INTERIM INFORMATION

for the six months period ended 30 June 2023

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

ŠIAULIŲ BANKAS

CONTENTS

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Independent Auditors' Report on Review of Condensed Separate and Consolidated Interim Financial Information

To the Shareholders of Šiaulių Bankas AB

Introduction

We have reviewed the accompanying 30 June 2023 condensed separate interim financial information of Šiaulių Bankas AB (“the Bank”) and accompanying condensed consolidated interim financial information of the Bank and its subsidiaries (“the Group”) on pages 5–38, which comprises:

- the condensed separate and consolidated statement of financial position as at 30 June 2023;
- the condensed separate and consolidated income statements for the three-month and six-month periods ended 30 June 2023;
- the condensed separate and consolidated statements of comprehensive income for the three-month and six-month periods ended 30 June 2023;
- the condensed separate and consolidated statements of changes in equity for the six-month period ended 30 June 2023;
- the condensed separate and consolidated statements of cash flows for the six-month period ended 30 June 2023; and
- notes to the interim financial information.

Management is responsible for the preparation and presentation of this condensed separate and consolidated interim financial information in accordance with IAS 34, ‘Interim Financial Reporting’. Our responsibility is to express a conclusion on this condensed separate and consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of condensed separate and consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Company code: 111494971
VAT code: LT114949716

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2023 condensed separate and consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

On behalf of KPMG Baltics, UAB

Domantas Dabulis
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
28 August 2023

CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months period ended 30 June 2023

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

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

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

		30 June 2023		31 December 2022	
	Notes	Group	Bank	Group (restated)	Bank (restated)
ASSETS					
Cash and cash equivalents		420,607	419,469	384,758	383,518
Securities in the trading book	2	63,911	29,021	58,301	27,287
Due from other banks		2,741	2,741	2,733	2,733
Derivative financial instruments		389	389	897	897
Loans to customers	1	2,519,009	2,505,745	2,391,629	2,370,762
Finance lease receivables	1	272,280	272,035	242,448	242,192
Investment securities at fair value	2	75,143	75,143	90,225	90,225
Investment securities at amortized cost	2	804,446	791,990	969,022	956,332
Investments in subsidiaries and associates	2	100	25,703	100	34,007
Intangible assets		8,920	7,021	8,283	6,450
Property, plant and equipment		15,494	14,805	16,151	15,525
Investment property		1,009	-	1,827	-
Current income tax prepayment		4,931	4,920	6	-
Deferred income tax asset		3,654	3,229	5,659	5,234
Other assets	3	17,713	14,843	10,453	8,724
Assets held for sale	3	150	150	150	150
Total assets		**4,210,497**	**4,167,204**	**4,182,642**	**4,144,036**
LIABILITIES					
Due to other banks and financial institutions	5	553,232	553,985	685,075	686,559
Derivative financial instruments		579	579	7,152	7,152
Due to customers	4	2,856,013	2,860,349	2,784,968	2,789,348
Special and lending funds	5	17,460	17,460	14,184	14,184
Debt securities in issue		224,834	224,834	171,231	171,231
Current income tax liabilities		11,577	11,383	4,374	4,036
Deferred income tax liabilities		1,423	-	1,463	-
Liabilities related to insurance activities	17	38,710	-	34,858	-
Other liabilities		37,228	27,970	35,075	26,176
Total liabilities		**3,741,056**	**3,696,560**	**3,738,380**	**3,698,686**
EQUITY					
Share capital	6	174,211	174,211	174,211	174,211
Share premium		3,428	3,428	3,428	3,428
Treasury shares (-)	6	-	-	-	-
Reserve capital		756	756	756	756
Statutory reserve	6	47,804	47,605	37,113	36,922
Reserve for acquisition of own shares	6	20,000	20,000	20,000	20,000
Financial instruments revaluation reserve		(7,786)	(7,786)	(8,097)	(8,111)
Other equity	6	1,700	1,209	2,355	1,917
Retained earnings		229 328	231,221	214,496	216,227
Non-controlling interest		-	-	-	-
Total equity		**469,441**	**470 644**	**444,262**	**445,350**
Total liabilities and equity		**4,210,497**	**4,167,204**	**4,182,642**	**4,144,036**

The notes on pages 12 - 38 constitute an integral part of these financial statements.

Chief Executive Officer — Vytautas Sinius

Chief Financial Officer — Donatas Savickas

28 August 2023

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

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

		for the six months period ended			
		30 June 2023		30 June 2022	
	Notes	Group	Bank	Group (restated)	Bank (restated)
Interest revenue calculated using the effective interest method	7	87,053	80,171	47,426	40,480
Other similar income	7	9,526	9,438	5,481	5,369
Interest expense and similar charges	7	(21,112)	(21,121)	(5,726)	(5,731)
Net interest income		**75,467**	**68,488**	**47,181**	**40,118**
Fee and commission income	8	13,311	13,822	12,769	13,208
Fee and commission expense	8	(3,706)	(3,645)	(3,648)	(3,577)
Net fee and commission income		**9,605**	**10,177**	**9,121**	**9,631**
Net gain from trading activities	11	6,442	3,952	(387)	4,013
Net gain (loss) from derecognition of financial assets		319	36	477	202
Net gain (loss) from disposal of tangible assets		721	37	254	93
Revenue related to insurance activities		2,347	-	3,612	-
Other operating income		256	314	1,333	1,196
Salaries and related expenses		(16,838)	(15,478)	(14,044)	(12,768)
Depreciation and amortization expenses		(2,612)	(2,505)	(2,204)	(2,087)
(Expenses)/recovery of expenses related to insurance activities	11	(4,046)	-	3,246	-
Other operating expenses	9	(11,526)	(9,225)	(8,566)	(6,583)
Operating profit before impairment losses		**60,135**	**55,796**	**40,023**	**33,815**
Allowance for impairment losses on loans and other assets	10	(5,339)	(3,831)	(1,897)	(1,132)
Allowance for impairment losses on investments in subsidiaries		-	-	-	-
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	12	-	2,370	-	4,755
Profit before income tax		**54,796**	**54,335**	**38,126**	**37,438**
Income tax expense		(13,338)	(12,739)	(6,378)	(5,792)
Net profit for the period		**41,458**	**41,596**	**31,748**	**31,646**
Profit (loss) from discontinued operations, net of tax		-	-	-	-
Net profit for the period		**41,458**	**41,596**	**31,748**	**31,646**
Net profit attributable to:					
Owners of the Bank		41,458	41,596	31,748	31,646
From continuing operations		41,458	41,596	31,748	31,646
From discontinued operations		-	-	-	-
Non-controlling interest		-	-	-	-
Basic earnings per share (in EUR per share) attributable to owners of the Bank		0.07		0.05	
Diluted earnings per share (in EUR per share) attributable to owners of the Bank		0.07		0.05	

The notes on pages 12 - 38 constitute an integral part of these financial statements.

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

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

		for the three months period			
		1 April - 30 June 2023		1 April - 30 June 2022	
	Notes	Group	Bank	Group	Bank
				(restated)	(restated)
Interest revenue calculated using the effective interest method		47,112	43,676	24,854	21,329
Other similar income		5,263	5,219	2,929	2,857
Interest expense and similar charges		(12,343)	(12,355)	(2,628)	(2,630)
Net interest income		**40,032**	**36,540**	**25,155**	**21,556**
Fee and commission income		6,980	7,270	6,456	6,740
Fee and commission expense		(1,922)	(1,892)	(1,838)	(1,805)
Net fee and commission income		**5,058**	**5,378**	**4,618**	**4,935**
Net gain from trading activities		3,516	2,231	(285)	2,221
Net gain (loss) from derecognition of financial assets		53	-	339	195
Net gain (loss) from disposal of tangible assets		83	39	49	68
Revenue related to insurance activities		(231)	-	1,417	-
Other operating income		110	154	752	627
Salaries and related expenses		(8,034)	(7,550)	(6,536)	(6,074)
Depreciation and amortization expenses		(1,266)	(1,263)	(1,095)	(1,090)
(Expenses)/recovery of expenses related to insurance activities		(774)	-	3,125	-
Other operating expenses		(5,748)	(4,693)	(4,645)	(3,594)
Operating profit before impairment losses		**32,799**	**30,836**	**22,885**	**18,844**
Allowance for impairment losses on loans and other assets		(2,577)	(1,946)	775	1,163
Allowance for impairment losses on investments in subsidiaries		-	-	-	-
Share of the profit or loss of investments in subsidiaries accounted for using the equity method		-	978	-	3,371
Profit before income tax		**30,222**	**29,868**	**23,660**	**23,378**
Income tax expense		(7,917)	(7,696)	(3,378)	(3,090)
Net profit for the period		**22,305**	**22,172**	**20,282**	**20,288**
Profit (loss) from discontinued operations, net of tax		-	-	-	-
Net profit for the year		**22,305**	**22,172**	**20,282**	**20,288**
Net profit attributable to:					
Owners of the Bank		22,305	22,172	20,282	20,288
From continuing operations		22,305	22,172	20,282	20,288
From discontinued operations		-	-	-	-
Non-controlling interest		-	-	-	-

The notes on pages 12 - 38 constitute an integral part of these financial statements.

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

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

	for the six months period ended			
	30 June 2023		30 June 2022	
	Group	Bank	Group	Bank
			(restated)	(restated)
Net profit for the period	**41,458**	**41,596**	**31,748**	**31,646**
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Gain from revaluation of financial assets	390	406	(6,671)	(6,670)
Deferred income tax on gain from revaluation of financial assets	(79)	(81)	1,334	1,334
Items that may not be subsequently reclassified to profit or loss:				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-
Other comprehensive income, net of deferred tax	**311**	**325**	**(5,337)**	**(5,336)**
Total comprehensive income for the period	**41,769**	**41,921**	**26,411**	**26,310**
Total comprehensive income (loss) attributable to:				
Owners of the Bank	41,769	41,921	26,411	26,310
Non-controlling interest	-	-	-	-
	41,769	41,921	26,411	26,310

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

	for the three months period			
	1 April - 30 June 2023		1 April - 30 June 2022	
	Group	Bank	Group	Bank
			(restated)	(restated)
Net profit for the period	**22,305**	**22,172**	**20,291**	**20,288**
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Gain (loss) from revaluation of financial assets	(327)	(310)	(3,675)	(3,674)
Deferred income tax on gain (loss) from revaluation of financial assets	64	62	735	735
Items that may not be subsequently reclassified to profit or loss:				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-
Other comprehensive income (loss), net of deferred tax	**(263)**	**(248)**	**(2,940)**	**(2,939)**
Total comprehensive income for the period	**22,042**	**21,924**	**17,351**	**17,349**
Total comprehensive income (loss) attributable to:				
Owners of the Bank	22,042	21,924	17,351	17,349
Non-controlling interest	-	-	-	-
	22,042	21,924	17,351	17,349

The notes on pages 12 - 38 constitute an integral part of these financial statements.

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

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											
31 December 2021		**174,211**	**3,428**	**(516)**	**756**	**(583)**	**21,893**	**10,000**	**3,288**	**193,950**	**406,427**	**-**	**406,427**
Impact of change in accounting principles		-	-	-	-	-	-	-	-	(1,636)	(1,636)	-	(1,636)
1 January 2022		**174,211**	**3,428**	**(516)**	**756**	**(583)**	**21,893**	**10,000**	**3,288**	**192,314**	**404,791**	**-**	**404,791**
Transfer to statutory reserve		-	-	-	-	-	15,220	-	-	(15,220)	-	-	-
Transfer to reserve for acquisition of own shares	6	-	-	-	-	-	-	10,000	-	(10,000)	-	-	-
Acquisition of own shares	6	-	-	(1,557)	-	-	-	(234)	-	-	(1,791)	-	(1,791)
Share-based payment	6	-	-	2,073	-	-	-	234	(977)	21	1,351	-	1,351
Payment of dividends	6	-	-	-	-	-	-	-	-	(20,425)	(20,425)	-	(20,425)
Total comprehensive income (restated)		-	-	-	-	(5,337)	-	-	-	31,748	26,411	-	26,411
30 June 2022		**174,211**	**3,428**	**-**	**756**	**(5,920)**	**37,113**	**20,000**	**2,311**	**178,438**	**410,337**	**-**	**410,337**
Share-based payment	6	-	-	-	-	-	-	-	44	(10)	34	-	34
Total comprehensive income (restated)		-	-	-	-	(2,177)	-	-	-	36,068	33,891	-	33,891
31 December 2022		**174,211**	**3,428**	**-**	**756**	**(8,097)**	**37,113**	**20,000**	**2,355**	**214,496**	**444,262**	**-**	**444,262**
Transfer to statutory reserve		-	-	-	-	-	10,691	-	-	(10,691)	-	-	-
Acquisition of own shares	6	-	-	(1,868)	-	-	-	-	-	-	(1,868)	-	(1,868)
Share-based payment	6	-	-	1,868	-	-	-	-	(655)	(16)	1,197	-	1,197
Payment of dividends	6	-	-	-	-	-	-	-	-	(15,919)	(15,919)	-	(15,919)
Total comprehensive income		-	-	-	-	311	-	-	-	41,458	41,769	-	41,769
30 June 2023		**174,211**	**3,428**	**-**	**756**	**(7,786)**	**47,804**	**20,000**	**1,700**	**229,328**	**469,441**	**-**	**469,441**

THE BANK’S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Treasury shares (-)	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total equity
31 December 2021		**174,211**	**3,428**	**(516)**	**756**	**(597)**	**21,770**	**10,000**	**2,870**	**195,659**	**407,581**
Impact of change in accounting principles		-	-	-	-	-	-	-	-	(1,636)	(1,636)
1 January 2022		**174,211**	**3,428**	**(516)**	**756**	**(597)**	**21,770**	**10,000**	**2,870**	**194,023**	**405,945**
Transfer to statutory reserve		-	-	-	-	-	15,152	-	-	(15,152)	-
Transfer to reserve for acquisition of own shares	6	-	-	-	-	-	-	10,000	-	(10,000)	-
Acquisition of own shares	6	-	-	(1,557)	-	-	-	(234)	-	-	(1,791)
Share-based payment	6	-	-	2,073	-	-	-	234	(953)	-	1,354
Payment of dividends	6	-	-	-	-	-	-	-	-	(20,425)	(20,425)
Total comprehensive income (restated)		-	-	-	-	(5,336)	-	-	-	31,646	26,310
30 June 2022		**174,211**	**3,428**	**-**	**756**	**(5,933)**	**36,922**	**20,000**	**1,917**	**180,092**	**411,393**
Total comprehensive income (restated)		-	-	-	-	(2,178)	-	-	-	36,135	33,957
31 December 2022		**174,211**	**3,428**	**-**	**756**	**(8,111)**	**36,922**	**20,000**	**1,917**	**216,227**	**445,350**
Transfer to statutory reserve		-	-	-	-	-	10,683	-	-	(10,683)	-
Acquisition of own shares	6	-	-	(1,868)	-	-	-	-	-	-	(1,868)
Share-based payment	6	-	-	1,868	-	-	-	-	(708)	-	1,160
Payment of dividends	6	-	-	-	-	-	-	-	-	(15,919)	(15,919)
Total comprehensive income		-	-	-	-	325	-	-	-	41,596	41,921
30 June 2023		**174,211**	**3,428**	**-**	**756**	**(7,786)**	**47,605**	**20,000**	**1,209**	**231,221**	**470,644**

The notes on pages 12 - 38 constitute an integral part of these financial statements.

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

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

	Notes	for the six months period ended 30 June 2023 Group	Bank	30 June 2022 Group	Bank
				(restated)	
Operating activities					
Interest received on loans and advances		86,247	79,785	50,311	42,935
Interest received on securities in the trading book		979	907	491	426
Interest paid		(15,256)	(15,258)	(5,268)	(5,278)
Fees and commissions received		13,311	13,822	12,769	13,208
Fees and commissions paid		(3,706)	(3,645)	(3,648)	(3,577)
Net cash inflows from trade in securities in the trading book		(5,079)	(5,982)	(22,514)	(16,532)
Net inflows from foreign exchange operations		3,059	3,059	4,141	4,038
Net inflows from derecognition of financial assets		319	36	477	202
Net inflows from derecognition of non-financial assets		721	37	254	93
Cash inflows related to other activities of Group companies		2,603	314	6,278	1,196
Cash outflows related to other activities of Group companies		(4,046)	-	3,246	-
Recoveries on loans previously written off		134	91	638	52
Salaries and related payments to and on behalf of employees		(17,215)	(15,855)	(14,880)	(13,604)
Payments related to operating and other expenses		(11,526)	(9,225)	(8,566)	(6,583)
Income tax paid		(5,337)	(4,991)	(5,224)	(4,531)
Net cash flow from operating activities before change in operating assets and liabilities		**45,208**	**43,095**	**18,505**	**12,045**
Change in operating assets and liabilities:					
Decrease (increase) in due from other banks		(8)	(8)	884	884
(Increase) in loans to customers and finance lease receivables		(121,437)	(131,512)	(227,089)	(228,238)
(Increase)/decrease in finance lease receivables		(31,387)	(31,398)	(21,749)	(21,787)
Decrease (increase) in other assets		(5,698)	(6,430)	10,728	10,056
Decrease (increase) in due to banks and financial institutions		(134,348)	(135,079)	15,449	12,540
Increase (decrease) increase in due to customers		67,777	67,733	(34,208)	(32,437)
Increase in special and lending funds		3,276	3,276	660	660
Increase (decrease) in other liabilities		(2,337)	1,791	(5,022)	(1,036)
Change		**(224,162)**	**(231,627)**	**(260,347)**	**(259,358)**
Net cash flow from (used in) from operating activities		**(178,954)**	**(188,532)**	**(241,842)**	**(247,313)**
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(1,264)	(1,046)	(3,031)	(2,889)
Disposal of property, plant and equipment, investment property and intangible assets		2,016	523	2,725	1,237
Acquisition of debt securities at amortized cost		(45,987)	(44,032)	(270,923)	(270,876)
Proceeds from redemption of debt securities at amortized cost		208,025	207,254	44,587	43,958
Interest received on debt securities at amortized cost		5,115	4,899	4,982	4,825
Dividends received		11	10,011	22	5,722
Acquisition of investment securities at fair value		-	-	(21,429)	(18,213)
Sale or redemption of investment securities at fair value		15,221	15,221	7,602	6,191
Interest received on investment securities at fair value		251	251	232	150
Acquisition of shares in subsidiaries		(400)	(400)	(100)	(100)
Net cash flow (used in) from investing activities		**182,988**	**192,681**	**(235,333)**	**(229,995)**
Financing activities					
Payment of dividends		(15,883)	(15,883)	(20,381)	(20,381)
Issue of debt securities		50,000	50,000	-	-
Acquisition of own shares		(1,868)	(1,868)	(1,557)	(1,557)
Principal elements of lease payments		(434)	(447)	(442)	(453)
Net cash flow (used in) financing activities		**31,815**	**31,802**	**(22,380)**	**(22,391)**
Net increase (decrease) in cash and cash equivalents		**35,849**	**35,951**	**(499,555)**	**(499,699)**
Cash and cash equivalents at 1 January		**384,758**	**383,518**	**965,723**	**964,849**
Cash and cash equivalents at 30 June		**420,607**	**419,469**	**466,168**	**465,150**

The notes on pages 12 - 38 constitute an integral part of these financial statements.

GENERAL INFORMATION

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

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

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

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

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

Income tax

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

The Republic of Lithuania has introduced a new solidarity contribution (or "windfall" tax) in respect of credit institutions operating in Lithuania, effective as of 16 May 2023 and is applied on the surplus of net interest income received in 2023 and 2024 from activities of the credit institutions operating in Lithuania. The Bank and the Group included amount of windfall tax in line 'Income tax expense' of income statement.

New and amended standards, and interpretations

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

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

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

A contract is considered an insurance contract only if it the insurer accepts significant insurance risk taking into account future cash inflows (evaluated by probability) from premiums and disbursements due to fulfilment of obligations/ in case of death, terminal value and administrative costs discounted using interest rate curve at the inception date. The Group and the Company decided to use EIOPA risk free rate yield curve for significance testing. In evaluating the significance of insurance risk additional amounts are used which would be payable in economic base scenarios. Two scenarios are created - one when the insured event does not occur, another when the insured event does occur with probability of 100%. The insured event will cause losses for the insurer if the present value of future cash outflows according to second scenario is larger than in first scenario. The Group and the Company chooses to use 10% limit for significance testing, that would mean if losses are generated because of the insured event and additional amounts which would be payable according to scenarios which are based on second scenario are by 10% larger than in first scenario, the Group considers the insurance risk to be significant. The significance of insurance risk is assessed in general on a contract-by-contract basis. A contract that meets the definition of an insurance contract remains an insurance contract until all rights and obligations expire.

GENERAL INFORMATION (CONTINUED)

New and amended standards, and interpretations (continued)

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

- Portfolio – similar risk contracts managed together.
- Profitability – contracts of same profitability.
- Cohort – contracts which date of entry into force differ by more than one year.

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

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums or in which the Group has a substantive obligation to provide the policyholder with insurance contract services.

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

The carrying value of a group of insurance contracts at end of each reporting period is calculated by adding the liability for remaining coverage and the liability for incurred claims. Estimates of future cashflows are recalculated at each reporting date using updated data. The contractual service margin at the reporting date demonstrates the profit of a group of insurance contracts which has not yet been recognised as it is related to future service, which will be provided under group contracts.

According to IFRS 17 clause B119 the CSM for a group of insurance contracts is recognised as profit or loss of each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount allocated to a certain period is determined by identifying coverage units within the portfolio. The number of coverage units within a group of insurance contracts is the quantity of insurance contracts services provided by the contracts in the group, determined according by considering for each contract the quantity of the benefits provided under a contract and its expected coverage period.

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

The Group and the Company decided to apply bottom-up approach based on EIOPA risk-free rate (RFR) curve. Looking at the Group's and the Company's portfolio, the majority of the portfolio (in term of number of policies) is perceived to be liquid (Unit-Linked) whereas the other products might be seen as illiquid. It was decided to use Solvency II RFR without volatility adjustment for Unit-linked products and for other products Solvency II RFR with volatility adjustment.

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

IFRS 17 requires entities to depict risk inherent in insurance contracts by including risk adjustment for non-financial risk correction in the measurement of those contracts. The risk adjustment for non-financial risk directly measures the non-financial risk in the contract. Risk adjustment for non-financial risk is defined as compensation which the entity requires to assume uncertainty regarding amount and timing of cashflows arising from non-financial risk and is calculated separately from other cashflows. The Group and the Company chose to calculate risk adjustment based on Solvency II capital requirement before diversification. Assumption is made that all Solvency II non-financial risk (mortality, longevity, disability, validity, outflows and catastrophe risk) is distributed by normal distribution. Due to low quantitative impact assumption for life models can be made that catastrophe risk can be approximately assessed under normal distribution. Calculation of the risk adjustment is based on determining risks at the reference date (t=0) and forecasting them based on a run-off pattern appropriate for each non-financial risk based on coverage units. According to clause 81 in IFRS 17 requirements the Group and the Company decided not to disaggregate the change in the risk adjustment for non-financial risk between insurance services result and insurance financial income and expenses. Entire change in risk adjustment for non-financial risk will be included as part of the insurance service result.

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

GENERAL INFORMATION (CONTINUED)

New and amended standards, and interpretations (continued)

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

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

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

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

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

IFRS 17 application impact on Group's equity	**31 December 2022**	**31 December 2021**
Equity under IFRS 4	441,696	406,427
Increase (decrease) in equity due to IFRS 17 application	2,566	(1,636)
Equity under IFRS 17	444,262	404,791

Insurance contract liabilities (excluding investment units)

	30 June 2023	**31 December 2022**
Liabilities for remaining coverage	31,180	27,915
Present value of the future cash flows	23,793	21,181
Risk adjustment	2,466	2,248
Contractual service margin	4,921	4,486
Liabilities of incurred claims	33	740
Total	**31,213**	**28,655**

Revenue related to insurance activities

	30 June 2023	**30 June 2022**
Insurance expenses	667	1,232
Contract acquisition expenses	688	556
Change in risk adjustment	(2)	992
Contractual service margin recognized	369	316
Recovery of acquisition cash flows	420	349
Other insurance related revenue	205	167
Total	**2,347**	**3,612**

GENERAL INFORMATION (CONTINUED)

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. In preparing these condensed interim financial statements, the significant judgements made in applying Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2022, except for judgements and estimations used for calculation of impairment, which were revised to reflect the most recent economic forecasts. These judgements and estimates are described in more detail in Notes 1 and 10. It should be noted that at the moment of producing the financial reports there was no full clarity regarding further development scenarios of Russia invasion to Ukraine and uncertainties regarding further global, country and sector development trends existed, therefore there is a significant probability that actual results may deviate from the estimated. These interim financial statements also include specific estimates and judgements applied for calculation of temporary solidarity contribution which calculation and payment order were set in provisions of Law on temporary solidarity contribution of Republic of Lithuania adopted in 2nd quarter of 2023. According to clarifications received from tax authorities regarding calculation of this contribution, amount of temporary solidarity contribution calculated for 2nd quarter of 2023 by the Bank is equal to EUR 2.2 million however this amount could change if tax authorities clarifications would be amended or forecasted results used in calculation would change.

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

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

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

NOTE 1
LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES

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

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

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

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

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

	30 June 2023		31 December 2022	
	Group	**Bank**	**Group (corrected)**	**Bank**
Cash equivalents	**340,879**	**339,785**	**307,443**	**306,303**
Loans and advances to banks	**2,741**	**2,741**	**2,733**	**2,733**
Loans and advances to customers:	**2,519,009**	**2,505,745**	**2,391,629**	**2,370,762**
Loans and advances to financial institutions	-	244,084	18,079	195,352
Loans to individuals (Retail)	1,201,292	965,367	1,113,969	915,829
Loans to business customers	1,317,717	1,296,294	1,259,581	1,259,581
Finance lease receivables	**272,280**	**272,035**	**242,448**	**242,192**
Debt securities at fair value through profit or loss	**31,826**	**28,736**	**30,148**	**27,056**
Derivative financial instruments	**389**	**389**	**897**	**897**
Debt securities at fair value through other comprehensive income	**71,175**	**71,175**	**85,271**	**85,271**
Debt securities at amortized cost	**804,446**	**791,990**	**969,022**	**956,332**
Other assets subject to credit risk	**4,996**	**4,799**	**5,815**	**5,620**
Credit risk exposures relating to off –balance sheet items are as follows:				
Financial guarantees	56,566	56,627	52,655	52,716
Letters of credit	877	877	5,756	5,756
Loan commitments and other credit related liabilities	556,351	550,890	490,944	492,592
Total	**4,661,535**	**4,625,789**	**4,584,761**	**4,548,230**

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

NOTE 1
LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

Loans to customers

Loans and advances are summarized as follows:

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

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

The distribution of loans by stages and days past due:

Group

	30 June 2023 Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	31 December 2022 Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:										
Gross amount	2,270,838	45,272	1,815	4	2,317,929	2,146,375	36,617	-	-	2,182,992
Allowance for impairment	(15,454)	(770)	(80)	-	(16,304)	(12,893)	(645)	-	-	(13,538)
Net amount	**2,255,384**	**44,502**	**1,735**	**4**	**2,301,625**	**2,133,482**	**35,972**	**-**	**-**	**2,169,454**
Stage 2:										
Gross amount	142,006	6,860	11,699	24	160,589	155,834	9,680	10,283	-	175,797
Allowance for impairment	(1,767)	(224)	(694)	(6)	(2,691)	(1,614)	(117)	(679)	-	(2,410)
Net amount	**140,239**	**6,636**	**11,005**	**18**	**157,898**	**154,220**	**9,563**	**9,604**	**-**	**173,387**
Stage 3:										
Gross amount	43,749	4,056	4,438	25,704	77,947	31,903	10,932	1,527	22,707	67,069
Allowance for impairment	(7,837)	(1,088)	(1,588)	(7,948)	(18,461)	(6,878)	(1,759)	(529)	(9,115)	(18,281)
Net amount	**35,912**	**2,968**	**2,850**	**17,756**	**59,486**	**25,025**	**9,173**	**998**	**13,592**	**48,788**
Total:										
Gross amount	2,456,593	56,188	17,952	25,732	2,556,465	2,334,112	57,229	11,810	22,707	2,425,858
Allowance for impairment	(25,058)	(2,082)	(2,362)	(7,954)	(37,456)	(21,385)	(2,521)	(1,208)	(9,115)	(34,229)
Net amount	**2,431,535**	**54,106**	**15,590**	**17,778**	**2,519,009**	**2,312,727**	**54,708**	**10,602**	**13,592**	**2,391,629**

Bank

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

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

NOTE 1
LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

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

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

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

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

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

Finance lease receivables

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

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

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

NOTE 1
LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

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

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

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

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

NOTE 2 SECURITIES

Securities in the trading book

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

	30 June 2023		31 December 2022	
	Group	Bank	Group	Bank
Debt securities:	**31,826**	**28,736**	**30,148**	**27,056**
Government bonds	2,701	2,637	2,880	2,602
Corporate bonds	29,125	26,099	27,268	24,454
Equity securities	**32,085**	**285**	**28,153**	**231**
Total	**63,911**	**29,021**	**58,301**	**27,287**

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

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

NOTE 2
SECURITIES (CONTINUED)

Investment securities

	30 June 2023		31 December 2022	
	Group	Bank	Group	Bank
Securities at fair value:			(restated)	
Debt securities:	**71,175**	**71,175**	**85,271**	**85,271**
Government bonds	53,194	53,194	52,570	52,570
Corporate bonds	17,981	17,981	32,701	32,701
Equity securities	**3,968**	**3,968**	**4,954**	**4,954**
Total	**75,143**	**75,143**	**90,225**	**90,225**
Securities at amortized cost:				
Debt securities:	**804,446**	**791,990**	**969,022**	**956,332**
Government bonds	686,082	680,122	827,760	821,781
Corporate bonds	118,364	111,868	141,262	134,551
Total	**804,446**	**791,990**	**969,022**	**956,332**

	30 June 2023		31 December 2022	
	Group	Bank	Group	Bank
Securities at fair value:			(restated)	
Debt securities	**71,175**	**71,175**	**85,271**	**85,271**
from AA- to AA+	-	-	-	-
from A- to A+	57,396	57,396	56,664	56,664
from BBB- to BBB+	5,413	5,413	10,387	10,387
from BB- to BB+	5,629	5,629	15,432	15,432
lower than BB-	-	-	-	-
no rating	2,737	2,737	2,788	2,788
Equities	**3,968**	**3,968**	**4,954**	**4,954**
listed	275	275	286	286
unlisted	318	318	243	243
units of investment funds	3,375	3,375	4,425	4,425
Total	**75,143**	**75,143**	**90,225**	**90,225**
Securities at amortized cost:				
Debt securities	**804,446**	**791,990**	**969,022**	**956,332**
from AA- to AA+	2,271	2,065	3,369	3,164
from A- to A+	690,820	684,843	835,288	829,303
from BBB- to BBB+	109,856	105,082	128,859	123,865
from BB- to BB+	1,499	-	1,506	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
Total	**804,446**	**791,990**	**969,022**	**956,332**

Credit stages of investment debt securities:

	30 June 2023		31 December 2022	
	Group	Bank	Group	Bank
Stage 1:			(restated)	
Gross amount	873,212	860,745	1,054,916	1,042,201
Allowance for impairment	(327)	(316)	(623)	(598)
Net amount	**872,885**	**860,429**	**1,054,293**	**1,041,603**
Stage 2:				
Gross amount	2,936	2,936	-	-
Allowance for impairment	(200)	(200)	-	-
Net amount	**2,736**	**2,736**	**-**	**-**
Stage 3:				
Gross amount	1,020	-	1,020	-
Allowance for impairment	(1,020)	-	(1,020)	-
Net amount	**-**	**-**	**-**	**-**

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

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

NOTE 2
SECURITIES (CONTINUED)

Investments in subsidiaries

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

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

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

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

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

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

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

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

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

Bank‘s investments in subsidiaries consisted of:

	Share in equity	30 June 2023	31 December 2022
			(restated)
SB draudimas GD UAB	100%	14,736	14,298
SB lizingas UAB	100%	5,803	13,904
Šiaulių Banko Lizingas UAB	100%	-	1,074
SB Turto Fondas UAB	100%	4,664	4,631
SB Asset Management UAB	100%	400	-
Total investments in subsidiaries using equity method		**25,603**	**33,907**
SB Modernizavimo Fondas UAB	100%	100	100
Total investments in subsidiaries at fair value		**100**	**100**

Investment to SB draudimas GD UAB value was restated due to IFRS 17 implementation impact.

NOTE 3
SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Other assets

	30 June 2023		31 December 2022	
	Group	Bank	Group (restated)	Bank
Amounts receivable	4,996	4,799	5,830	5,620
Inventories	137	-	146	-
Deferred charges	2,919	2,884	1,004	974
Assets under reinsurance and insurance contracts	1,353	-	874	-
Prepayments	2,338	1,214	928	405
Foreclosed assets	68	64	468	464
Other	5,902	5,882	1,203	1,261
Total	**17,713**	**14,843**	**10,453**	**8,724**

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

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

Assets held for sale

Assets held for sale consist of:

	30 June 2023		31 December 2022	
	Group	Bank	Group	Bank
Real estate classified as held for sale	150	150	150	150
Total assets classified as held for sale	**150**	**150**	**150**	**150**

NOTE 4
DUE TO CUSTOMERS

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

NOTE 5
SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITIES ITEMS

Due to other banks and financial institutions

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

Special and lending funds

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

NOTE 6
CAPITAL

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

At 31 December 2020 European Bank for Reconstruction and Development (EBRD) possessed 26.02% of the authorised capital and votes of the Bank. On 22 December 2021 EBRD announced that it has agreed to sell an 18% stake in Bank. EBRD has signed 3 separate agreements with Invalda INVL, an asset management group, Tesonet Global, (part of the Tesonet group of companies), and Willgrow, a holding company that owns Girteka Logistics, to sell stakes of 5.87%, 5.87% and 6.29% in Bank, respectively. Acquisitions of shares will take place through a series of transactions until June 2024 and in some cases might be subject to regulatory approvals. On 29 December 2021 Willgrow announced about acquisition of 5.71% of Bank's shares. On 31 May 2023 the second series of transactions was completed after which the shareholding held by Invalda INVL grew to almost 10.00%, Willgrow to 7.81%, and Tesonet Global - 3.91%. After these transactions as of 30 June 2023 EBRD possessed 14.00% of the authorised capital and votes of the Bank.

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

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

Dividends:

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

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

Reserve for acquisition of own shares:

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

NOTE 6
CAPITAL (CONTINUED)

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

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

Other equity:

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

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

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

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

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

	30 June 2023		31 December 2022	
	Group	Bank	Group	Bank
Options	1,700	1,209	2,355	1,917
Shares distributable to employees	-	-	-	-
Total	**1,700**	**1,209**	**2,355**	**1,917**

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

Basic earnings per share:

Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period. There were no potential ordinary shares at 30 June 2023 and 30 June 2022, therefore the Group had no dilutive potential ordinary shares and diluted earnings per share are equal to basic earnings per share.

The number of shares in issue for the year ended 30 June and 30 June 2022 was 600,726 thousand. Weighted average number of shares in issue for the period ended 30 June 2023 was 600,194 thousand (30 June 2022: 599,840 thousand).

Group

	30 June 2023	*30 June 2022 (restated)*
Net profit from continuing operations attributable to equity holders	43,256	31,748
Net profit (loss) from discontinued operations attributable to equity holders	-	-
Net profit attributable to equity holders	**43,256**	**31,748**
Weighted average number of shares in issue during the period (thousand units)	600,194	599,840
Basic earnings per share (EUR)	**0.07**	**0.05**
Basic earnings per share (EUR) from continuing operations	0.07	0.05
Basic earnings per share (EUR) from discontinued operations	-	-

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

NOTE 7
NET INTEREST INCOME

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

NOTE 8
NET FEE AND COMMISSION INCOME

	1 January - 30 June 2023		1 January - 30 June 2022	
	Group	Bank	Group	Bank
Fee and commission income:			(restated)	
for administration of loans of third parties	2,329	2,329	2,045	2,045
for settlement services	2,718	2,726	2,719	2,727
for cash operations	2,454	2,454	2,648	2,648
for account administration	3,151	3,151	2,279	2,279
for guarantees, letters of credit, documentary collection	412	412	383	383
for collection of utility and similar payments	113	113	120	120
for services related to securities	1,682	1,722	2,029	2,072
other fee and commission income	452	915	546	934
Total fee and commission income	**13,311**	**13,822**	**12,769**	**13,208**
Fee and commission expense:				
for payment cards	(2,289)	(2,289)	(2,197)	(2,197)
for cash operations	(371)	(371)	(490)	(490)
for correspondent bank and payment system fees	(243)	(186)	(288)	(230)
for services of financial data vendors	(167)	(167)	(113)	(113)
for services related to securities	(423)	(423)	(359)	(359)
other fee and commission expenses	(213)	(209)	(201)	(188)
Total fee and commission expense	**(3,706)**	**(3,645)**	**(3,648)**	**(3,577)**
Net fee and commission income	**9,605**	**10,177**	**9,121**	**9,631**

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

NOTE 9
OTHER OPERATING EXPENSES

	1 January - 30 June 2023		1 January - 30 June 2022	
	Group	Bank	Group (restated)	Bank
Rent of buildings and premises	(143)	(145)	(131)	(134)
Utility services for buildings and premises	(724)	(711)	(561)	(546)
Other expenses related to buildings and premises	(386)	(386)	(197)	(197)
Transportation expenses	(194)	(158)	(186)	(151)
Legal costs	(474)	(474)	(189)	(189)
Personnel and training expenses	(473)	(444)	(210)	(195)
IT and communication expenses	(4,773)	(4,425)	(3,574)	(3,234)
Marketing and charity expenses	(1,847)	(600)	(1,422)	(457)
Service organization expenses	(1,465)	(1,389)	(1,200)	(1,144)
Non-income taxes, fines	(303)	(32)	(306)	(38)
Costs incurred due to debt recovery	(223)	(100)	(128)	(28)
Other expenses	(521)	(361)	(463)	(271)
Total	**(11,526)**	**(9,225)**	**(8,566)**	**(6,583)**

NOTE 10
IMPAIRMENT LOSSES

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

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

NOTE 10
IMPAIRMENT LOSSES (CONTINUED)

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

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

Scenario probabilities and weighted average GDP growth:

	2023		2024		2025		2026		2027	
At 30 June 2023:	***GDP***	***Probability***	***GDP***	***Probability***	***GDP***	***Probability***	***GDP***	***Probability***	***GDP***	***Probability***
Base scenario	-1.30%	60%	2.70%	60%	2.00%	60%	2,00%	60%	2,00%	60%
Pessimistic scenario	-0.50%	15%	2.90%	15%	2.80%	15%	2,80%	15%	2,80%	15%
Optimistic scenario	-2.80%	25%	1.10%	25%	0.10%	25%	0,10%	25%	0,10%	25%
Weighted average GDP growth	-1.56%		2.33%		1.65%		1.65%		1.65%	

	2023		2024		2025		2026		2027	
At 31 December 2022:	***GDP***	***Probability***	***GDP***	***Probability***	***GDP***	***GDP***	***Probability***	***GDP***	***Probability***	***GDP***
Base scenario	0.70%	60%	3.00%	60%	3.00%	60%	2.30%	60%	2.30%	60%
Optimistic scenario	1.30%	15%	3.80%	15%	3.80%	15%	3.10%	15%	3.10%	15%
Pessimistic scenario	-2.80%	25%	1.10%	25%	1.10%	25%	0.10%	25%	0.10%	25%
Weighted average GDP growth	-0.09%		2.65%		2.65%		1.87%		1.87%	

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

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

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

NOTE 11
SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from trading activities

	1 January - 30 June 2023		1 January - 30 June 2022	
	Group	**Bank**	**Group (restated)**	**Bank**
Net gain from operations with securities	2,614	124	(4,539)	(36)
Net gain from foreign exchange and related derivatives	4,973	4,973	(5,176)	(5,270)
Net gain (loss) from other derivatives	(1,145)	(1,145)	9,328	9,319
Total	**6,442**	**3,952**	**(387)**	**4,013**

Net gain form trading activities includes investment result of the insurance company assets under unit-linked investments (see below): a net profit of EUR 2,487 thousand for the six months period ended 30 June 2023; a net loss of EUR 4,335 thousand for the six months period ended 30 June 2022.

Expenses related to insurance activities

	1 January - 30 June 2023		1 January - 30 June 2022	
	Group	**Bank**	**Group (restated)**	**Bank**
*Part of the change of insurance contract liabilities that covers the result of investment of assets under unit-linked investments**	(2,487)	-	4,335	-
Other changes of insurance contract liabilities and other expenses related to insurance activities	(1,559)	-	(1,089)	-
Total expenses related to insurance activities	**(4,046)**	**-**	**3,246**	**-**

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

	1 January - 30 June 2023		1 January - 30 June 2022	
	Group	**Bank**	**Group (restated)**	**Bank**
Interest and similar income	2	-	-	-
Net gain (loss) from operations with securities	2,485	-	(4,438)	-
Net gain (loss) from foreign exchange	-	-	103	-
Total	**2,487**	**-**	**(4,335)**	**-**

NOTE 12
RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

a) 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;
b) subsidiaries of the Bank;
c) the shareholders holding over 20% of the Bank's share capital or being a part of a voting group acting in concert that holds over 20% of voting rights therefore presumed to have a significant influence over the Group.

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

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

NOTE 12
RELATED-PARTY TRANSACTIONS (CONTINUED)

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

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

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

Remuneration of the management of the Bank:

According to the Bank's Remuneration Policy, the members of the management bodies are paid a fixed and annual variable remuneration. The annual variable remuneration fund is formed based on the Bank's performance, taking into account current and future risks. During 6 months period ended 30 June 2023 the total amount of fixed and annual variable renumeration (total of payments in cash and in shares of the Bank) to the Bank's Board members amounted to EUR 1,350 thousand (2022: EUR 1,973 thousand).

Transactions with subsidiaries:

Balances of transactions with the subsidiaries are presented below:

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

Bank's total balances with subsidiaries:

	30 June 2023	31 December 2022
Assets		**(restated)**
Loans	232,681	179,148
Other assets	-	-
Bank's investment in subsidiaries	25,703	34,007
Liabilities and shareholders' equity		
Deposits	8,863	6,188
Other liabilities	-	-

Income and expenses arising from transactions with subsidiaries:

	1 January – 30 June 2023	1 January – 30 June 2022
Income		**(restated)**
Interest	4,401	1,665
Commission income	1,040	454
FX gain (loss)	-	-
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	2,370	4,755
Other income	189	164
Expenses		
Interest	(16)	(9)
Operating expenses	17	-
(Impairment losses)/ reversal of impairment losses on loans	15	(106)
Allowance for impairment losses on investments in subsidiaries	-	-

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

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

NOTE 13
LIQUIDITY, MARKET AND OPERATIONAL RISKS

Liquidity risk

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

Liquidity risk management process

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

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

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

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

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

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

	Less than 1 month	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets (restated)	384,989	66,841	125,136	339,293	328,261	1,232,280	1,628,496	77,346	4,182,642
Total liabilities and shareholders' equity (restated)	1,920,883	101,132	180,183	312,743	329,869	801,214	96,811	439,807	4,182,642
Net liquidity gap	(1,535,894)	(34,291)	(55,047)	26,550	(1,608)	431,066	1,531,685	(362,461)	-

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

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

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

NOTE 13
LIQUIDITY, MARKET AND OPERATIONAL RISKS (CONTINUED)

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

	Less than 1 month	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets (restated)	383,749	59,231	284,777	321,057	300,353	1,158,883	1,568,370	67,616	4,144,036
Total liabilities and shareholders' equity (restated)	1,925,706	93,833	179,885	312,514	327,040	798,457	61,251	445,350	4,144,036
Net liquidity gap	(1,541,957)	(34,602)	104,892	8,543	(26,687)	360,426	1,507,119	(377,734)	-

Operational risk

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

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

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

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

In March 2022, a working group for the monitoring and assessment of the risks arising for the Bank due to Russia's military actions in Ukraine was formed in the Bank.

NOTE 14
FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

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

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

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

NOTE 14
FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

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

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

To correct technical error of improper distribution into fair value hierarchy levels in comparable figures of year 2022 for the Group trading book securities with value of EUR 28,429 thousand were transferred from Level I of fair value hierarchy to Level III.

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

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

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

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

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

Fair value of investment securities held to collect cash flows:

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

	30 June 2023		31 December 2022	
	Carrying value	Fair value	Carrying value	Fair value
Investment securities at amortized cost	804,446	762,708	969,022	914,070

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

NOTE 15
SEGMENT INFORMATION

Business segments

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

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
Internal	(313)	-	(5)	14	304	-
External	72,644	2,266	392	165	-	75,467
Net interest income	**72,331**	**2,266**	**387**	**179**	**304**	**75,467**
Internal	449	-	-	28	(477)	-
External	9,671	-	-	(66)	-	9,605
Net fee and commissions income	**10,120**	**-**	**-**	**(38)**	**(477)**	**9,605**
Internal	136	-	(5)	42	(173)	-
External	82,315	2,266	392	99	-	85,072
Net interest, fee and commissions income	**82,451**	**2,266**	**387**	**141**	**(173)**	**85,072**
Internal	(116)	-	-	(94)	210	-
External	(25,408)	(2,470)	-	(4,532)	-	(32,410)
Operating expenses	**(25,524)**	**(2,470)**	**-**	**(4,626)**	**210**	**(32,410)**
Amortisation charges	(614)	(68)	-	(14)	-	(696)
Depreciation charges	(1,699)	(182)	-	(35)	-	(1,916)
Internal	-	-	-	-	-	-
External	(4,941)	-	(428)	30	-	(5,339)
Impairment expenses	**(4,941)**	**-**	**(428)**	**30**	**-**	**(5,339)**
Internal	2,081	-	478	(2)	(2,557)	-
External	4,871	330	(91)	4,975	-	10,085
Net other income	**6,952**	**330**	**387**	**4,973**	**(2,557)**	**10,085**
Profit (loss) before tax from continuing operations	**56,625**	**(124)**	**346**	**469**	**(2,520)**	**54,796**
Income tax	(12,244)	(1,094)	-	-	-	(13,338)
Profit (loss) per segment after tax from continuing operations	**44,381**	**(1,218)**	**346**	**469**	**(2,520)**	**41,458**
Profit or (loss) per segment after tax from discontinued operations	-	-	-	-	-	-
Profit (loss) per segment	**44,381**	**(1,218)**	**346**	**469**	**(2,520)**	**41,458**
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	44,381	(1,218)	346	469	(2,520)	41,458
Total segment assets	3,065,171	1,335,475	5,164	57,450	(252,763)	4,210,497
Total segment liabilities	2,740,590	1,184,070	4,579	40,090	(228,273)	3,741,056
Net segment assets (shareholders' equity)	324,581	151,405	585	17,360	(24,490)	469,441

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

NOTE 15
SEGMENT INFORMATION (CONTINUED)

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

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
Internal	(383)	-	(9)	4	388	-
External	43,305	2,770	913	193	-	47,181
Net interest income	**42,922**	**2,770**	**904**	**197**	**388**	**47,181**
Internal	377	-	-	16	(393)	-
External	9,217	-	-	(96)	-	9,121
Net fee and commissions income	**9,594**	**-**	**-**	**(80)**	**(393)**	**9,121**
Internal	(6)	-	(9)	20	(5)	-
External	52,522	2,770	913	97	-	56,302
Net interest, fee and commissions income	**52,516**	**2,770**	**904**	**117**	**(5)**	**56,302**
Internal	(98)	-	-	(53)	151	-
External	(16,680)	(1,935)	-	(749)	-	(19,364)
Operating expenses	**(16,778)**	**(1,935)**	**-**	**(802)**	**151**	**(19,364)**
Amortisation charges	(510)	(67)	-	(44)	-	(621)
Depreciation charges	(1,336)	(141)	-	(106)	-	(1,583)
Internal	-	-	-	(1)	1	-
External	(2,389)	-	67	425	-	(1,897)
Impairment expenses	**(2,389)**	**-**	**67**	**424**	**1**	**(1,897)**
Internal	2,259	-	377	3	(2,639)	-
External	3,394	(25)	1,115	805	-	5,289
Net other income	**5,653**	**(25)**	**1,492**	**808**	**(2,639)**	**5,289**
Profit (loss) before tax from continuing operations	**37,156**	**602**	**2,463**	**397**	**(2,492)**	**38,126**
Income tax	(5,802)	(579)	-	3	-	(6,378)
Profit (loss) per segment after tax from continuing operations	**31,354**	**23**	**2,463**	**400**	**(2,492)**	**31,748**
Profit or (loss) per segment after tax from discontinued operations	-	-	-	-	-	-
Profit (loss) per segment	**31,354**	**23**	**2,463**	**400**	**(2,492)**	**31,748**
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	31,354	23	2,463	400	(2,492)	31,748
Total segment assets	2,556,113	1,519,968	4,952	54,161	(184,134)	3,951,060
Total segment liabilities	2,294,358	1,358,862	4,427	39,962	(156,887)	3,540,722
Net segment assets (shareholders' equity)	261,755	161,106	525	14,199	(27,247)	410,338

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

NOTE 16
SELECTED INFORMATION OF FINANCIAL GROUP

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

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

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

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

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

Financial Group‘s condensed statement of financial position

	30 June 2023	31 December 2022 (restated)
ASSETS		
Cash and cash equivalents	419,684	383,834
Securities in the trading book	29,021	27,287
Due from other banks	2,741	2,733
Derivative financial instruments	389	897
Loans to customers	2,515,632	2,391,629
Finance lease receivables	272,280	242,448
Investment securities at fair value	78,520	90,225
Investment securities at amortized cost	791,990	956,332
Investments in subsidiaries and associates	14,836	14,398
Intangible assets	7,021	6,450
Property, plant and equipment	15,061	15,777
Investment property	1,009	1,827
Current income tax prepayment	4,927	6
Deferred income tax asset	3,652	5,657
Other assets	16,478	9,705
Total assets	**4,173,241**	**4,149,205**
LIABILITIES		
Due to other banks and financial institutions	553,535	685,480
Derivative financial instruments	579	7,152
Due to customers	2,856,534	2,785,489
Special and lending funds	17,460	14,184
Debt securities in issue	224,834	171,231
Current income tax liabilities	11,577	4,336
Deferred income tax liabilities	1,423	1,463
Other liabilities	36,513	34,266
Total liabilities	**3,702,455**	**3,703,601**
EQUITY		
Share capital	174,211	174,211
Share premium	3,428	3,428
Treasury shares (-)	-	-
Reserve capital	756	756
Statutory reserve	47,682	36,990
Reserve for acquisition of own shares	20,000	20,000
Financial instruments revaluation reserve	(7,786)	(8,111)
Other equity	1,607	2,287
Retained earnings	230,888	216,043
Non-controlling interest	-	-
Total equity	**470,786**	**445,604**
Total liabilities and equity	**4,173,241**	**4,149,205**

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

NOTE 16
SELECTED INFORMATION OF FINANCIAL GROUP (CONTINUED)

Financial Group's condensed income statement

	for the six months period ended	
	30 June 2023	**30 June 2022** (restated)
Interest revenue calculated using the effective interest method	87,001	47,365
Other similar income	9,454	5,383
Interest expense and similar charges	(21,111)	(5,734)
Net interest income	**75,344**	**47,014**
Fee and commission income	13,364	12,821
Fee and commission expense	(3,693)	(3,627)
Net fee and commission income	**9,671**	**9,194**
Net gain from trading activities	3,952	4,015
Net gain (loss) from derecognition of financial assets	319	477
Net gain (loss) from disposal of tangible assets	721	254
Revenue related to insurance activities	-	-
Other operating income	256	1,333
Salaries and related expenses	(16,639)	(13,894)
Depreciation and amortization expenses	(2,583)	(2,177)
Expenses related to insurance activities	-	-
Other operating expenses	(11,346)	(8,447)
Operating profit before impairment losses	**59,695**	**37,769**
Allowance for impairment losses on loans and other assets	(5,328)	(1,898)
Allowance for impairment losses on investments in subsidiaries	-	-
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	427	2,257
Profit before income tax	**54,794**	**38,128**
Income tax expense	(13,338)	(6,378)
Net profit for the period	**41,456**	**31,750**
Profit (loss) from discontinued operations, net of tax	-	-
Net profit for the year	**41,456**	**31,750**
Net profit attributable to:		
Owners of the Bank	41,456	31,750
From continuing operations	41,456	31,750
From discontinued operations	-	-
Non-controlling interest	-	-

Financial Group's condensed statement of comprehensive income

	for the six months period ended	
	30 June 2023	**30 June 2022** (restated)
Net profit for the period	**41,456**	**31,750**
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Gain from revaluation of financial assets	406	(6,670)
Deferred income tax on gain from revaluation of financial assets	(81)	1,334
Other comprehensive income, net of deferred tax	**325**	**(5,336)**
Total comprehensive income for the period	**41,781**	**26,414**
Total comprehensive income (loss) attributable to:		
Owners of the Bank	41,781	26,414
Non-controlling interest	-	-
	41,781	26,414

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

NOTE 17
LIABILITIES RELATED TO INSURANCE ACTIVITIES

Insurance contract liabilities

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

	Estimate of present value of future cash flows	*Risk adjustment for non-financial risks*	*Contractual service margin*	*Investment units*	*Total*
Gross:					
At 1 January 2022 (restated)	28,606	2,949	4,139	6,068	41,762
Change during period	(6,705)	(680)	346	135	(6,904)
At 31 December 2022 (restated)	21,901	2,269	4,485	6,203	34,858
Change during period	1,825	197	436	1,294	3,752
At 30 June 2023	23,726	2,466	4,921	7,497	38,610
Reinsurance share:					
At 1 January 2022	1	-	-	-	1
Change during period	(1)	-	-	-	(1)
At 31 December 2022	-	-	-	-	-
Change during period	102	-	(2)	-	100
At 30 June 2023	102	-	(2)	-	100
Net value					
At 31 December 2022	**21,901**	**2,269**	**4,485**	**6,203**	**34,858**
At 30 June 2023	**23,828**	**2,466**	**4,919**	**7,497**	**38,710**

NOTE 18
SUBSEQUENT EVENTS

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

ŠIAULIŲ BANKAS

ADDITIONAL INFORMATION

for the six month period ended 30 June 2023

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

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

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

Homepage › Bank Investors › Financial Information › Alternative Performance Measures

ACTIVITY RESULTS

- In H1, Šiaulių Bankas Group earned EUR 41.6 million of unaudited net profit
- Corporate and private clients demand for financing remains high, with the loan portfolio increasing by over EUR 150 million to EUR 2.8 billion
- Interest in investment and savings products is growing rapidly, with the term deposit portfolio increasing by more than 30% to EUR 1.22 billion
- Moody's has upgraded Šiaulių Bankas rating to Baa1, highest in the Bank's history
- EUR 50 million subordinated bond issue will support the Group's continued sustainable and efficient growth
- In H1, the number of the Bank's shareholders increased by more than 1.2 thousand and reached almost 20 thousand

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

Overview of Key Performance Indicators

In H1, Šiaulių Bankas Group earned EUR 41.6 million of unaudited net profit (40% more than a year ago, when the profit amounted to EUR 29.5 million). Profit for the Q2 was EUR 22.3 million and increased by 24% compared to the profit of EUR 18.1 million for the same period last year.

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

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

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

Overview of Business Segments

Corporate and Private Clients Financing

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

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

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

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

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

Daily banking

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

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

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

Saving and Investing

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

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

Merger of Retail Businesses

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

Other Important Milestones

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

In Q2, the Bank successfully placed a 10-year subordinated bond issue of EUR 50 million in the international financial markets, which attracted more investor attention than expected. The funds raised will help the Bank to maintain its lending volumes to Lithuanian businesses, to achieve an efficient capital structure, to meet the requirements of the supervisory authority and to maintain the continuity of its dividend policy. In the second half of this year, as in the previous year and in 2021, the Bank plan to issue bonds to meet the Bank's MREL requirements.

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

REGARDING EXTERNAL ENVIRONMENT FACTORS

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

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

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

The Bank is closely monitoring the situation regarding problems of some US and Swiss banks. The Bank has no direct positions in these credit institutions and does not notice any material second or third order effects to Bank's activities.

RATINGS

On June 7 2023 the international rating agency Moody's Investor Service has upgraded Šiaulių Bankas long-term deposit ratings from Baa2 to Baa1. The outlook on the long-term deposit ratings is affirmed as stable. This is the highest rating in the bank's history. In its statement, Moody's noted that the key driver for the upgrade of the ratings is the continued strengthening of the bank's fundamentals, improving profitability, strong levels of capitalisation and adequate liquidity profile, with problem loans to gross loans ratio improving to below 3%. Moody's believes that despite the unfavourable macroeconomic situation, fundamentals of Šiaulių Bankas will remain strong during the next 12 to 18 months, and that the bank will be able to manage its asset quality and capitalisation ratios, and that its liquidity position will remain stable.

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

COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

Income was growing faster than its expenses which led to the high efficiency of the performance. Capital and liquidity position remain robust - prudential requirements are implemented with adequate reserve. According to the data as of 30 June 2023 the Bank complied with all the prudential requirements set out by the supervisory authority.

The main financial indicators of the Group:

	31/12/2019	31/12/2020	31/12/2021	30/06/2022	31/12/2022	30/06/2023
ROAA, %	2.1	1.5	1.6	1.5	1.6	2.0
ROAE, %	17.6	12.7	14.3	14.7	15.2	18.6
Cost to income ratio, %	42.5	42.7	44.1	39.9	42.9	36.8
Cost to income ratio (adjusted due to the impact of the SB draudimas clients' portfolio), %	40.8	42.9	42.8	43.4	43.2	35.1
Loan to deposit ratio, %	82.2	75.0	78.6	88.9	94.6	97.7

At the end of Q1 2023 MREL requirement at Financial group level approved in February, 2023 were effective, including the following MREL requirements that shall be met by 1 January 2024:

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

To ensure a linear build-up of own funds and eligible liabilities towards the requirements the supervisory authorities set intermediate targets. For 1 January 2023, such targets comprise MREL-TREA of 15.43% and MREL-LRE of 5.89%, subordinated MREL-TREA of 13.50% and subordinated MREL-LRE of 5.79%. The levels of MREL requirements are revised by the supervisory authorities of the bank each year.

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

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

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

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

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

AUTHORIZED CAPITAL, SHAREHOLDERS

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

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

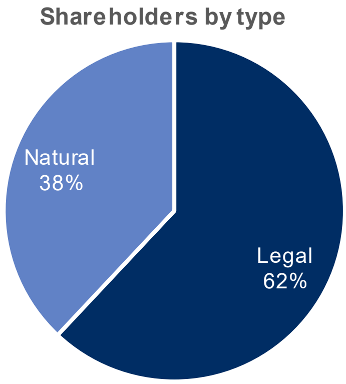
Homepage › About Us › Important Documents

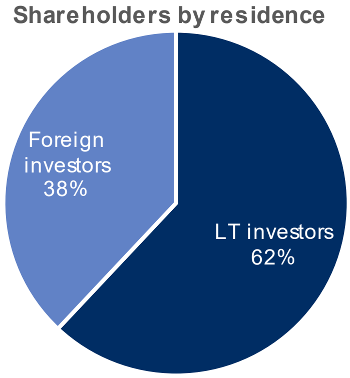
Authorized capital:

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

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

Homepage › About Us › Important Documents





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

	Share of shares and votes, %
EBRD, LEI code 549300HTGDOVDU60GK19	14.000
*Invalda INVL AB, c.c. 121304349**	9.999
UAB Willgrow, c.c. 302489393	7.806
*Algirdas Butkus ***	5.411
*Gintaras Kateiva****	5.395

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

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

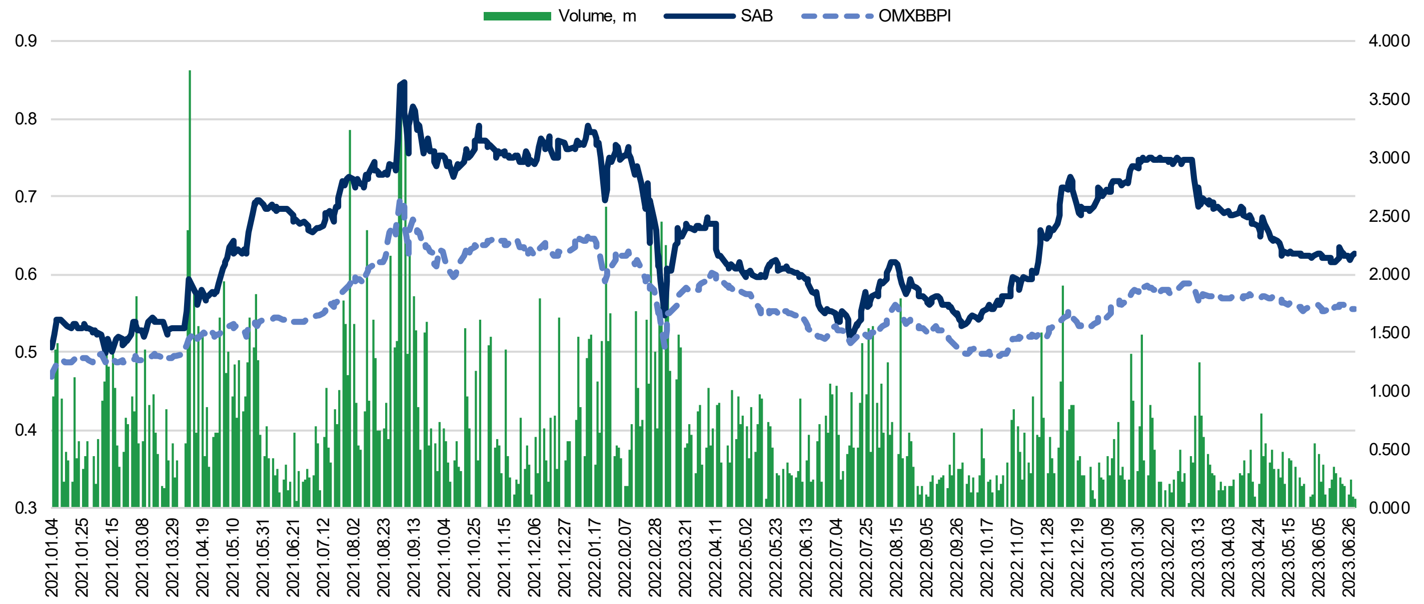
*** Votes are counted together with the votes held by the spouse

Information on shares

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

*description of indicators is provided on the Bank's website: Homepage › Bank Investors › Financial Information › Alternative Performance Measures

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



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

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

- *OMX Baltic Benchmark (OMXBBGI, OMXBBPI, OMXBBCAPGI, OMXBBCAPPI)* - the Baltic benchmark index consists of the largest and most traded stocks on the Nasdaq Baltic Market representing all sectors;
- *OMX Baltic 10 (OMXB10, OMXB10EXP)* - is a tradable index of the Baltic states consisting of the 10 most actively traded stocks on the Baltic exchanges;
- *OMX Baltic (OMXBGI, OMXBPI)* – is an all-share index consisting of all the shares listed on the Main and Secondary lists of the Baltic exchanges with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Vilnius (OMXVGI)* – is an all-share index which includes all the shares listed on the Main and Secondary lists on the Nasdaq Vilnius with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Baltic Financials (B30GI, B30PI)* - an index of the Baltic financial institutions;
- *OMX Baltic Banks (B3010GI, B3010PI)* - an index of the Baltic banks.

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

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

ACQUISITION OF OWN SHARES

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

AGREEMENTS WITH INTERMEDIARIES IN PUBLIC CIRCULATION

Agreements with public circulation intermediaries regarding the accounting of securities issued by the Bank are not concluded, this accounting is managed by the Bank's Securities Accounting Department. Moreover, the Bank has not entered into market-making agreements with respect to securities issued by the Bank.
As of 30 June 2023, the Bank itself, as an intermediary in public circulation, under agreements with more than 750 securities issuing companies managed accounting of 1000 securities issues (including shares of public and private companies, debt securities, and investment fund units). The Bank also executed market making and at the end of June 2023 was the market maker of 10 securities issues on the Nasdaq Baltic market.

INFORMATION ON DETRIMENTAL TRANSACTIONS

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

DIVIDENDS

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

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

Information on the dividends paid:

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

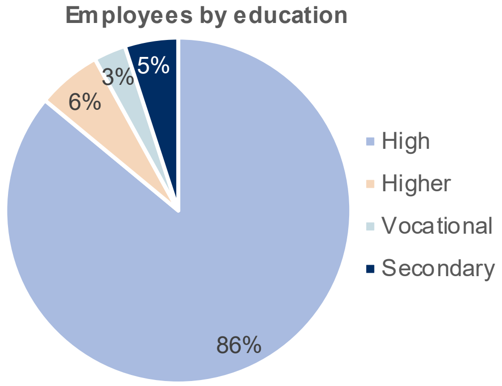
The description of alternative performance indicators is available on the Bank's website at:

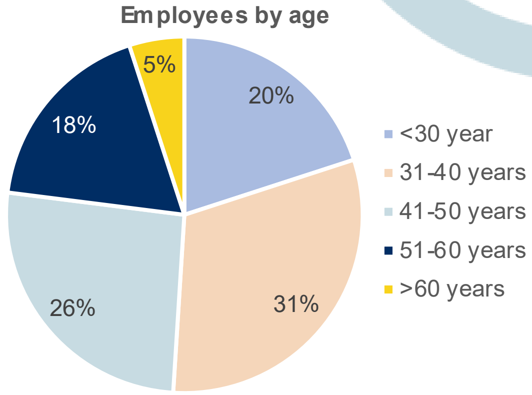
Homepage › Bank Investors › Financial Information › Alternative Performance Measures

EMPLOYEES

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

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





Average monthly salary of the employees, before taxes:

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

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

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

THE COMMITTEES FORMED WITHIN THE BANK, AREAS OF THEIR ACTIVITIES

Functions, procedures of formation and the policy of activities of the bank's committees are defined by the legal acts of the Republic of Lithuania, legal acts of the Bank of Lithuania as well as provisions of the certain committees approved by the Management Board or Supervisory Council of the Bank.

COMMITTEES UNDER AUTHORITY OF THE BANK'S SUPERVISORY COUNCIL

For the effective exercise of the functions and duties of the Supervisory Council, the Bank shall establish standing committees of the Supervisory Council: (i) the Risk Committee; (ii) the Audit Committee; (iii) the Nomination Committee; (iv) the Remuneration Committee, the members whereof shall be appointed by decision of the Supervisory Council.

Information on the committee members as of 30 June 2023:
The Risk Committee advises the management bodies of the Bank on the overall current and future risk acceptable to the Bank and strategy and assist in overseeing the implementation of the strategy at the Bank, verifies whether prices of liabilities and assets offered to clients take fully into account the Bank’s business model and risk strategy and shall also carries out other functions provided for in its provisions.

	Name, surname	
Chairman	Miha Košak	Independent member of the Supervisory Council
Members:	Susan Gail Buyske	Independent member of the Supervisory Council
	Valdas Vitkauskas	Independent member of the Supervisory Council
	Ramunė Vilija Zabulienė	Independent member of the Supervisory Council

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

	Name, surname	
Chairwoman	Ramunė Vilija Zabulienė	Independent member of the Supervisory Council
Members:	Valdas Vitkauskas	Independent member of the Supervisory Council
	Susan Gail Buyske	Independent member of the Supervisory Council

The Nomination Committee nominates and recommends, for the approval of the bodies of the Bank or for the approval of the General Meeting of Shareholders, candidates to fill the vacancies in the Bank's bodies, evaluates the balance of the skills, evaluates the target number of the underrepresented gender within the Bank's bodies, knowledge and experience of the members of the bodies of the Bank and suitability for the position, submits respective comments and findings, assesses the structure, size, composition, performance results and shall carries out other functions provided for in its provisions.

	Name, surname	
Chairman	Valdas Vitkauskas	Independent member of the Supervisory Council
Members:	Darius Šulnis	Member of the Supervisory Council
	Miha Košak	Independent member of the Supervisory Council

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

	Name, surname	
Chairman	Valdas Vitkauskas	Independent member of the Supervisory Council
Members:	Gintaras Kateiva	Member of the Supervisory Council
	Ramunė Vilija Zabulienė	Independent member of the Supervisory Council

COMIMITTEES UNDER AUTHORITY OF THE BANK'S MANAGEMENT BOARD

Information on the committee members as of 30 June 2023:
The Loan Committee evaluates loan granting material / documents and loan risk, approves / rejects lending decisions and / or amendments to terms and conditions, suggests regarding loan granting, loan interest rates, improvement of loan administration procedures and performs other functions foreseen by its provisions.

	Name, surname	Position
Chairman	Edas Mirijauskas	Director of Credit Department
Deputy	Diana Leonavičienė	Director of Regional Lending Unit
Members:	Mindaugas Rudys	Head of Service Development Division
	Algimantas Gaulia	Head of Risk Management Division
	Daiva Šorienė	Head of Sales and Marketing Division
	Ramūnas Dešukas	Director of Special Assets Department
	Aurelija Geležiūnė	Director of Legal Department

The Risk Management Committee performs functions related to the organization, coordination and control of the Bank's risk management system, determines and controls risk measurement indicators corresponding to the risk appetite acceptable to the Bank, as well as performs other functions provided for in its regulations.

	Name, surname	Position
Chairman	Algimantas Gaulia	Head of Risk Management Division
Deputy	Dalia Udrienė	Director of Risk Department
Members:	Tomas Dautoras	Director of Non-Financial Risk Department
	Agnė Duksienė	Head of Legal, Compliance and Prevention Division
	Edas Mirijauskas	Director of Credit Department
	Donatas Savickas	Head of Finance Division
	Daiva Šorienė	Head of Sales and Marketing Division
	Denis Zubov	Director of Credit Risk Management and Control Department

MANAGEMENT OF THE BANK

The Management Board bodies of the Bank are as follows: the General Meeting of the Shareholders of the Bank, Supervisory Council of the Bank, Management Board of the Bank and Chief Executive Officer (CEO).

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

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

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

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

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

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

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

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

BANK'S COMPANY GROUP

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

The Bank directly controls the following subsidiaries

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

*in liquidation process
**not consolidated under IFRS 10 requirements

OTHER INFORMATION, PUBLISHED INFORMATION AND MAJOR EVENTS

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

Homepage › Bank Investors › Reports on Stock Events.

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

Homepage › About Us › News.

Chief Executive Officer — Vytautas Sinius

28 August 2023

CONFIRMATION FROM THE RESPONSIBLE PERSONS

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

Chief Executive Officer	Vytautas Sinius
Chief Financial Officer	Donatas Savickas

28 August 2023

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