts</i>	2,021	-	1,773	-
<i>Prepayments</i>	3,543	2,537	3,957	2,820
<i>Foreclosed assets</i>	97	48	103	54
<i>Other</i>	3,550	4,685	4,094	4,172
<b>Total</b>	<b>28,853</b>	<b>26,303</b>	<b>28,137</b>	<b>24,560</b>



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

**Assets held for sale**

Assets held for sale consist of:

	31 March 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Real estate classified as held for sale</i>	170	170	620	620
<b>Total assets classified as held for sale</b>	<b>170</b>	<b>170</b>	<b>620</b>	<b>620</b>

**NOTE 4**  
DUE TO CUSTOMERS

	31 March 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	49,036	49,036	53,063	53,063
<i>Local government institutions</i>	179,106	179,106	127,692	127,692
<i>Governmental and municipal companies</i>	27,824	27,824	32,046	32,046
<i>Corporate entities</i>	737,165	739,721	803,905	806,287
<i>Non-profit organizations</i>	43,642	43,642	37,567	37,567
<i>Individuals</i>	753,500	753,500	773,999	773,999
<i>Unallocated amounts due to customers</i>	55,949	55,970	24,968	24,989
<b>Total demand deposits</b>	<b>1,846,222</b>	<b>1,848,799</b>	<b>1,853,240</b>	<b>1,855,643</b>
<i>Time deposits:</i>				
<i>National government institutions</i>	3,015	3,015	1,015	1,015
<i>Local government institutions</i>	3,777	3,777	3,077	3,077
<i>Governmental and municipality companies</i>	5,873	5,873	3,939	3,939
<i>Corporate entities</i>	52,717	52,717	57,060	57,060
<i>Non-profit organizations</i>	3,069	3,069	2,984	2,984
<i>Individuals</i>	721,760	721,760	757,868	757,868
<b>Total term deposits</b>	<b>790,211</b>	<b>790,211</b>	<b>825,943</b>	<b>825,943</b>
<b>Total</b>	<b>2,636,433</b>	<b>2,639,010</b>	<b>2,679,183</b>	<b>2,681,586</b>

## NOTE 5

## SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITIES ITEMS

**Due to other banks and financial institutions**

As at 31 March 2022, the outstanding borrowing on the balance sheet under third series of the targeted longer-term refinancing operations (TLTRO-III) program of the European Central Bank amounted to EUR 629 million. 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 as of 31 March 2022 therefore has included the bonus on the special interest period in its effective interest recognition retrospectively. 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, is recognised within the income statement line "Interest income". The remainder is a benefit of the below-market rate of interest and is recognised within the income statement line "Other income" as a support or compensation for the fulfilment of the required obligations. Securities with a carrying value of EUR 643,755 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 have to 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 6,667 thousand in the beginning of the year to EUR 6,487 thousand in the end of the reporting period is attributable to routine fluctuations in these funds.

NOTE 6  
CAPITAL

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

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

As at 31 March 2022, the Bank had 17,176 shareholders (as at 31 December 2021: 16,573).

**Dividends:**

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

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

**Reserve for acquisition of own shares:**

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

During three months period ended 31 March 2022 the Bank acquired 2,105 thousand units of own shares for EUR 1,557 thousand. The acquired shares will be granted to the employees of the Bank and its subsidiaries as a deferred part of variable remuneration for 2018. As of 31 March 2022 the Bank held 2,792 thousand own shares with carrying value of EUR 2,073 thousand.

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

**NOTE 6**  
**CAPITAL (CONTINUED)**

**Other equity:**

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

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

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 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%;
- For the option granted 31 March 2020: grant date (31 March 2020), expiry day (15 April 2023), share price 0.510 on grant day, exercise price 0.449, expected price volatility of the bank's shares 21%, risk free interest rate - 0.1%;
- For the option granted 28 March 2019: grant date (28 March 2019), expiry day (15 April 2022), share price EUR 0.456 on grant day, exercise price 0.393, expected price volatility of the bank's shares 24%, risk free interest rate -0.2%.

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

	31 March 2022		31 December 2021	
	Group	Bank	Group	Bank
<i>Options</i>	3,288	2,870	3,288	2,870
<i>Shares distributable to employees</i>	-	-	-	-
<b>Total</b>	<b>3,288</b>	<b>2,870</b>	<b>3,288</b>	<b>2,870</b>

No options were forfeited, exercised or expired during periods ended 31 March 2022 and 31 December 2021.

**Basic earnings per share:**

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

The number of shares in issue for the year ended 31 March 2022 and 31 March 2021 was 600,726 thousand. Weighted average number of shares in issue for the period ended 31 March 2022 was 599,931 thousand (31 March 2021: 600,726 thousand).

**Group**

	31 March 2022	31 March 2021
<i>Net profit from continuing operations attributable to equity holders</i>	11,457	12,685
<i>Net profit (loss) from discontinued operations attributable to equity holders</i>	-	(319)
<b>Net profit attributable to equity holders</b>	<b>11,457</b>	<b>12,366</b>
<i>Weighted average number of shares in issue during the period (thousand units)</i>	599,931	600,726
<b>Basic earnings per share (EUR)</b>	<b>0.02</b>	<b>0.02</b>
<i>Basic earnings per share (EUR) from continuing operations</i>	0.02	0.02
<i>Basic earnings per share (EUR) from discontinued operations</i>	-	(0.00)

**NOTE 7**  
**NET INTEREST INCOME**

	1 January - 31 March 2022		1 January - 31 March 2021	
	Group	Bank	Group	Bank
<b>Interest revenue calculated using the effective interest method (on financial assets at amortized cost and fair value through other comprehensive income):</b>	<b>22,572</b>	<b>19,151</b>	<b>19,256</b>	<b>16,048</b>
<i>on loans to other banks and financial institutions and placements with credit institutions</i>	1,214	2,003	257	896
<i>on loans to customers</i>	20,293	16,149	17,490	13,705
<i>on debt securities at amortized cost</i>	986	937	1,438	1,392
<i>on debt securities at fair value through other comprehensive income</i>	79	62	71	55
<i>Other similar income:</i>	2,552	2,512	1,915	1,880
<i>on debt securities at fair value through profit or loss</i>	176	143	87	57
<i>on finance leases</i>	2,052	2,045	1,724	1,719
<i>other interest income</i>	324	324	104	104
<b>Total interest income</b>	<b>25,124</b>	<b>21,663</b>	<b>21,171</b>	<b>17,928</b>
<i>Interest expense:</i>				
<i>on financial liabilities designated at fair value through profit or loss</i>	-	-	-	-
<i>on financial liabilities measured at amortized cost</i>	(2,051)	(2,054)	(2,295)	(2,298)
<i>on other liabilities</i>	(1,047)	(1,047)	(438)	(437)
<b>Total interest expense</b>	<b>(3,098)</b>	<b>(3,101)</b>	<b>(2,733)</b>	<b>(2,735)</b>
<b>Net interest income</b>	<b>22,026</b>	<b>18,562</b>	<b>18,438</b>	<b>15,193</b>

**NOTE 8**  
**NET FEE AND COMMISSION INCOME**

	1 January - 31 March 2022		1 January - 31 March 2021	
	Group	Bank	Group	Bank
<b>Fee and commission income:</b>				
<i>for administration of loans of third parties</i>	1,028	1,028	1,147	1,147
<i>for settlement services</i>	1,362	1,365	1,223	1,223
<i>for cash operations</i>	1,291	1,291	936	936
<i>for account administration</i>	1,123	1,123	1,029	1,029
<i>for guarantees, letters of credit, documentary collection</i>	203	203	239	239
<i>for collection of utility and similar payments</i>	56	56	54	55
<i>for services related to securities</i>	987	1,003	734	759
<i>other fee and commission income</i>	263	399	200	274
<b>Total fee and commission income</b>	<b>6,313</b>	<b>6,468</b>	<b>5,562</b>	<b>5,662</b>
<i>Fee and commission expense:</i>				
<i>for payment cards</i>	(1,104)	(1,104)	(765)	(765)
<i>for cash operations</i>	(251)	(251)	(250)	(250)
<i>for correspondent bank and payment system fees</i>	(125)	(89)	(141)	(89)
<i>for services of financial data vendors</i>	(59)	(59)	(55)	(55)
<i>for services related to securities</i>	(163)	(163)	(132)	(132)
<i>other fee and commission expenses</i>	(108)	(106)	(85)	(80)
<b>Total fee and commission expense</b>	<b>(1,810)</b>	<b>(1,772)</b>	<b>(1,428)</b>	<b>(1,371)</b>
<b>Net fee and commission income</b>	<b>4,503</b>	<b>4,696</b>	<b>4,134</b>	<b>4,291</b>

**NOTE 9  
OTHER OPERATING EXPENSES**

	1 January - 31 March 2022		1 January - 31 March 2021	
	Group	Bank	Group	Bank
<i>Rent of buildings and premises</i>	(66)	(67)	(63)	(67)
<i>Utility services for buildings and premises</i>	(333)	(309)	(165)	(146)
<i>Other expenses related to buildings and premises</i>	(85)	(85)	(161)	(161)
<i>Transportation expenses</i>	(83)	(61)	(58)	(45)
<i>Legal costs</i>	(26)	(26)	(52)	(52)
<i>Personnel and training expenses</i>	(37)	(29)	(37)	(24)
<i>IT and communication expenses</i>	(1,675)	(1,487)	(1,083)	(926)
<i>Marketing and charity expenses</i>	(515)	(137)	(399)	(97)
<i>Service organization expenses</i>	(647)	(609)	(383)	(349)
<i>Non-income taxes, fines</i>	(153)	(18)	(122)	(18)
<i>Costs incurred due to debt recovery</i>	(56)	(14)	(86)	(34)
<i>Other expenses</i>	(244)	(146)	(201)	(111)
<b>Total</b>	<b>(3,921)</b>	<b>(2,989)</b>	<b>(2,810)</b>	<b>(2,030)</b>

**NOTE 10  
IMPAIRMENT LOSSES**

	1 January - 31 March 2022		1 January - 31 March 2021	
	Group	Bank	Group	Bank
<i>(Impairment losses) / reversal of impairment losses on loans</i>	(2,837)	(2,277)	(1,639)	(404)
<i>Recoveries of loans previously written-off</i>	189	26	374	88
<i>Reversal of impairment losses / (impairment losses) on finance lease receivables</i>	(158)	(152)	367	366
<i>Recovered previously written-off finance lease receivables</i>	-	1	11	-
<i>(Impairment losses) on debt securities</i>	(6)	(5)	33	33
<i>Reversal of impairment losses on due from banks</i>	27	27	(15)	(15)
<i>Reversal of impairment losses / (impairment losses) on other financial assets</i>	90	85	(102)	(99)
<i>(Impairment losses) on subsidiaries</i>	-	-	-	-
<i>(Impairment losses) / reversal of impairment losses on other non-financial assets</i>	-	-	826	4
<i>Recoveries of other non-financial assets previously written-off</i>	-	-	-	-
<i>Provisions for other liabilities</i>	23	-	33	-
<b>Total</b>	<b>(2,672)</b>	<b>(2,295)</b>	<b>(112)</b>	<b>(27)</b>

**NOTE 10**  
**IMPAIRMENT LOSSES (CONTINUED)**

	1 January - 31 March 2022		1 January - 31 March 2021	
	Group	Bank	Group	Bank
<b>Allowance for impairment of loans</b>				
As at 1 January	35,696	28,137	42,783	37,821
Change in allowance for loan impairment	2,837	2,277	1,639	404
Loans written off during the period	(969)	(422)	(6,811)	(6,156)
Other factors (reclassification, FX rate shift, etc.)	-	-	4	4
As at 31 March	37,564	29,992	37,615	32,073
<b>Allowance for impairment of finance lease receivables</b>				
As at 1 January	3,786	3,039	4,585	3,842
Change in allowance for impairment of finance lease receivables	158	152	(367)	(366)
Finance lease receivables written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	-	-
As at 31 March	3,944	3,191	4,218	3,476
<b>Allowance for impairment of debt securities</b>				
As at 1 January	1,365	331	1,372	342
Change in allowance for impairment of debt securities	6	5	(33)	(33)
Debt securities written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	(2)	(1)	8	-
As at 31 March	1,369	335	1,347	309
<b>Allowance for impairment of due from banks</b>				
As at 1 January	106	106	42	42
Change in allowance for impairment of due from banks	(27)	(27)	15	15
Due from banks written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	-	-
As at 31 March	79	79	57	57
<b>Allowance for impairment of other financial assets</b>				
As at 1 January	260	228	161	153
Change in allowance for impairment of other financial assets	(90)	(85)	102	99
Other financial assets written off during the period	(1)	(1)	(11)	(11)
Other factors (reclassification, FX rate shift, etc.)	6	6	-	-
As at 31 March	175	148	252	241

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:

	2022		2023		2024		2025		2026	
	GDP	Probability	GDP	Probability	GDP	Probability	GDP	Probability	GDP	Probability
<b>At 31 March 2022:</b>										
Base scenario	0.40 %	50 %	2.10 %	50 %	3.50 %	50 %	2.40 %	50 %	2.40 %	50 %
Pessimistic scenario	-1.20 %	45 %	1.50 %	45 %	1.10 %	45 %	1.10 %	45 %	1.10 %	45 %
Optimistic scenario	2.70 %	5 %	2.70 %	5 %	3.80 %	5 %	3.80 %	5 %	3.80 %	5 %
Weighted average GDP growth	-0.21%		1.86%		2.44%		1.89%		1.89%	
<b>At 31 December 2021:</b>										
Base scenario	3.60 %	50 %	3.50 %	50 %	3.50 %	50 %	2.40 %	50 %	2.40 %	50 %
Pessimistic scenario	1.10 %	45 %	1.10 %	45 %	1.10 %	45 %	1.10 %	45 %	1.10 %	45 %
Optimistic scenario	3.80 %	5 %	3.80 %	5 %	3.80 %	5 %	3.80 %	5 %	3.80 %	5 %
Weighted average GDP growth	2.49%		2.44%		2.44%		1.89%		1.89%	

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 three months period ended 31 March 2022 – an impairment loss of EUR 804 thousand, for the three months period ended 31 March 2021 – an impairment loss of EUR 1,051 thousand.

NOTE 11

SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from trading activities

	1 January - 31 March 2022		1 January - 31 March 2021	
	Group	Bank	Group	Bank
<i>Net gain (loss) from operations with securities</i>	(2,027)	(109)	1,655	683
<i>Net gain (loss) from foreign exchange and related derivatives</i>	(74)	(98)	1,517	1,498
<i>Net gain (loss) from other derivatives</i>	1,999	1,999	-	-
<b>Total</b>	<b>(102)</b>	<b>1,792</b>	<b>3,172</b>	<b>2,181</b>

Net gain from trading activities includes investment result of the insurance company assets under unit-linked contracts (see below): a net loss of EUR 1,843 thousand for the three months period ended 31 March 2022; a net gain of EUR 992 thousand for the three months period ended 31 March 2021.

Expenses related to insurance activities

	1 January - 31 March 2022		1 January - 31 March 2021	
	Group	Bank	Group	Bank
<i>Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts*</i>	1,826	-	(1,008)	-
<i>Other changes of the technical insurance provisions and other expenses related to insurance activities</i>	(1,705)	-	(735)	-
<b>Total expenses related to insurance activities</b>	<b>121</b>	<b>-</b>	<b>(1,743)</b>	<b>-</b>

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

	1 January - 31 March 2022		1 January - 31 March 2021	
	Group	Bank	Group	Bank
<i>Interest and similar income</i>	17	-	16	-
<i>Net gain (loss) from operations with securities</i>	(1,867)	-	973	-
<i>Net gain (loss) from foreign exchange</i>	24	-	19	-
<b>Total</b>	<b>(1,826)</b>	<b>-</b>	<b>1,008</b>	<b>-</b>

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 2022 and 2021, a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions. According to the local legislation, the information on executed material transactions with related parties is published on Bank's website ([www.sb.lt](http://www.sb.lt)) > About bank > Information > Reports regarding the transactions with related parties).

NOTE 12

RELATED-PARTY TRANSACTIONS (CONTINUED)

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

	31 March 2022		31 December 2021	
	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>	1,099	84	1,555	53
<i>Other related parties (excluding subsidiaries of the Bank)</i>	5,779	16,172	6,319	16,167
<b>Total</b>	<b>6,878</b>	<b>16,256</b>	<b>7,874</b>	<b>16,220</b>

As of 31 March 2022, the balance of individual allowance for impairment losses on loans to related parties, except subsidiaries, amounted to EUR 47 thousand (31 December 2021: EUR 44 thousand).

**Transactions with subsidiaries:**

Balances of transactions with the subsidiaries are presented below:

	31 March 2022		31 December 2021	
	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>	1,122	-	1,129	-
<i>Financial institutions</i>	7,172	151,183	6,806	136,230
	<b>8,294</b>	<b>151,183</b>	<b>7,935</b>	<b>136,230</b>

Bank's total balances with subsidiaries:

	31 March 2022	31 December 2021
<b>Assets</b>		
<i>Loans</i>	130,276	117,868
<i>Other assets</i>	-	-
<i>Bank's investment in subsidiaries</i>	27,352	31,668
<i>Bank's investment in subsidiaries classified as held for sale</i>	-	-
<b>Liabilities and shareholders' equity</b>		
<i>Deposits</i>	8,294	7,935
<i>Other liabilities</i>	-	-

Income and expenses arising from transactions with subsidiaries:

	1 January – 31 March 2022	1 January – 31 March 2021
<b>Income</b>		
<i>Interest</i>	723	627
<i>Commission income</i>	170	103
<i>FX gain (loss)</i>	-	4
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	1,384	2,276
<i>Other income</i>	104	52
<b>Expenses</b>		
<i>Interest</i>	(4)	(4)
<i>Operating expenses</i>	-	-
<i>(Impairment losses)/ reversal of impairment losses on loans</i>	71	822
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	-

As of 31 March 2022, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 84 thousand (31 December 2021: EUR 13 thousand).



NOTE 13

LIQUIDITY, MARKET AND OPERATIONAL RISKS

**Liquidity risk**

Liquidity risk means the risk that the Bank and the Group 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 and the Group'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 and Group's liquidity situation deterioration was observed during Covid-19 epidemic or Russian invasion to Ukraine situation.

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

The structure of the Group's assets and liabilities by maturity as at 31 March 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>	851,990	69,165	128,342	140,245	304,422	1,125,299	1,256,541	72,725	3,948,729
<i>Total liabilities and shareholders' equity</i>	1,915,734	86,610	121,352	162,928	296,857	794,415	177,329	393,504	3,948,729
<i>Net liquidity gap</i>	(1,063,744)	(17,445)	6,990	(22,683)	7,565	330,884	1,079,212	(320,779)	-

The structure of the Group's assets and liabilities by maturity as at 31 December 2021 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>	978,050	55,517	93,757	156,765	260,621	1,171,944	1,169,806	76,022	3,962,482
<i>Total liabilities and shareholders' equity</i>	1,915,613	94,817	123,154	160,676	285,066	793,581	183,148	406,427	3,962,482
<i>Net liquidity gap</i>	(937,563)	(39,300)	(29,397)	(3,911)	(24,445)	378,363	986,658	(330,405)	-

The structure of the Bank's assets and liabilities by maturity as at 31 March 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>	851,357	63,627	116,942	128,665	406,331	1,068,995	1,213,691	57,765	3,907,373
<i>Total liabilities and shareholders' equity</i>	1,922,787	77,376	121,026	162,536	295,912	791,826	141,350	394,560	3,907,373
<i>Net liquidity gap</i>	(1,071,430)	(13,749)	(4,084)	(33,871)	110,419	277,169	1,072,341	(336,795)	-

**NOTE 13**
**LIQUIDITY, MARKET AND OPERATIONAL RISKS (CONTINUED)**

The structure of the Bank's assets and liabilities by maturity as at 31 December 2021 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>	977,176	49,416	196,531	141,912	240,068	1,118,847	1,130,958	64,566	3,919,474
<i>Total liabilities and shareholders' equity</i>	1,922,055	88,311	122,682	159,890	282,396	790,960	145,599	407,581	3,919,474
<i>Net liquidity gap</i>	(944,879)	(38,895)	73,849	(17,978)	(42,328)	327,887	985,359	(343,015)	-

**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 and Group's business.

Covid-19 epidemic situation significantly impacted the organization of Bank's activities and activated certain business continuity management processes. Much attention was devoted to assurance of continuity of services, management of risk factors related to organization of activities during the quarantine. Due to quarantine restrictions servicing in physical customer service points was reorganized, customers encouraged to use electronic service channel when possible. Possibility to work from home was organized for some employees, additional security measures were organized for employees. Currently the larger part of the closed client service units have renewed their activities.

In 2022, Bank's and Group's attention will be devoted to management of Bank's and Group's reputational risk, business continuity and outsourcing services. In order to ensure effective reputational risk management, reputational risk management procedure was approved in earlier periods. Update of Bank's business continuity documentation and preparation for testing of components of Business Continuity Plan is currently being performed. After the approval of outsourcing service procurement procedure in the management board, amendments of important outsourcing agreements with Suppliers were initiated.

To properly implement risk management measures related with climate change and environmental risks, a review of Bank's Extreme Situation Management plan and operational / reputational risk management documentation is planned.

**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 three months period ended 31 March 2022, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2021. For the valuation of financial assets and liabilities purposes, estimates, valuation techniques and inputs used to develop those measurements have not changed significantly during three months period ended 31 March 2022.

NOTE 14

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

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

	31 March 2022		31 December 2021	
	Group	Bank	Group	Bank
<b>LEVEL I</b>				
Trading book securities	43,185	11,308	41,235	8,153
Investment securities at fair value	84,204	84,204	78,415	78,415
<b>Total Level I financial assets</b>	<b>127,389</b>	<b>95,512</b>	<b>119,650</b>	<b>86,568</b>
<b>LEVEL II</b>				
Derivative financial instruments - assets	1,918	1,918	2,121	2,121
Derivative financial instruments - liabilities	(834)	(834)	(96)	(96)
<b>LEVEL III</b>				
Trading book securities	5,612	5,612	6,946	6,946
Investment securities at fair value	4,568	4,568	4,573	4,536
<b>Total Level III financial assets</b>	<b>10,180</b>	<b>10,180</b>	<b>11,519</b>	<b>11,482</b>

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

Changes in Level III instruments during three months period ended 31 March:

Group	Trading book securities		Investment securities at fair value	
	1 Jan - 31 March 2022	1 Jan - 31 March 2021	1 Jan - 31 March 2022	1 Jan - 31 March 2021
As at 31 December	6,946	3,609	4,573	3,454
Impact of change in accounting principles	-	-	-	-
<b>As at 1 January</b>	<b>6,946</b>	<b>3,609</b>	<b>4,573</b>	<b>3,454</b>
Additions	10,306	1,195	31	6,794
Disposals / redemption / derecognition	(11,711)	(3,356)	(98)	-
Changes due to interest accrued/paid	77	1	-	-
Changes in fair value	(6)	-	62	(21)
<b>As at 31 March</b>	<b>5,612</b>	<b>1,449</b>	<b>4,568</b>	<b>10,227</b>

Bank	Trading book securities		Investment securities at fair value	
	1 Jan - 31 March 2022	1 Jan - 31 March 2021	1 Jan - 31 March 2022	1 Jan - 31 March 2021
As at 31 December	6,946	2,255	4,536	3,327
Impact of change in accounting principles	-	-	-	-
<b>As at 1 January</b>	<b>6,946</b>	<b>2,255</b>	<b>4,536</b>	<b>3,327</b>
Additions	10,306	-	31	6,794
Disposals / redemption / derecognition	(11,711)	(2,253)	(61)	-
Changes due to interest accrued/paid	77	(2)	-	-
Changes in fair value	(6)	-	62	(21)
<b>As at 31 March</b>	<b>5,612</b>	<b>-</b>	<b>4,568</b>	<b>10,100</b>

	1 January – 31 March 2022		1 January – 31 March 2021	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	56	56	(21)	(21)

Fair value of investment securities held to collect cash flows:

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

	31 March 2022		31 December 2021	
	Carrying value	Fair value	Carrying value	Fair value
Investment securities at amortized cost	704,974	702,841	705,398	708,427

NOTE 15  
SEGMENT INFORMATION

**Business segments**

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 March 2022 and in the Statement of comprehensive income for three 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>	(189)	-	(2)	3	188	-
<i>External</i>	20,494	1,038	396	98	-	22,026
<b>Net interest income</b>	<b>20,305</b>	<b>1,038</b>	<b>394</b>	<b>101</b>	<b>188</b>	<b>22,026</b>
<i>Internal</i>	131	-	-	-	(131)	-
<i>External</i>	4,537	-	-	(34)	-	4,503
<b>Net fee and commissions income</b>	<b>4,668</b>	<b>-</b>	<b>-</b>	<b>(34)</b>	<b>(131)</b>	<b>4,503</b>
<i>Internal</i>	(58)	-	(2)	3	57	-
<i>External</i>	25,031	1,038	396	64	-	26,529
<b>Net interest, fee and commissions income</b>	<b>24,973</b>	<b>1,038</b>	<b>394</b>	<b>67</b>	<b>57</b>	<b>26,529</b>
<i>Internal</i>	(52)	-	-	(10)	62	-
<i>External</i>	(9,929)	(968)	-	(411)	-	(11,308)
<b>Operating expenses</b>	<b>(9,981)</b>	<b>(968)</b>	<b>-</b>	<b>(421)</b>	<b>62</b>	<b>(11,308)</b>
<i>Amortisation charges</i>	(281)	(31)	-	(22)	-	(334)
<i>Depreciation charges</i>	(648)	(68)	-	(59)	-	(775)
<i>Internal</i>	-	-	-	-	-	-
<i>External</i>	(2,807)	-	108	27	-	(2,672)
<b>Impairment expenses</b>	<b>(2,807)</b>	<b>-</b>	<b>108</b>	<b>27</b>	<b>-</b>	<b>(2,672)</b>
<i>Internal</i>	1,348	-	105	-	(1,453)	-
<i>External</i>	2,102	(109)	496	528	-	3,017
<b>Net other income</b>	<b>3,450</b>	<b>(109)</b>	<b>601</b>	<b>528</b>	<b>(1,453)</b>	<b>3,017</b>
<b>Profit (loss) before tax from continuing operations</b>	<b>14,706</b>	<b>(138)</b>	<b>1,103</b>	<b>120</b>	<b>(1,334)</b>	<b>14,457</b>
<i>Income tax</i>	(2,730)	(270)	-	-	-	(3,000)
<b>Profit (loss) per segment after tax from continuing operations</b>	<b>11,976</b>	<b>(408)</b>	<b>1,103</b>	<b>120</b>	<b>(1,334)</b>	<b>11,457</b>
<i>Profit or (loss) per segment after tax from discontinued operations</i>	-	-	-	-	-	-
<b>Profit (loss) per segment</b>	<b>11,976</b>	<b>(408)</b>	<b>1,103</b>	<b>120</b>	<b>(1,334)</b>	<b>11,457</b>
<i>Non-controlling interest</i>	-	-	-	-	-	-
<b>Profit (loss) for the period attributable to the owners of the Bank</b>	<b>11,976</b>	<b>(408)</b>	<b>1,103</b>	<b>120</b>	<b>(1,334)</b>	<b>11,457</b>
<i>Total segment assets</i>	2,408,393	1,645,253	4,592	59,639	(169,148)	3,948,729
<i>Total segment liabilities</i>	2,169,319	1,479,118	4,128	43,094	(140,434)	3,555,225
<b>Net segment assets (shareholders' equity)</b>	<b>239,074</b>	<b>166,135</b>	<b>464</b>	<b>16,545</b>	<b>(28,714)</b>	<b>393,504</b>

**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 31 March 2021 and in the Statement of comprehensive income for three 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>	(213)	-	50	(31)	194	-
<i>External</i>	17,619	695	34	90	-	18,438
<b>Net interest income</b>	<b>17,406</b>	<b>695</b>	<b>84</b>	<b>59</b>	<b>194</b>	<b>18,438</b>
<i>Internal</i>	71	-	-	2	(73)	-
<i>External</i>	4,180	-	-	(46)	-	4,134
<b>Net fee and commissions income</b>	<b>4,251</b>	<b>-</b>	<b>-</b>	<b>(44)</b>	<b>(73)</b>	<b>4,134</b>
<i>Internal</i>	(142)	-	50	(29)	121	-
<i>External</i>	21,799	695	34	44	-	22,572
<b>Net interest, fee and commissions income</b>	<b>21,657</b>	<b>695</b>	<b>84</b>	<b>15</b>	<b>121</b>	<b>22,572</b>
<i>Internal</i>	(19)	-	-	(23)	42	-
<i>External</i>	(8,308)	(797)	-	(2,267)	-	(11,372)
<b>Operating expenses</b>	<b>(8,327)</b>	<b>(797)</b>	<b>-</b>	<b>(2,290)</b>	<b>42</b>	<b>(11,372)</b>
<i>Amortisation charges</i>	(301)	(33)	-	(11)	-	(345)
<i>Depreciation charges</i>	(625)	(66)	-	(87)	-	(778)
<i>Internal</i>	-	-	822	(822)	-	-
<i>External</i>	(888)	-	(76)	852	-	(112)
<b>Impairment expenses</b>	<b>(888)</b>	<b>-</b>	<b>746</b>	<b>30</b>	<b>-</b>	<b>(112)</b>
<i>Internal</i>	1,616	-	716	-	(2,332)	-
<i>External</i>	2,251	682	(427)	3,038	-	5,544
<b>Net other income</b>	<b>3,867</b>	<b>682</b>	<b>289</b>	<b>3,038</b>	<b>(2,332)</b>	<b>5,544</b>
<b>Profit (loss) before tax from continuing operations</b>	<b>15,383</b>	<b>481</b>	<b>1,119</b>	<b>695</b>	<b>(2,169)</b>	<b>15,509</b>
<i>Income tax</i>	(2,563)	(248)	-	(13)	-	(2,824)
<b>Profit (loss) per segment after tax from continuing operations</b>	<b>12,820</b>	<b>233</b>	<b>1,119</b>	<b>682</b>	<b>(2,169)</b>	<b>12,685</b>
<i>Profit or (loss) per segment after tax from discontinued operations</i>	-	-	(319)	-	-	(319)
<b>Profit (loss) per segment</b>	<b>12,820</b>	<b>233</b>	<b>800</b>	<b>682</b>	<b>(2,169)</b>	<b>12,366</b>
<i>Non-controlling interest</i>	-	-	-	-	-	-
<i>Profit (loss) for the period attributable to the owners of the Bank</i>	12,820	233	800	682	(2,169)	12,366

**NOTE 16**
**SELECTED INFORMATION OF FINANCIAL GROUP**

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

1. Šiaulių Banko Lizingas UAB (finance and operating lease activities),
2. Šiaulių Banko Investicijų Valdymas UAB (investment management activities),
3. SB Turto Fondas UAB ( real estate management activities, name changed from Šiaulių Banko Turto Fondas UAB),
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 using equity method, in the same way as presented on the balance sheet of the Bank. This presentation is consistent with the regulatory reporting made by the Bank according to the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR).

**Financial Group's condensed statement of financial position**

	31 March 2022	31 December 2021
<b>ASSETS</b>		
<i>Cash and cash equivalents</i>	836,857	965,160
<i>Securities in the trading book</i>	16,920	15,099
<i>Due from other banks</i>	100	1,196
<i>Derivative financial instruments</i>	1,918	2,121
<i>Loans to customers</i>	2,010,831	1,908,681
<i>Finance lease receivables</i>	200,150	195,174
<i>Investment securities at fair value</i>	88,772	82,988
<i>Investment securities at amortized cost</i>	692,195	692,226
<i>Investments in subsidiaries and associates</i>	11,771	11,788
<i>Intangible assets</i>	3,691	3,115
<i>Property, plant and equipment</i>	14,259	14,453
<i>Investment property</i>	2,211	2,229
<i>Current income tax prepayment</i>	2,336	820
<i>Deferred income tax asset</i>	2,436	1,591
<i>Other assets</i>	26,992	26,975
<b>Total assets</b>	<b>3,911,439</b>	<b>3,923,616</b>
<b>LIABILITIES</b>		
<i>Due to other banks and financial institutions</i>	716,963	699,560
<i>Derivative financial instruments</i>	834	96
<i>Due to customers</i>	2,636,454	2,679,204
<i>Special and lending funds</i>	6,487	6,667
<i>Debt securities in issue</i>	95,709	95,212
<i>Current income tax liabilities</i>	3,096	1,084
<i>Deferred income tax liabilities</i>	1,468	1,452
<i>Other liabilities</i>	55,538	32,540
<b>Total liabilities</b>	<b>3,516,549</b>	<b>3,515,815</b>
<b>EQUITY</b>		
<i>Share capital</i>	174,211	174,211
<i>Share premium</i>	3,428	3,428
<i>Treasury shares (-)</i>	(2,073)	(516)
<i>Reserve capital</i>	756	756
<i>Statutory reserve</i>	36,990	21,770
<i>Reserve for acquisition of own shares</i>	20,000	10,000
<i>Financial instruments revaluation reserve</i>	(2,994)	(597)
<i>Financial instruments revaluation reserve</i>	3,241	3,242
<i>Retained earnings</i>	161,331	195,507
<i>Non-controlling interest</i>	-	-
<b>Total equity</b>	<b>394,890</b>	<b>407,801</b>
<b>Total liabilities and equity</b>	<b>3,911,439</b>	<b>3,923,616</b>

SELECTED INFORMATION OF FINANCIAL GROUP (CONTINUED)

Financial Group's condensed income statement

	for three months period ended	
	31 March 2022	31 March 2021
<i>Interest revenue calculated using the effective interest method</i>	22,519	19,243
<i>Other similar income</i>	2,519	1,885
<i>Interest expense and similar charges</i>	(3,102)	(2,735)
<b>Net interest income</b>	<b>21,936</b>	<b>18,393</b>
<i>Fee and commission income</i>	6,333	5,589
<i>Fee and commission expense</i>	(1,796)	(1,409)
<b>Net fee and commission income</b>	<b>4,537</b>	<b>4,180</b>
<i>Net gain from trading activities</i>	1,794	2,181
<i>Net gain (loss) from derecognition of financial assets</i>	138	149
<i>Net gain (loss) from disposal of tangible assets</i>	205	125
<i>Revenue related to insurance activities</i>	-	-
<i>Other operating income</i>	589	213
<i>Salaries and related expenses</i>	(7,227)	(6,547)
<i>Depreciation and amortization expenses</i>	(1,042)	(1,046)
<i>Expenses related to insurance activities</i>	-	-
<i>Other operating expenses</i>	(3,796)	(2,701)
<b>Operating profit before impairment losses</b>	<b>17,134</b>	<b>14,947</b>
<i>Allowance for impairment losses on loans and other assets</i>	(2,672)	(112)
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	-
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	7	742
<b>Profit before income tax</b>	<b>14,469</b>	<b>15,577</b>
<i>Income tax expense</i>	(3,000)	(2,822)
<b>Net profit for the period</b>	<b>11,469</b>	<b>12,755</b>
<i>Profit (loss) from discontinued operations, net of tax</i>	-	23
<b>Net profit for the period</b>	<b>11,469</b>	<b>12,778</b>
<b>Net profit attributable to:</b>		
<i>Owners of the Bank</i>	11,469	12,778
<i>From continuing operations</i>	11,469	12,755
<i>From discontinued operations</i>	-	23
<i>Non-controlling interest</i>	-	-

Financial Group's condensed statement of comprehensive income

	for three months period ended	
	31 March 2022	31 March 2021
<b>Net profit for the period</b>	<b>11,469</b>	<b>12,778</b>
<b>Other comprehensive income</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
<i>Gain from revaluation of financial assets</i>	(2,996)	(365)
<i>Deferred income tax on gain from revaluation of financial assets</i>	599	73
<b>Other comprehensive income, net of deferred tax</b>	<b>(2,397)</b>	<b>(292)</b>
<b>Total comprehensive income for the period</b>	<b>9,072</b>	<b>12,486</b>
<b>Total comprehensive income (loss) attributable to:</b>		
<i>Owners of the Bank</i>	9,072	12,486
<i>Non-controlling interest</i>	-	-
	9,072	12,486

**NOTE 17**  
**LIABILITIES RELATED TO INSURANCE ACTIVITIES**

**Technical insurance provisions**

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

	<i>Unearned premiums</i>	<i>Claims outstanding</i>	<i>Mathematical</i>	<i>Unit-linked</i>	<i>Investment units</i>	<i>Total</i>
<b>Gross:</b>						
<i>At 1 January 2021</i>	14	264	10,533	23,649	1,816	36,276
<i>Change during period</i>	-	(50)	(224)	4,192	1,215	5,133
<i>At 31 December 2021</i>	14	214	10,309	27,841	3,031	41,409
<i>Change during period</i>	-	24	120	(1,645)	22	(1,479)
<i>At 31 March 2022</i>	14	238	10,429	26,196	3,053	39,930
<b>Reinsurance share:</b>						
<i>At 1 January 2021</i>	(28)	(16)	(5)	-	-	(49)
<i>Change during period</i>	(7)	15	-	-	-	8
<i>At 31 December 2021</i>	(35)	(1)	(5)	-	-	(41)
<i>Change during period</i>	1	-	-	-	-	1
<i>At 31 March 2022</i>	(34)	(1)	(5)	-	-	(40)
<b>Net value</b>						
<i>At 31 December 2021</i>	(21)	214	10,304	27,841	3,031	41,368
<i>At 31 March 2022</i>	(20)	237	10,424	26,196	3,053	39,890

Liabilities under unit-linked insurance contracts are fully covered with assets: other securities in the trading book and cash (31 March 2022: securities EUR 28,817 thousand, cash EUR 432 thousand, 31 December 2021: securities EUR 29,983 thousand, cash EUR 889 thousand).

**NOTE 18**  
**SUBSEQUENT EVENTS**

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. The goal of establishment of the SB Modernizavimo Fondas is to manage fund to be set up to finance multi-apartment buildings renovation projects. The aim of the unique multi-apartment building renovation financing fund is to lend funds raised from private and institutional investors to energy efficiency projects in Lithuania. The Bank, as a leader in multi-apartment renovation financing in the country, is the founder of the Fund and the administrator of the renovation loans, while SB Modernizavimo Fondas UAB is the legal manager of loans portfolio.

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



# ADDITIONAL INFORMATION

for the three months period ended 31 March 2022

The present additional information of Šiaulių Bankas AB (hereinafter — the Bank) covers the period 01 January 2022 to 31 March 2022.

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

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

## ACTIVITY RESULTS

- Šiaulių Bankas Group earned EUR 11.5 million of unaudited net profit in the Q1
- Over EUR 300 million worth of new credit agreements were signed and the loan portfolio increased by EUR 107 million to EUR 2.2 billion
- The newly established EUR 275 million multi-apartment buildings modernisation fund was launched
- Low number of clients face medium or higher dependence on business relations with war-affected countries

### **Overview of the key performance indicators**

“It seems that the emerging challenges are becoming a new reality - as soon as we get used to the pandemic, we have to respond to the war in Ukraine, ensure the compliance of increased international sanctions, while not forgetting the main goal of the Group – to provide quality services to its customers. It is gratifying that the volume of financing to clients is increasing, the number of housing credit agreements is reaching new records and in the field of renovation, we are proud to have created a unique financial instrument – the multi-apartment buildings modernisation fund of EUR 275 million, which is planned to be used to renovate up to 600 old multi-apartment buildings, thus improving living conditions of 16 000 households,” said Vytautas Sinius, CEO of Šiaulių Bankas.

In the Q1, Šiaulių Bankas Group earned EUR 11.5 million of unaudited net profit (7% less than a year ago, when the profit amounted to EUR 12.4 million). Operating profit before impairment and income tax amounted to EUR 17.1 million, which is by 10% more compared to the same period last year.

The strong growth in lending volumes in recent years and a steady increase in client activity, helped net interest income to grow by 19% YoY to EUR 22 million and net fee & commission income by 9% to EUR 4.5 million.

Due to the tense geopolitical environment and the possible its negative impact on the development of the Lithuanian economy, the Group made provisions of EUR 2.7 million in the Q1. At the end of the quarter, the cost of risk (CoR) of the loan portfolio stood at 0.5% (0.01% in the corresponding period of the previous year).

The Group's cost to income ratio (excluding the impact of client portfolio of SB Draudimas) increased during the year and stood at 45.4% at year-end (42.4% last year). In the Q1, the return on equity was 11.5% (14.2% in the same period last year). The capital and liquidity position continues to remain strong and prudential ratios are being met with a large reserve.

### **Overview of Business Segments**

#### *Business and Private Clients Financing*

Although the start of the year was marked by instability and high volatility, there were positive trends in lending volumes, with the value of the loan portfolio increasing by 5% in the Q1 and by 22% over the year, to more than EUR 2.21 billion. EUR 309 million worth of new credit agreements were signed, an increase of 24% compared to the Q1 2021.

The business finance portfolio grew by 4% in the Q1 and by 12% in the year (to EUR 1.22 billion). The amount of new loans signed was 16% higher than in the Q1 of last year and amounted to EUR 172 million. Due to several non-performing loans from corporate clients, these loans portfolio grew by 10% (i.e., by EUR 6.5 million) to over EUR 70 million.

The Bank monitors the tense geopolitical situation in order to properly and timely assess and identify the potential impact of Russia's invasion of Ukraine on the Bank's operations and the quality of its portfolio due to the risks it poses to clients. The Bank has no operations in Russia, Belarus or Ukraine and does not have significant direct exposures in these countries. The Bank considers the secondary risk, i.e., the 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. During the Q1, the Bank carried out a client assessment to determine the exposure of its clients to war-affected countries and their impact on credit risk. The results show that clients with medium or higher historical dependence on business relations with war-affected countries account for 5% of the loans portfolio.

Due to the increased uncertainty, at the beginning of the quarter housing loan sales were lower than those recorded at the end of 2021, but already in March an all-time record for new housing loan contracts was reached, with almost EUR 55 million of new contracts signed during the whole quarter (34% more than in Q1 2021). The housing loan portfolio grew by 9% in the Q1 and by 52% YoY to over EUR 497 million.

The high uncertainty has not reduced clients' need to borrow for consumption, while rising inflation has just encouraged them not to postpone planned purchases, home repairs or improvements. Active advertising, the availability and attractiveness of financing services

encouraged clients to borrow. The amount of new loans signed was 42% higher than in the Q1 of last year and amounted to EUR 37 million. The consumer finance portfolio grew by 5% in the Q1 and by 52% YoY to over EUR 179 million.

With a strong focus on the financing of energy efficient projects, the amount of new loan agreements for the modernisation of multi-apartment buildings was signed the same as a year ago – more than EUR 25 million. The newly established EUR 275 million multi-apartment building modernisation fund was launched. Investors in the newly established fund are ready to accelerate the renovation of multi-apartment buildings in Lithuania. The first loans from the fund will be signed in May and the fund will be disbursed within two years. The Bank has provided loans in amount of EUR 45 million to the fund and will act as the fund's manager.

#### *Daily Banking*

Net fee & commission income grew both QoQ (+3%) and YoY (+9%) to EUR 4.5 million. The quarter was particularly marked by increased client demand for cash transactions and currency exchange operations. New service packages were offered to Ukrainian individuals, such clients increased by around 500 during the quarter, with the total number of clients increasing slightly to 331 thousand. The number of clients subscribing to service plans is growing constantly and reaching 176 thousand (+7% YoY).

As consumption continues to grow and payment cards continue to become more common, demand for credit cards is high - with a 7% QoQ and 36% YoY increase in the number of credit cards issued, while the total number of payment cards issued has remained at a similar level of 175 thousand cards.

In response to client demand, the Bank continues to develop its digital channels and has expanded its internet bank and mobile application services.

#### *Saving and Investing*

The geopolitical situation has led to increased monitoring not only of credit risk, but also of the Bank's liquidity position. There are no negative trends, apart from an increase in cash withdrawals a few days after the start of the invasion, with all liquidity indicators in the target zones. The deposit portfolio declined by 2% during the Q1 to EUR 2.6 billion at the end of March. Demand deposits accounting for most of the portfolio decreased by EUR 7 million, while the term deposit portfolio decreased by EUR 35 million. In the context of very high inflation, clients continue to actively direct their savings into the Bank's investment products, with commission income from securities-related services amounting to EUR 1.0 million in the Q1 (32% more than in the corresponding period of 2021). The value of client securities held by the Bank, as a custodian, exceeded EUR 750 million.

Even in the period of high uncertainty that have prevailed in recent years, the international rating agency Moody's Investor Service (Moody's) has affirmed Bank's previously assigned long-term deposit rating of Baa2 and its positive outlook.

## REGARDING INVASION OF RUSSIA TO UKRAINE

The Bank monitors the tense geopolitical situation in order to properly and timely assess and identify the potential impact of Russia's invasion of Ukraine on the Bank's operations and the quality of its portfolio due to the risks it poses to clients. The Bank has 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 enhanced monitoring is not limited to credit risk, but also includes enhanced monitoring of the Bank's liquidity position (no negative trends, except for increased cash withdrawals a few days after the start of the invasion; all liquidity ratios in the target zones), and an increased focus on business continuity and IT security (updating of the business continuity plans with a number of additional scenarios, continuous monitoring of the cyber security situation, and reinforcement of the robustness of the Bank's resilience to possible attacks). Also, the rapidly evolving situation and the introduction of new sanction packages have led to a strong focus on compliance processes and procedures for clients and payments. The increased volume of checks has led to a slowdown in payments and measures are being taken to stabilise these processes.

The Russia invasion to Ukraine may continue to contribute to increased short-term market volatility. Besides raising the likelihood of market volatility, the invasion is likely to add to inflationary pressures by disrupting exports of oil, natural gas, and wheat from Russia and Ukraine and raising prices. The Bank does not have any direct investment (securities or other financial instrument) into Russia, Belarus or Ukraine. Bank's open currency position of these countries are non-existing or close to zero.

On March 30, 2022, the international rating agency Moody's Investor Service (Moody's) affirmed Šiaulių Bankas' previous long-term debt rating Baa2 and its positive outlook. The bank was also affirmed with a short-term rating of P-2:

- a long-term deposit rating – Baa2;
- a short-term deposit rating - P-2;
- rating outlook - Positive.

## 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 31 March 2022 the Bank complied with all the prudential requirements set out by the supervisory authority.

### The main financial indicators of the Group:

	31/12/2018	31/12/2019	31/12/2020	31/03/2021	31/12/2021	31/03/2022
ROAA, %	2.4	2.1	1.5	1.7	1.6	1.2
ROAE, %	22.3	17.6	12.7	14.2	14.3	11.5
Cost to income ratio, %	37.3	42.5	42.7	44.4	44.1	42.0
Loan to deposit ratio, %	75.1	82.2	75.0	72.6	78.6	83.9

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](#)

## AUTHORIZED CAPITAL, SHAREHOLDERS

As of 31 March 2021, 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 2021.

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

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

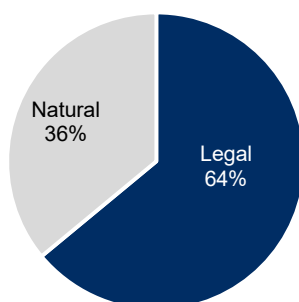
### Authorized capital:

	14/09/2015	26/05/2016	06/06/2017	01/06/2018	13/12/2018
Capital, EUR	91,226,381.99	109,471,658.33	131,365,989.88	157,639,187.74	174,210,616.27

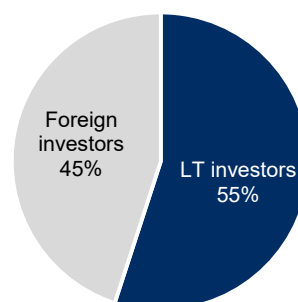
As of 31 March 2022 the number if the Bank's shareholders was 17,176 (at the end of March 2021 – 10,811). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the The Republic of Lithuania of Lithuania and the Charter of the Bank:

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

Shareholders by type



Shareholders by residence



Shareholders owning more than 5% of the Bank's shares and votes as of 31 March 2022:

	Share of shares and votes, %
EBRD, LEI code 549300HTGDOVDU60GK19	20.00
Invalda INVL AB, c.c. 121304349*	8.10
ME INVESTICIJA UAB, c.c. 302489393	5.71
Gintaras Kateiva**	5.29
Algirdas Butkus***	5.28

\* Pursuant to the Law on Securities of the Republic of Lithuania, the shareholder's votes are counted together with the controlled company INVL Asset Management UAB, c.c. 126263073 - 0.66% of the votes

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

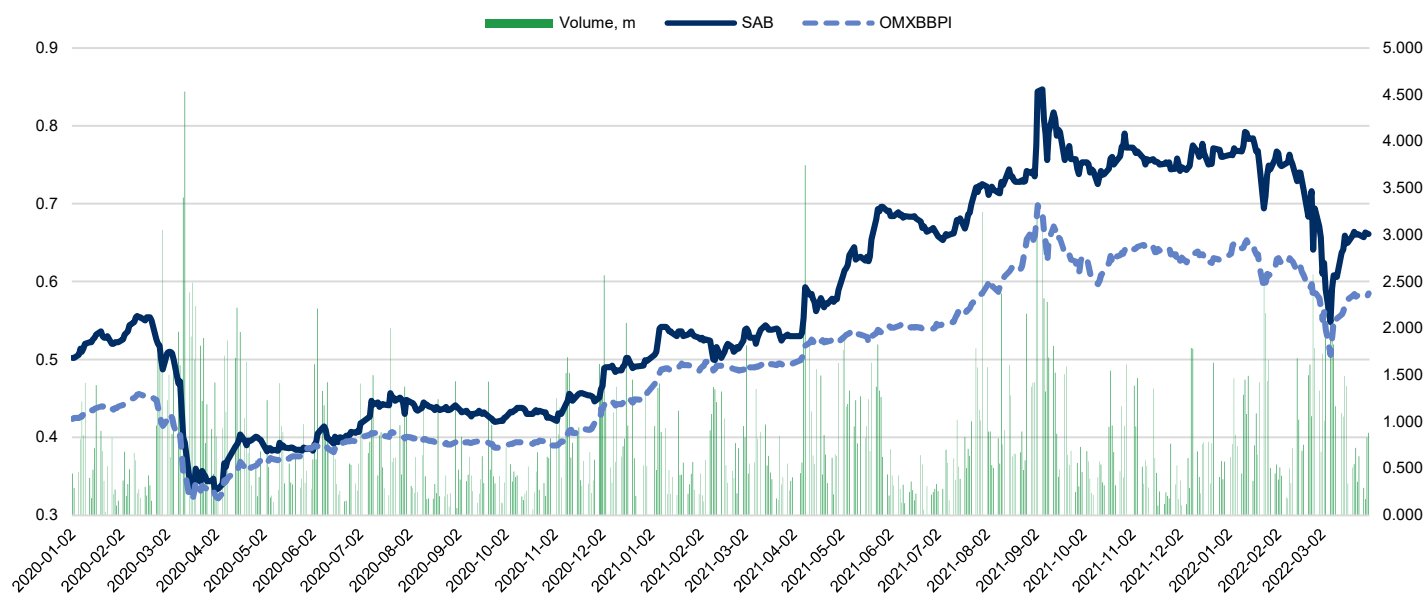
\*\*\* Votes are counted together with controlled companies: Prekybos namai AIVA UAB, c.c. 144031190 - 2%, Mintaka UAB, c.c. 144725916 - 0.88%

Information on shares:

	2018	2019	2020	2021 03-31	2021	2022 03-31
Capitalization, m EUR	240.9	304.0	299.2	318.4	457.2	397.1
Turnover, m Eur	34.7	48.3	84.5	20.8	134.8	44.7
Share price on the last trading session day	0.401	0.506	0.498	0.530	0.761	0.661
Lowest share price during the reporting period	0.391	0.394	0.320	0.493	0.493	0.548
Highest share price during the reporting period	0.658	0.534	0.558	0.548	0.890	0.792
Average share price during the reporting period	0.521	0.473	0.442	0.527	0.663	0.706
Share book value	0.448	0.518	0.592	0.607	0.678	0.691
P/BV	0.9	1.0	0.8	0.9	1.1	1.0
P/E	4.6	5.9	7.0	6.4	8.3	8.7
Capital increase from retained earnings, %	-	-	-	-	-	-

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

Turnover and price of the Bank's shares 2020-2022:



ACQUISITION OF OWN SHARES

On 26/01/2022, the Bank conducted a buy-back of its own shares on the Nasdaq Vilnius official offering market, the purpose of which was to grant shares to employees of the Bank and the Bank's subsidiaries as a deferred portion of their annual variable remuneration. The offer resulted in the purchase of 2 104 598 shares for EUR 1 557 403. Following this acquisition, together with the shares acquired in August 2021, the Bank held 2 792 096 of its own shares.

The Bank subsidiaries, or persons acting on behalf of the subsidiaries, do not hold any shares in the Bank.

## DIVIDENDS

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

The General Meeting of Shareholders held on 30 March 2022 decided on the allocation of the Bank's profits. The profit allocation included EUR 20.4 million for dividends, representing 36.5% of the net profit for 2021. This size of dividends is paid to compensate for the 7.7% dividend on annual net profit not paid in 2019 and paid in 2020. Dividends of EUR 0.034 per ordinary registered share with a nominal value of EUR 0.29.

**Information on the dividends paid:**

	2017	2018	2019	2020	2021
<i>Per cent from nominal value</i>	1.72	10	-	1.90	11.72
<i>Dividend amount per share, Eur</i>	0.005	0.029	-	0.0055	0.034
<i>Dividend amount, Eur</i>	2,264,938	17,421,064	-	3,303,994	20,424,693
<i>Yields from dividends, %</i>	0.8	6.2	-	1.1	4.5
<i>Dividends to Group net profit, per cent</i>	7.1	33.0	-	7.7	37.0

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

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

## 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 7 March 2022 Šiaulių Bankas AB has received a notice of resignation of Adrian Arietti from the position of a member of the Supervisory Council of the Bank. 29 March 2022 was the last day on which Adriano Arietti served as a member of the Bank's Supervisory Council. On 30 March 2022 By decision of the Ordinary General Meeting of Shareholders of Šiaulių Bankas AB, Valdas Vitkauskas was elected as an independent member of the Bank's Supervisory Council, and will take up his duties subject to the approval of the Bank's supervisory authority.

The Bank's Supervisory Council (elected on 31 March 2020 and replenished on 10 June 2020, the term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024) currently consists of 7 members, 4 of whom are independent.

**Supervisory Council of the Bank**

<i>Name, Surname</i>	<i>Duties at the Supervisory Council</i>	<i>Share of capital under the right of ownership, % (31/03/2022)</i>	<i>Share of votes together with the related persons, % (31/03/2022)</i>
<i>Arvydas Salda</i>	Chairman since 1999	1.61	1.61
<i>Gintaras Kateiva</i>	Member since 2008	5.27	5.29*
<i>Ramunė Vilija Zabulienė</i>	Independent member since 2012	-	-
<i>Darius Šulnis</i>	Member since 2016	-	-
<i>Martynas Česnavičius</i>	Independent member since 2016	-	0.35**
<i>Miha Košak</i>	Independent member since 2017	-	-
<i>Susan Gail Buyske</i>	Independent member since 2020-07-31	-	-

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

\*\* Votes are counted together with PRO Finance UAB, company code 110886161 - 0.35%.

The Board of the Bank was elected on 31 March 2020, the term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024.

**Management Board of the Bank**

<i>Name, Surname</i>	<b>Duties at the Board</b>	<b>Other current leading positions at the Bank</b>	<b>Share of capital under the right of ownership, % (31/03/2022)</b>	<b>Share of votes together with the related persons, % (31/03/2022)</b>
<i>Algirdas Butkus</i>	Chairman since 1999	Deputy Chief Executive Officer	2.40	5.28*
<i>Vytautas Sinius</i>	Deputy Chairman since 2014	Chief Executive Officer	0.20	0.20
<i>Donatas Savickas</i>	Deputy Chairman since 1995	Deputy Chief Executive Officer, Head of Finance Division	0.10	0.10
<i>Daiva Šorienė</i>	Member since 2005	Deputy Chief Executive Officer, Head of Sales and Marketing Division	0.01	0.01
<i>Mindaugas Rudys</i>	Member since 2020	Head of Service Development Division	0.03	0.03
<i>Ilona Baranauskienė</i>	Member since 2014	Head of Legal and Administration Division	0.01	0.01
<i>Algimantas Gaulia</i>	Member since 30 July 2021	Head of Risk Management Division	<0.01	<0.01

\* Pursuant to the Law on Securities of the Republic of Lithuania, votes are counted together with controlled companies: Prekybos namai AIVA UAB, company code 144031190 - 2.00%, Mintaka UAB, company code 144725916 - 0.88%.

**OTHER INFORMATION, PUBLISHED INFORMATION AND MAJOR EVENTS**

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

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

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

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

Chief Executive Officer

29 April 2022

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 three months of 2022 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

Chief Financial Officer

29 April 2022



Vytautas Sinius

Donatas Savickas

