

# INTERIM INFORMATION

for the twelve months period ended 31 December 2021

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# CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

for twelve months period ended 31 December 2021

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

	Notes	30 December 2021		31 December 2020	
		Group	Bank	Group	Bank
<b>ASSETS</b>					
Cash and cash equivalents		965,723	964,849	432,584	431,649
Securities in the trading book	2	48,181	15,099	37,068	9,582
Due from other banks		1,196	1,196	1,598	1,598
Derivative financial instruments		2,121	2,121	445	445
Loans to customers	1	1,908,681	1,889,629	1,605,663	1,592,363
Finance lease receivables	1	195,174	194,909	155,457	155,290
Investment securities at fair value	2	82,988	82,951	34,342	34,215
Investment securities at amortized cost	2	705,398	692,226	709,454	697,136
Investments in subsidiaries and associates	2	-	31,668	-	29,135
Intangible assets		4,834	3,114	5,729	4,230
Property, plant and equipment		14,760	14,118	16,484	15,852
Investment property		2,229	344	5,552	362
Current income tax prepayment		847	820	48	8
Deferred income tax asset		1,593	1,250	2,078	1,690
Other assets	3	28,137	24,560	14,796	9,541
Assets held for sale	3	620	620	7,547	4,573
<b>Total assets</b>		<b>3,962,482</b>	<b>3,919,474</b>	<b>3,028,845</b>	<b>2,987,669</b>
<b>LIABILITIES</b>					
Due to other banks and financial institutions	5	697,738	703,271	227,823	231,270
Derivative financial instruments		96	96	3,840	3,840
Due to customers	4	2,679,183	2,681,586	2,347,427	2,349,021
Special and lending funds	5	6,667	6,667	5,749	5,749
Debt securities in issue		95,212	95,212	20,027	20,027
Current income tax liabilities		1,084	962	1,092	737
Deferred income tax liabilities		1,452	-	1,251	-
Liabilities related to insurance activities	17	41,409	-	36,275	-
Other non-financial liabilities		33,214	24,099	30,197	21,461
Liabilities related to assets classified as held for sale	3	-	-	98	-
<b>Total liabilities</b>		<b>3,556,055</b>	<b>3,511,893</b>	<b>2,673,779</b>	<b>2,632,105</b>
<b>EQUITY</b>					
Share capital	6	174,211	174,211	174,211	174,211
Share premium		3,428	3,428	3,428	3,428
Treasury shares (-)	6	(516)	(516)	-	-
Reserve capital		756	756	756	756
Statutory reserve	6	21,893	21,770	14,427	14,246
Reserve for acquisition of own shares	6	10,000	10,000	10,000	10,000
Financial instruments revaluation reserve		(583)	(597)	388	375
Other equity	6	3,288	2,870	2,359	2,066
Retained earnings		193,950	195,659	149,497	150,482
Non-controlling interest		-	-	-	-
<b>Total equity</b>		<b>406,427</b>	<b>407,581</b>	<b>355,066</b>	<b>355,564</b>
<b>Total liabilities and equity</b>		<b>3,962,482</b>	<b>3,919,474</b>	<b>3,028,845</b>	<b>2,987,669</b>

The notes on pages 10 - 33 constitute an integral part of these condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

28 February 2022



Vytautas Sinius



Donatas Savickas

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

	for twelve months period ended				
	Notes	31 December 2021		31 December 2020	
		Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>	7	83,035	69,951	78,502	65,067
<i>Other similar income</i>	7	8,861	8,719	7,527	7,435
<i>Interest expense and similar charges</i>	7	(10,979)	(10,972)	(10,321)	(10,071)
<b>Net interest income</b>		<b>80,917</b>	<b>67,698</b>	<b>75,708</b>	<b>62,431</b>
<i>Fee and commission income</i>	8	24,617	25,193	22,613	23,014
<i>Fee and commission expense</i>	8	(7,457)	(7,239)	(6,568)	(6,327)
<b>Net fee and commission income</b>		<b>17,160</b>	<b>17,954</b>	<b>16,045</b>	<b>16,687</b>
<i>Net gain from trading activities</i>	11	11,936	9,188	11,589	12,018
<i>Net gain (loss) from derecognition of financial assets</i>		4,363	2,729	1,265	384
<i>Net gain (loss) from disposal of tangible assets</i>		3,736	66	376	7
<i>Revenue related to insurance activities</i>		8,137	-	7,225	-
<i>Other operating income</i>		1,310	1,136	774	452
<i>Salaries and related expenses</i>		(27,105)	(23,640)	(23,470)	(20,506)
<i>Depreciation and amortization expenses</i>		(4,440)	(3,972)	(4,106)	(3,569)
<i>Expenses related to insurance activities</i>	11	(8,032)	-	(5,448)	-
<i>Other operating expenses</i>	9	(16,643)	(12,268)	(15,177)	(11,681)
<b>Operating profit before impairment losses</b>		<b>71,339</b>	<b>58,891</b>	<b>64,781</b>	<b>56,223</b>
<i>Allowance for impairment losses on loans and other assets</i>	10	(4,077)	(974)	(11,973)	(9,950)
<i>Allowance for impairment losses on investments in subsidiaries</i>		-	-	-	(114)
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	12	-	8,830	-	5,470
<b>Profit before income tax</b>		<b>67,262</b>	<b>66,747</b>	<b>52,808</b>	<b>51,629</b>
<i>Income tax expense</i>		(12,039)	(10,742)	(9,887)	(8,534)
<b>Net profit for the period</b>		<b>55,223</b>	<b>56,005</b>	<b>42,921</b>	<b>43,095</b>
<i>Profit (loss) from discontinued operations, net of tax</i>		-	-	121	-
<b>Net profit for the period</b>		<b>55,223</b>	<b>56,005</b>	<b>43,042</b>	<b>43,095</b>
<b>Net profit attributable to:</b>					
<i>Owners of the Bank</i>		55,223	56,005	43,042	43,095
<i>From continuing operations</i>		55,223	56,005	42,921	43,095
<i>From discontinued operations</i>		-	-	121	-
<i>Non-controlling interest</i>		-	-	-	-
<i>Basic earnings per share (in EUR per share) attributable to owners of the Bank</i>	6	0.09		0.07	
<i>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</i>	6	-		0.00	

The notes on pages 10 - 33 constitute an integral part of these condensed interim financial statements.

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

	for three months period				
	Notes	1 October - 31 December 2021		1 October - 31 December 2020	
		Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>		22,818	19,444	20,076	16,535
<i>Other similar income</i>		2,547	2,508	1,922	1,891
<i>Interest expense and similar charges</i>		(3,183)	(3,186)	(2,841)	(2,593)
<b>Net interest income</b>		<b>22,182</b>	<b>18,766</b>	<b>19,157</b>	<b>15,833</b>
<i>Fee and commission income</i>		6,553	6,742	5,831	5,938
<i>Fee and commission expense</i>		(2,173)	(2,122)	(1,796)	(1,735)
<b>Net fee and commission income</b>		<b>4,380</b>	<b>4,620</b>	<b>4,035</b>	<b>4,203</b>
<i>Net gain from trading activities</i>		3,181	2,448	3,864	2,852
<i>Net gain (loss) from derecognition of financial assets</i>		200	52	311	229
<i>Net gain (loss) from disposal of tangible assets</i>		118	(3)	(141)	(38)
<i>Revenue related to insurance activities</i>		2,272	-	1,909	-
<i>Other operating income</i>		737	747	124	210
<i>Salaries and related expenses</i>		(7,540)	(6,627)	(6,898)	(6,149)
<i>Depreciation and amortization expenses</i>		(1,101)	(988)	(1,070)	(958)
<i>Expenses related to insurance activities</i>		(2,649)	-	(2,915)	-
<i>Other operating expenses</i>		(5,557)	(4,161)	(4,864)	(4,039)
<b>Operating profit before impairment losses</b>		<b>16,223</b>	<b>14,854</b>	<b>13,512</b>	<b>12,143</b>
<i>Allowance for impairment losses on loans and other assets</i>		(2,556)	(2,077)	(2,856)	(2,301)
<i>Allowance for impairment losses on investments in subsidiaries</i>		-	-	-	(114)
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>		-	619	-	859
<b>Profit before income tax</b>		<b>13,667</b>	<b>13,396</b>	<b>10,656</b>	<b>10,587</b>
<i>Income tax expense</i>		(2,635)	(2,405)	(1,980)	(1,658)
<b>Net profit for the period</b>		<b>11,032</b>	<b>10,991</b>	<b>8,676</b>	<b>8,929</b>
<i>Profit (loss) from discontinued operations, net of tax</i>		-	-	121	-
<b>Net profit for the year</b>		<b>11,032</b>	<b>10,991</b>	<b>8,797</b>	<b>8,929</b>
<b>Net profit attributable to:</b>					
<i>Owners of the Bank</i>		11,032	10,991	8,797	8,929
<i>From continuing operations</i>		11,032	10,991	8,676	8,929
<i>From discontinued operations</i>		-	-	121	-
<i>Non-controlling interest</i>		-	-	-	-

The notes on pages 10 - 33 constitute an integral part of these condensed interim financial statements.

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

	for twelve months period ended			
	31 December 2021		31 December 2020	
	Group	Bank	Group	Bank
<b>Net profit for the period</b>	<b>55,223</b>	<b>56,005</b>	<b>43,042</b>	<b>43,095</b>
<b>Other comprehensive income</b>				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain from revaluation of financial assets	(1,211)	(1,212)	446	446
Deferred income tax on gain from revaluation of financial assets	240	240	(49)	(49)
<i>Items that may not be subsequently reclassified to profit or loss:</i>				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-
<b>Other comprehensive income, net of deferred tax</b>	<b>(971)</b>	<b>(972)</b>	<b>397</b>	<b>397</b>
<b>Total comprehensive income for the period</b>	<b>54,252</b>	<b>55,033</b>	<b>43,439</b>	<b>43,492</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of the Bank	54,252	55,033	43,439	43,492
Non-controlling interest	-	-	-	-
	54,252	55,033	43,439	43,492

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

	for three months period			
	1 October - 31 December 2021		1 October - 31 December 2020	
	Group	Bank	Group	Bank
<b>Net profit for the period</b>	<b>11,032</b>	<b>10,991</b>	<b>8,797</b>	<b>8,929</b>
<b>Other comprehensive income (loss)</b>				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain (loss) from revaluation of financial assets	(602)	(606)	255	255
Deferred income tax on gain (loss) from revaluation of financial assets	118	119	(49)	(49)
<i>Items that may not be subsequently reclassified to profit or loss:</i>				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-
<b>Other comprehensive income (loss), net of deferred tax</b>	<b>(484)</b>	<b>(487)</b>	<b>206</b>	<b>206</b>
<b>Total comprehensive income for the period</b>	<b>10,548</b>	<b>10,504</b>	<b>9,003</b>	<b>9,135</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of the Bank	10,548	10,504	9,003	9,135
Non-controlling interest	-	-	-	-
	10,548	10,504	9,003	9,135

The notes on pages 10 - 33 constitute an integral part of these condensed interim financial statements.

THE GROUP'S CONDENSED STATEMENT OF CHANGES IN EQUITY

Notes	Share capital	Share premium	Treasury shares (-)	Reserve capital	Financial instruments revaluation	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total	Non-controlling interest	Total equity
Attributable to Bank shareholders												
<b>1 January 2020</b>	<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>(9)</b>	<b>14,468</b>	<b>10,000</b>	<b>1,536</b>	<b>106,414</b>	<b>310,804</b>	<b>-</b>	<b>310,804</b>
<i>Transfer to/from statutory reserve</i>	-	-	-	-	-	(41)	-	-	41	-	-	-
<i>Acquisition of own shares</i>	6	-	-	-	-	-	(320)	-	-	(320)	-	(320)
<i>Share-based payment</i>	6	-	-	-	-	-	320	823	-	1,143	-	1,143
<i>Total comprehensive income</i>	-	-	-	-	397	-	-	-	43,042	43,439	-	43,439
<b>31 December 2020</b>	<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>388</b>	<b>14,427</b>	<b>10,000</b>	<b>2,359</b>	<b>149,497</b>	<b>355,066</b>	<b>-</b>	<b>355,066</b>
<i>Transfer to statutory reserve</i>	-	-	-	-	-	7,466	-	-	(7,466)	-	-	-
<i>Acquisition of own shares</i>	-	-	(516)	-	-	-	(234)	-	-	(750)	-	(750)
<i>Share-based payment</i>	6	-	-	-	-	-	234	929	-	1,163	-	1,163
<i>Payment of dividends</i>	6	-	-	-	-	-	-	-	(3,304)	(3,304)	-	(3,304)
<i>Total comprehensive income</i>	-	-	-	-	(971)	-	-	-	55,223	54,252	-	54,252
<b>31 December 2021</b>	<b>174,211</b>	<b>3,428</b>	<b>(516)</b>	<b>756</b>	<b>(583)</b>	<b>21,893</b>	<b>10,000</b>	<b>3,288</b>	<b>193,950</b>	<b>406,427</b>	<b>-</b>	<b>406,427</b>

THE BANK'S CONDENSED STATEMENT OF CHANGES IN EQUITY

Notes	Share capital	Share premium	Treasury shares (-)	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total
<b>1 January 2020</b>	<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>(22)</b>	<b>14,246</b>	<b>10,000</b>	<b>1,345</b>	<b>107,387</b>	<b>311,351</b>
<i>Acquisition of own shares</i>	6	-	-	-	-	-	(320)	-	-	(320)
<i>Share-based payment</i>	6	-	-	-	-	-	320	721	-	1,041
<i>Total comprehensive income</i>	-	-	-	-	397	-	-	-	43,095	43,492
<b>31 December 2020</b>	<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>375</b>	<b>14,246</b>	<b>10,000</b>	<b>2,066</b>	<b>150,482</b>	<b>355,564</b>
<i>Transfer to statutory reserve</i>	-	-	-	-	-	7,524	-	-	(7,524)	-
<i>Acquisition of own shares</i>	6	-	(516)	-	-	-	(234)	-	-	(750)
<i>Share-based payment</i>	6	-	-	-	-	-	234	804	-	1,038
<i>Payment of dividends</i>	6	-	-	-	-	-	-	-	(3,304)	(3,304)
<i>Total comprehensive income</i>	-	-	-	-	(972)	-	-	-	56,005	55,033
<b>31 December 2021</b>	<b>174,211</b>	<b>3,428</b>	<b>(516)</b>	<b>756</b>	<b>(597)</b>	<b>21,770</b>	<b>10,000</b>	<b>2,870</b>	<b>195,659</b>	<b>407,581</b>

The notes on pages 10 - 33 constitute an integral part of these condensed interim financial statements.

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

	Notes	for twelve months period ended			
		31 December 2021		31 December 2020	
		Group	Bank	Group	Bank
				(restated)	(restated)
<b>Operating activities</b>					
Interest received on loans and advances		90,120	76,894	88,851	74,748
Interest received on securities in the trading book		496	372	463	463
Interest paid		(11,498)	(11,498)	(9,704)	(9,445)
Fees and commissions received		24,582	25,193	22,578	23,014
Fees and commissions paid		(7,457)	(7,239)	(6,379)	(6,327)
Net cash inflows (outflows) from trade in securities in the trading book		(1,527)	(7,040)	1,555	3,273
Net inflows from foreign exchange operations		4,512	4,439	13,619	11,843
Net inflows from derecognition of financial assets		4,363	2,729	1,265	384
Net inflows from derecognition of non-financial assets		3,736	66	376	7
Cash inflows related to other activities of Group companies		10,757	1,136	7,942	452
Cash outflows related to other activities of Group companies		(8,032)	-	(5,448)	-
Recoveries on loans previously written off		1,126	541	2,868	694
Salaries and related payments to and on behalf of employees		(26,396)	(22,931)	(23,470)	(20,874)
Payments related to operating and other expenses		(22,223)	(17,678)	(16,408)	(26,754)
Income tax paid		(11,914)	(10,625)	(9,046)	(8,502)
<b>Net cash flow from operating activities before change in operating assets and liabilities</b>		<b>50,645</b>	<b>34,359</b>	<b>69,062</b>	<b>42,976</b>
<b>Change in operating assets and liabilities:</b>					
Decrease (increase) in due from other banks		402	402	(1,318)	(1,318)
(Increase) in loans to customers and finance lease receivables		(314,018)	(300,088)	(99,161)	(94,789)
(Increase)/decrease in finance lease receivables		(36,149)	(39,380)	175	1,571
Decrease (increase) in other assets		(5,526)	(6,786)	(213)	(4,881)
Decrease (increase) in due to banks and financial institutions		469,915	472,001	153,432	154,600
Increase (decrease) increase in due to customers		332,301	333,110	313,164	311,733
Increase in special and lending funds		918	918	(1,311)	(1,311)
Increase (decrease) in other liabilities		(7,405)	(2,113)	(4,204)	21,892
<b>Change</b>		<b>440,438</b>	<b>458,064</b>	<b>360,564</b>	<b>387,497</b>
<b>Net cash flow from (used in) from operating activities</b>		<b>491,083</b>	<b>492,423</b>	<b>429,626</b>	<b>430,473</b>
<b>Investing activities</b>					
Acquisition of property, plant and equipment, investment property and intangible assets		(1,014)	(866)	(4,396)	(4,335)
Disposal of property, plant and equipment, investment property and intangible assets		8,028	378	2,347	2,292
Acquisition of debt securities at amortized cost		(100,202)	(99,382)	(389,552)	(387,599)
Proceeds from redemption of debt securities at amortized cost		100,755	100,039	225,013	225,008
Interest received on debt securities at amortized cost		9,473	9,323	6,644	6,381
Dividends received		-	5,000	2	4,002
Acquisition of investment securities at fair value		(100,447)	(89,161)	(24,605)	(28,640)
Sale or redemption of investment securities at fair value		50,297	40,425	4,847	4,551
Interest received on investment securities at fair value		649	403	551	551
Disposal of subsidiaries		5,478	5,428	-	-
<b>Net cash flow (used in) from investing activities</b>		<b>(26,983)</b>	<b>(28,413)</b>	<b>(179,149)</b>	<b>(177,789)</b>
<b>Financing activities</b>					
Payment of dividends		(3,299)	(3,299)	(11)	(11)
Interest on debt securities in issue		(1,230)	(1,230)	(1,230)	(1,230)
Issue of debt securities		75,000	75,000	-	-
Principal elements of lease payments		(1,432)	(1,281)	(1,569)	(1,376)
<b>Net cash flow (used in) financing activities</b>		<b>69,039</b>	<b>69,190</b>	<b>(2,810)</b>	<b>(2,617)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>533,139</b>	<b>533,200</b>	<b>247,667</b>	<b>250,067</b>
<b>Cash and cash equivalents at 1 January</b>		<b>432,584</b>	<b>431,649</b>	<b>184,917</b>	<b>181,582</b>
<b>Cash and cash equivalents at 31 December</b>		<b>965,723</b>	<b>964,849</b>	<b>432,584</b>	<b>431,649</b>

The notes on pages 10 - 33 constitute an integral part of these condensed interim financial statements.

## GENERAL INFORMATION

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

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. At the end of the reporting period the Bank had 56 customer service outlets (31 December 2020: 59 outlets). As at 31 December 2021 the Bank had 789 employees (31 December 2020: 756). As at 31 December 2021 the Group had 882 employees (31 December 2020: 849 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 twelve months period ended 31 December 2021 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 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by EU. Except for the points described below, all the accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements of the Bank and the Group for the year ended 31 December 2020.

#### Income tax

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

#### New and amended standards, and interpretations

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

#### Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. In preparing these condensed interim financial statements, the significant judgements made in applying Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2020, 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 Covid-19 pandemic and uncertainties regarding further global, country and sector development trends existed, therefore there is a significant probability that actual results may deviate from the estimated.

These financial statements combine the consolidated financial statements for the Group and stand-alone financial statements of the Bank.

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

**NOTE 1**

**LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES**

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

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

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

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

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

	31 December 2021		31 December 2020	
	Group	Bank	Group	Bank
<i>Cash equivalents</i>	898,862	897,988	363,088	362,251
<i>Loans and advances to banks</i>	1,196	1,196	1,598	1,598
<b><i>Loans and advances to customers:</i></b>	<b>1,908,681</b>	<b>1,889,629</b>	<b>1,605,663</b>	<b>1,592,363</b>
<i>Loans and advances to financial institutions</i>	-	125,032	-	107,574
<i>Loans to individuals (Retail)</i>	693,985	557,086	547,122	426,374
<i>Loans to business customers</i>	1,214,696	1,207,511	1,058,541	1,058,415
<i>Finance lease receivables</i>	195,174	194,909	155,457	155,290
<b><i>Debt securities at fair value through profit or loss</i></b>	<b>20,454</b>	<b>14,622</b>	<b>14,540</b>	<b>8,844</b>
<i>Derivative financial instruments</i>	2,121	2,121	445	445
<b><i>Debt securities at fair value through other comprehensive income</i></b>	<b>78,126</b>	<b>78,126</b>	<b>30,429</b>	<b>30,429</b>
<i>Debt securities at amortized cost</i>	705,398	692,226	709,454	697,136
<b><i>Other assets subject to credit risk</i></b>	<b>16,398</b>	<b>16,271</b>	<b>4,695</b>	<b>4,278</b>
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	52,931	52,992	48,790	48,851
<i>Letters of credit</i>	1,308	1,308	3,522	3,522
<i>Loan commitments and other credit related liabilities</i>	397,225	407,440	281,765	300,768
<b>Total</b>	<b>4,277,874</b>	<b>4,248,828</b>	<b>3,219,446</b>	<b>3,205,775</b>

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

Loans to customers

Loans and advances are summarized as follows:

	31 December 2021		31 December 2020	
	Group	Bank	Group	Bank
<b>Gross</b>	1,944,377	1,917,766	1,648,446	1,630,184
<i>Less: allowance for impairment</i>	(35,696)	(28,137)	(42,783)	(37,821)
<b>Net</b>	<b>1,908,681</b>	<b>1,889,629</b>	<b>1,605,663</b>	<b>1,592,363</b>

The distribution of loans by stages and days past due:

	31 December 2021					31 December 2020				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
<b>Stage 1:</b>										
<i>Gross amount</i>	1,600,390	41,547	505	6	1,642,448	1,258,537	24,002	14	29	1,282,582
<i>Allowance for impairment</i>	(11,439)	(1,028)	(1)	-	(12,468)	(6,517)	(1,056)	-	(1)	(7,574)
<b>Net amount</b>	<b>1,588,951</b>	<b>40,519</b>	<b>504</b>	<b>6</b>	<b>1,629,980</b>	<b>1,252,020</b>	<b>22,946</b>	<b>14</b>	<b>28</b>	<b>1,275,008</b>
<b>Stage 2:</b>										
<i>Gross amount</i>	220,434	8,966	6,207	2	235,609	241,246	5,117	5,482	5	251,850
<i>Allowance for impairment</i>	(2,329)	(282)	(1,299)	-	(3,910)	(5,130)	(248)	(1,610)	(1)	(6,989)
<b>Net amount</b>	<b>218,105</b>	<b>8,684</b>	<b>4,908</b>	<b>2</b>	<b>231,699</b>	<b>236,116</b>	<b>4,869</b>	<b>3,872</b>	<b>4</b>	<b>244,861</b>
<b>Stage 3:</b>										
<i>Gross amount</i>	28,278	17,231	2,913	17,898	66,320	61,559	6,658	3,160	42,637	114,014
<i>Allowance for impairment</i>	(5,351)	(3,151)	(955)	(9,861)	(19,318)	(6,249)	(1,107)	(1,018)	(19,846)	(28,220)
<b>Net amount</b>	<b>22,927</b>	<b>14,080</b>	<b>1,958</b>	<b>8,037</b>	<b>47,002</b>	<b>55,310</b>	<b>5,551</b>	<b>2,142</b>	<b>22,791</b>	<b>85,794</b>
<b>Total:</b>										
<i>Gross amount</i>	1,849,102	67,744	9,625	17,906	1,944,377	1,561,342	35,777	8,656	42,671	1,648,446
<i>Allowance for impairment</i>	(19,119)	(4,461)	(2,255)	(9,861)	(35,696)	(17,896)	(2,411)	(2,628)	(19,848)	(42,783)
<b>Net amount</b>	<b>1,829,983</b>	<b>63,283</b>	<b>7,370</b>	<b>8,045</b>	<b>1,908,681</b>	<b>1,543,446</b>	<b>33,366</b>	<b>6,028</b>	<b>22,823</b>	<b>1,605,663</b>

	31 December 2021					31 December 2020				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
<b>Stage 1:</b>										
<i>Gross amount</i>	1,476,592	28,571	505	6	1,505,674	1,256,789	11,159	14	10	1,267,972
<i>Allowance for impairment</i>	(8,217)	(57)	(1)	-	(8,275)	(3,747)	(79)	-	-	(3,826)
<b>Net amount</b>	<b>1,468,375</b>	<b>28,514</b>	<b>504</b>	<b>6</b>	<b>1,497,399</b>	<b>1,253,042</b>	<b>11,080</b>	<b>14</b>	<b>10</b>	<b>1,264,146</b>
<b>Stage 2:</b>										
<i>Gross amount</i>	338,302	8,966	2,710	2	349,980	241,247	5,117	1,206	-	247,570
<i>Allowance for impairment</i>	(2,329)	(282)	(47)	-	(2,658)	(5,130)	(248)	(57)	-	(5,435)
<b>Net amount</b>	<b>335,973</b>	<b>8,684</b>	<b>2,663</b>	<b>2</b>	<b>347,322</b>	<b>236,117</b>	<b>4,869</b>	<b>1,149</b>	<b>-</b>	<b>242,135</b>
<b>Stage 3:</b>										
<i>Gross amount</i>	26,965	16,442	1,472	17,233	62,112	65,546	5,835	1,732	41,529	114,642
<i>Allowance for impairment</i>	(4,695)	(2,762)	(246)	(9,501)	(17,204)	(8,310)	(688)	(291)	(19,271)	(28,560)
<b>Net amount</b>	<b>22,270</b>	<b>13,680</b>	<b>1,226</b>	<b>7,732</b>	<b>44,908</b>	<b>57,236</b>	<b>5,147</b>	<b>1,441</b>	<b>22,258</b>	<b>86,082</b>
<b>Total:</b>										
<i>Gross amount</i>	1,841,859	53,979	4,687	17,241	1,917,766	1,563,582	22,111	2,952	41,539	1,630,184
<i>Allowance for impairment</i>	(15,241)	(3,101)	(294)	(9,501)	(28,137)	(17,187)	(1,015)	(348)	(19,271)	(37,821)
<b>Net amount</b>	<b>1,826,618</b>	<b>50,878</b>	<b>4,393</b>	<b>7,740</b>	<b>1,889,629</b>	<b>1,546,395</b>	<b>21,096</b>	<b>2,604</b>	<b>22,268</b>	<b>1,592,363</b>

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

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

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

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

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

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

In April 2020 the Bank joined the moratoria initiated by the Association of Lithuanian Banks (ALB) that offer principal repayment deferral solutions for individual and business customers. Moratoria ended on 30 September 2020, but, taking into account Covid-19 developments in Lithuania, they were renewed in January 2021 until 31 March 2021. As interest rate is not modified as a condition for moratoria, no material result from contract modifications was recorded (during twelve months period ended 31 December 2021, loan modifications resulted in net loss of EUR 5 thousand, which was included in income statement line "Other operating income"). Renewed moratoria did not reach significant volumes – extensions according to the renewed moratoria were applied for loans and finance lease receivables with carrying amount of EUR 2,831 thousand. Major part of the loans that had extensions according to moratoria have returned to their original payment schedules – as of 31 December 2021 there were no loans and finance lease receivables with unexpired payment deferrals according to moratoria (including renewed moratoria). Also, loans and finance lease receivables with carrying amount of EUR 7,791 thousand had other extension measures that were not under moratoria and had not returned to the original payment schedules.

**Finance lease receivables**

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

	31 December 2021		31 December 2020	
	Group	Bank	Group	Bank
<i>Business customers</i>	172,214	171,202	133,358	132,448
<i>Individuals</i>	26,746	26,746	26,684	26,684
<b>Gross</b>	<b>198,960</b>	<b>197,948</b>	<b>160,042</b>	<b>159,132</b>
<i>Less: Allowance for impairment</i>	(3,786)	(3,039)	(4,585)	(3,842)
<b>Net</b>	<b>195,174</b>	<b>194,909</b>	<b>155,457</b>	<b>155,290</b>

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

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

	31 December 2021					31 December 2020				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
<b>Group</b>										
<b>Stage 1:</b>										
Gross amount	165,656	5,304	-	-	170,960	113,772	4,868	-	-	118,640
Allowance for impairment	(947)	(19)	-	-	(966)	(764)	(36)	-	-	(800)
<b>Net amount</b>	<b>164,709</b>	<b>5,285</b>	<b>-</b>	<b>-</b>	<b>169,994</b>	<b>113,008</b>	<b>4,832</b>	<b>-</b>	<b>-</b>	<b>117,840</b>
<b>Stage 2:</b>										
Gross amount	19,180	822	543	-	20,545	29,376	1,415	597	-	31,388
Allowance for impairment	(212)	(21)	(7)	-	(240)	(833)	(63)	(35)	-	(931)
<b>Net amount</b>	<b>18,968</b>	<b>801</b>	<b>536</b>	<b>-</b>	<b>20,305</b>	<b>28,543</b>	<b>1,352</b>	<b>562</b>	<b>-</b>	<b>30,457</b>
<b>Stage 3:</b>										
Gross amount	5,618	275	111	1,451	7,455	6,685	1,068	191	2,070	10,014
Allowance for impairment	(1,473)	(25)	(43)	(1,039)	(2,580)	(1,125)	(36)	(86)	(1,607)	(2,854)
<b>Net amount</b>	<b>4,145</b>	<b>250</b>	<b>68</b>	<b>412</b>	<b>4,875</b>	<b>5,560</b>	<b>1,032</b>	<b>105</b>	<b>463</b>	<b>7,160</b>
<b>Total:</b>										
Gross amount	190,454	6,401	654	1,451	198,960	149,833	7,351	788	2,070	160,042
Allowance for impairment	(2,632)	(65)	(50)	(1,039)	(3,786)	(2,722)	(135)	(121)	(1,607)	(4,585)
<b>Net amount</b>	<b>187,822</b>	<b>6,336</b>	<b>604</b>	<b>412</b>	<b>195,174</b>	<b>147,111</b>	<b>7,216</b>	<b>667</b>	<b>463</b>	<b>155,457</b>

	31 December 2021					31 December 2020				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
<b>Bank</b>										
<b>Stage 1:</b>										
Gross amount	165,446	5,304	-	-	170,750	113,660	4,867	-	-	118,527
Allowance for impairment	(946)	(19)	-	-	(965)	(763)	(36)	-	-	(799)
<b>Net amount</b>	<b>164,500</b>	<b>5,285</b>	<b>-</b>	<b>-</b>	<b>169,785</b>	<b>112,897</b>	<b>4,831</b>	<b>-</b>	<b>-</b>	<b>117,728</b>
<b>Stage 2:</b>										
Gross amount	19,180	822	543	-	20,545	29,376	1,415	597	-	31,388
Allowance for impairment	(212)	(21)	(7)	-	(240)	(833)	(63)	(35)	-	(931)
<b>Net amount</b>	<b>18,968</b>	<b>801</b>	<b>536</b>	<b>-</b>	<b>20,305</b>	<b>28,543</b>	<b>1,352</b>	<b>562</b>	<b>-</b>	<b>30,457</b>
<b>Stage 3:</b>										
Gross amount	5,618	275	111	649	6,653	6,685	1,068	191	1,273	9,217
Allowance for impairment	(1,473)	(25)	(43)	(293)	(1,834)	(1,125)	(36)	(86)	(865)	(2,112)
<b>Net amount</b>	<b>4,145</b>	<b>250</b>	<b>68</b>	<b>356</b>	<b>4,819</b>	<b>5,560</b>	<b>1,032</b>	<b>105</b>	<b>408</b>	<b>7,105</b>
<b>Total:</b>										
Gross amount	190,244	6,401	654	649	197,948	149,721	7,350	788	1,273	159,132
Allowance for impairment	(2,631)	(65)	(50)	(293)	(3,039)	(2,721)	(135)	(121)	(865)	(3,842)
<b>Net amount</b>	<b>187,613</b>	<b>6,336</b>	<b>604</b>	<b>356</b>	<b>194,909</b>	<b>147,000</b>	<b>7,215</b>	<b>667</b>	<b>408</b>	<b>155,290</b>

**NOTE 2  
SECURITIES**

**Securities in the trading book**

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

	31 December 2021		31 December 2020	
	Group	Bank	Group	Bank
<b>Debt securities:</b>	<b>20,454</b>	<b>14,622</b>	<b>14,540</b>	<b>8,844</b>
Government bonds	2,020	11	6,403	4,182
Corporate bonds	18,434	14,611	8,137	4,662
<b>Equity securities</b>	<b>27,727</b>	<b>477</b>	<b>22,528</b>	<b>738</b>
<b>Total</b>	<b>48,181</b>	<b>15,099</b>	<b>37,068</b>	<b>9,582</b>
	31 December 2021		31 December 2020	
	Group	Bank	Group	Bank
<b>Trading securities:</b>				
<b>Debt securities</b>	<b>17,721</b>	<b>14,622</b>	<b>11,806</b>	<b>8,844</b>
from AA- to AAA	-	-	-	-
from A- to A+	4,235	4,046	3,968	3,771
from BBB- to BBB+	830	207	1,665	1,035
from BB- to BB+	514	-	973	610
lower than BB-	-	-	270	270
no rating	12,142	10,369	4,930	3,158
<b>Equity securities</b>	<b>477</b>	<b>477</b>	<b>738</b>	<b>738</b>
listed	449	449	732	732
unlisted	28	28	6	6
units of investment funds	-	-	-	-
<b>Total trading securities</b>	<b>18,198</b>	<b>15,099</b>	<b>12,544</b>	<b>9,582</b>
<b>Other trading book securities:</b>				
<b>Debt securities</b>	<b>2,733</b>	-	<b>2,734</b>	-
from AA- to AAA	-	-	-	-
from A- to A+	199	-	216	-
from BBB- to BBB+	1,726	-	1,614	-
from BB- to BB+	-	-	97	-
lower than BB-	-	-	-	-
no rating	808	-	807	-
<b>Equity securities</b>	<b>27,250</b>	-	<b>21,790</b>	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	27,250	-	21,790	-
<b>Total other trading book securities</b>	<b>29,983</b>	-	<b>24,524</b>	-
<b>TOTAL</b>	<b>48,181</b>	<b>15,099</b>	<b>37,068</b>	<b>9,582</b>

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

Investment securities

	31 December 2021		31 December 2020	
	Group	Bank	Group	Bank
<b><u>Securities at fair value:</u></b>				
<b>Debt securities:</b>	<b>78,126</b>	<b>78,126</b>	<b>30,429</b>	<b>30,429</b>
Government bonds	53,991	53,991	17,709	17,709
Corporate bonds	24,135	24,135	12,720	12,720
<b>Equity securities</b>	<b>4,862</b>	<b>4,825</b>	<b>3,913</b>	<b>3,786</b>
<b>Total</b>	<b>82,988</b>	<b>82,951</b>	<b>34,342</b>	<b>34,215</b>
<b><u>Securities at amortized cost:</u></b>				
<b>Debt securities:</b>	<b>705,398</b>	<b>692,226</b>	<b>709,454</b>	<b>697,136</b>
Government bonds	541,026	535,006	532,501	526,700
Corporate bonds	164,372	157,220	176,953	170,436
<b>Total</b>	<b>705,398</b>	<b>692,226</b>	<b>709,454</b>	<b>697,136</b>

	31 December 2021		31 December 2020	
	Group	Bank	Group	Bank
<b><u>Securities at fair value:</u></b>				
<b>Debt securities</b>	<b>78,126</b>	<b>78,126</b>	<b>30,429</b>	<b>30,429</b>
from AA- to AA+	-	-	-	-
from A- to A+	57,534	57,534	16,971	16,971
from BBB- to BBB+	9,696	9,696	11,837	11,837
from BB- to BB+	10,896	10,896	1,621	1,621
lower than BB-	-	-	-	-
no rating	-	-	-	-
<b>Equities</b>	<b>4,862</b>	<b>4,825</b>	<b>3,913</b>	<b>3,786</b>
listed	290	290	-	-
unlisted	455	455	525	398
units of investment funds	4,117	4,080	3,388	3,388
<b>Total</b>	<b>82,988</b>	<b>82,951</b>	<b>34,342</b>	<b>34,215</b>
<b><u>Securities at amortized cost:</u></b>				
<b>Debt securities</b>	<b>705,398</b>	<b>692,226</b>	<b>709,454</b>	<b>697,136</b>
from AA- to AA+	3,101	2,896	6,116	5,910
from A- to A+	551,810	545,789	535,155	529,095
from BBB- to BBB+	148,969	143,541	167,269	162,131
from BB- to BB+	1,518	-	914	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
<b>Total</b>	<b>705,398</b>	<b>692,226</b>	<b>709,454</b>	<b>697,136</b>

Credit stages of investment debt securities:

	31 December 2021		31 December 2020	
	Group	Bank	Group	Bank
<b>Stage 1:</b>				
Gross amount	783,670	770,683	739,065	726,933
Allowance for impairment	(342)	(331)	(316)	(306)
<b>Net amount</b>	<b>783,328</b>	<b>770,352</b>	<b>738,749</b>	<b>726,627</b>
<b>Stage 2:</b>				
Gross amount	199	-	1,173	974
Allowance for impairment	(3)	-	(39)	(36)
<b>Net amount</b>	<b>196</b>	<b>-</b>	<b>1,134</b>	<b>938</b>
<b>Stage 3:</b>				
Gross amount	1,020	-	1,016	-
Allowance for impairment	(1,020)	-	(1,016)	-
<b>Net amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>783,524</b>	<b>770,352</b>	<b>739,883</b>	<b>727,565</b>

During twelve months periods ended 31 December 2021 and 31 December 2020, no material reclassifications between portfolios of securities were performed.

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

**Investments in subsidiaries**

As of 31 December 2021 and 31 December 2020 the Bank owned the following directly controlled subsidiaries:

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

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

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

As of 31 December 2020 the Bank owned the following indirectly controlled subsidiaries:

1. Apželdinimas UAB (real estate management activities),
2. Sandworks UAB (real estate management activities).

During twelve months period ended 31 December 2021, Bank's share in Minera UAB and Šiaulių Banko Investicijų Valdymas UAB was sold. The result of Minera disposal is included in Group's result from derecognition of financial assets (result of sale is nil in Bank's accounts). The result of Šiaulių Banko Investicijų Valdymas disposal is included in Bank's result from derecognition of financial assets (result of disposal is nil in Group's accounts as share were sold to SB Turto Fondas). During twelve months period ended 31 December 2021, SB Turto Fondas share in Apželdinimas UAB was sold. The result of Apželdinimas disposal is included in Group's result from derecognition of financial assets.

<i>Investment in subsidiaries disposal results for period ended 31 December 2021</i>	Minera UAB	Apželdinimas UAB	Šiaulių Banko Investicijų Valdymas UAB	Total
<i>Result of disposal</i>	(348)	1,852	-	1,504

Bank's investments in subsidiaries consisted of:

	Share in equity	31 December 2021	31 December 2020
<i>SB draudimas GD UAB</i>	100%	11,788	10,513
<i>SB lizingas UAB</i>	100%	13,224	13,274
<i>Šiaulių Banko Lizingas UAB</i>	100%	1,074	1,074
<i>SB Turto Fondas UAB</i>	100%	5,582	4,274
<b>Total</b>		<b>31,668</b>	<b>29,135</b>

Bank's subsidiary SB draudimas GD UAB was tested for impairment using embedded value approach as of 31 December 2021 and 31 December 2020. No impairment indications were determined at these dates.

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

**Other assets**

	31 December 2021		31 December 2020	
	Group	Bank	Group	Bank
<i>Amounts receivable</i>	16,398	16,271	4,695	4,278
<i>Inventories</i>	538	-	1,391	-
<i>Deferred charges</i>	1,274	1,243	748	736
<i>Assets under reinsurance and insurance contracts</i>	1,773	-	1,315	-
<i>Prepayments</i>	3,957	2,820	3,477	1,469
<i>Foreclosed assets</i>	103	54	509	431
<i>Other</i>	4,094	4,172	2,661	2,627
<b>Total</b>	<b>28,137</b>	<b>24,560</b>	<b>14,796</b>	<b>9,541</b>

## NOTE 3

### SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS (CONTINUED)

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

Assets held for sale consist of:

	31 December 2021		31 December 2020	
	Group	Bank	Group	Bank
<i>Assets related to subsidiaries classified as held for sale</i>	-	-	6,687	3,713
<i>Real estate classified as held for sale</i>	620	620	860	860
<b>Total assets classified as held for sale</b>	<b>620</b>	<b>620</b>	<b>7,547</b>	<b>4,573</b>
<i>Liabilities attributable to subsidiaries classified as held for sale</i>	-	-	98	-

By implementing its strategic plan, the Bank optimizes the structure of its subsidiaries, therefore in fourth quarter of 2020 following subsidiaries were included in subsidiaries held for sale: Minera UAB (intension to sell shares) and Šiaulių Banko Investicijų Valdymas UAB (intension to liquidate). As all of the entities attributed to assets held for sale are 100%-owned, the whole amount of the profit (loss) from discontinued operations was attributable to equity owners of the Group. During twelve months period ended 31 December 2021 Bank's management has revised definition of assets held for sale therefore at 31 December 2021 none of subsidiaries are classified as assets held for sale and their profit (losses) are no longer attributed to results from discontinued operations.

<i>Investment in subsidiaries classified as held for sale, as of 31 December 2020</i>	Minera UAB	Šiaulių Banko Investicijų Valdymas UAB	Total
<i>Assets held for sale attributable to entity</i>	5,294	1,393	6,687
<i>Liabilities attributable to assets held for sale attributable to entity</i>	74	24	98

## NOTE 4

### DUE TO CUSTOMERS

	31 December 2021		31 December 2020	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	53,063	53,063	49,085	49,085
<i>Local government institutions</i>	127,692	127,692	72,992	72,992
<i>Governmental and municipal companies</i>	32,046	32,046	23,135	23,135
<i>Corporate entities</i>	803,905	806,287	636,651	638,224
<i>Non-profit organizations</i>	37,567	37,567	22,791	22,791
<i>Individuals</i>	773,999	773,999	643,878	643,878
<i>Unallocated amounts due to customers</i>	24,968	24,989	11,887	11,908
<b>Total demand deposits</b>	<b>1,853,240</b>	<b>1,855,643</b>	<b>1,460,419</b>	<b>1,462,013</b>
<i>Time deposits:</i>				
<i>National government institutions</i>	1,015	1,015	1,059	1,059
<i>Local government institutions</i>	3,077	3,077	761	761
<i>Governmental and municipality companies</i>	3,939	3,939	2,259	2,259
<i>Corporate entities</i>	57,060	57,060	46,309	46,309
<i>Non-profit organizations</i>	2,984	2,984	3,371	3,371
<i>Individuals</i>	757,868	757,868	833,249	833,249
<b>Total term deposits</b>	<b>825,943</b>	<b>825,943</b>	<b>887,008</b>	<b>887,008</b>
<b>Total</b>	<b>2,679,183</b>	<b>2,681,586</b>	<b>2,347,427</b>	<b>2,349,021</b>

## NOTE 5

## SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITIES ITEMS

**Due to other banks and financial institutions**

As at 31 December 2021, the outstanding borrowing on the balance sheet under third series of the targeted longer-term refinancing operations (TLTRO-III) program of the European Central Bank amounted to EUR 629 million. On 29 September 2021 Bank has borrowed additional EUR 479 million via ECB's latest TLTRO III.9 operation. Loan maturity date is on 25 September 2024 with early repayment option started on 29 June 2022. The Bank has not used early repayment option. Interest rate on TLTRO III was -0.5% from June 2020 to June 2021 and for banks meeting the lending thresholds, the interest rate can be as low as -1%. The Bank has met the lending thresholds as of 31 December 2021 therefore has included the bonus on the special interest period in its effective interest recognition retrospectively. Based on an internal assessment, part of the inflow of economic benefits from TLTRO-III borrowing with negative effective interest rate, which may be justified as market rate, is recognised within the income statement line "Interest income". The remainder is a benefit of the below-market rate of interest and is recognised within the income statement line "Other income" as a support or compensation for the fulfilment of the required obligations. Securities with a carrying value of EUR 635,885 thousand were placed as a collateral for these borrowings.

**Special and lending funds**

The special funds consist of the funds from the mandatory social and health insurance funds. The special funds have to be returned to the institutions which have placed them upon the first requirement of the latter. The increase in special and lending funds from EUR 5,749 thousand in the beginning of the year to EUR 6,667 thousand in the end of the reporting period is attributable to routine fluctuations in these funds.

NOTE 6  
CAPITAL

As of 31 December 2021 and 31 December 2020 the Banks's share capital amounted to EUR 174,210,616.27, it comprised 600,726,263 ordinary registered shares with par value of EUR 0.29 each.

At 31 December 2020 European Bank for Reconstruction and Development (EBRD) possessed 26.02% of the authorised capital and votes of the Bank. On 22 December 2021 EBRD announced that it has agreed to sell an 18 % stake in Bank. EBRD has signed 3 separate agreements with Invalda INVL, an asset management group, Nord Security, (part of the Tesonet group of companies and soon to be renamed Tesonet Global), and ME Investicija, a holding company that owns Girteka Logistics, to sell stakes of 5.87%, 5.87% and 6.29% in Bank, respectively. Acquisitions of shares will take place through a series of transactions until June 2024 and in some cases might be subject to regulatory approvals. On 29 December 2021 ME Investicija announced about acquisition of 5.71% of Bank's shares. After this transaction as of 31 December 2021 EBRD possessed 21.96% of the authorised capital and votes of the Bank.

As at 31 December 2021, the Bank had 16,573 shareholders (as at 31 December 2020: 9,053).

**Dividends:**

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

On 31 March 2020 the ordinary general meeting of shareholders did not approve draft profit distribution therefore no dividends were paid out for year 2019 and all the profit that the Bank has earned for 2019 remains undistributed.

**Reserve for acquisition of own shares:**

On 28 March 2019 the ordinary general meeting of shareholders made a decision to form a reserve for acquisition of own shares from retained earnings. 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.

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

During the twelve months period ended 31 December 2020 the Bank acquired 780 thousand units of own shares for EUR 320 thousand. The acquired shares were granted to the employees of the Bank and its subsidiaries as a deferred part of variable remuneration for 2016 and 2017. As of 31 December 2020, the Bank did not possess its own shares.

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

**Other equity:**

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

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

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

- For the option granted 31 March 2021: grant date (31 March 2021), expiry day (12 April 2024), share price 0.538 on grant day, exercise price 0.498, expected price volatility of the bank's shares 25%, risk free interest rate - 0.1%;
- For the option granted 31 March 2020: grant date (31 March 2020), expiry day (15 April 2023), share price 0.510 on grant day, exercise price 0.449, expected price volatility of the bank's shares 21%, risk free interest rate - 0.1%;
- For the option granted 28 March 2019: grant date (28 March 2019), expiry day (15 April 2022), share price EUR 0.456 on grant day, exercise price 0.393, expected price volatility of the bank's shares 24%, risk free interest rate -0.2%.

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

	31 December 2021		31 December 2020	
	Group	Bank	Group	Bank
<i>Options</i>	3,288	2,870	2,233	1,959
<i>Shares distributable to employees</i>	-	-	126	107
<b>Total</b>	<b>3,288</b>	<b>2,870</b>	<b>2,359</b>	<b>2,066</b>

No options were forfeited, exercised or expired during periods ended 31 December 2021 and 31 December 2020.

**Basic earnings per share:**

Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period. There were no potential ordinary shares at 31 December 2021 and 31 December 2020, therefore the Group had no dilutive potential ordinary shares and diluted earnings per share are equal to basic earnings per share.

The number of shares in issue for the year ended 31 December 2021 and 31 December 2020 was 600,726 thousand. Weighted average number of shares in issue for the period ended 31 December 2021 was 600,462 thousand (31 December 2020: 600,717 thousand).

**Group**

	31 December 2021	31 December 2020
<i>Net profit from continuing operations attributable to equity holders</i>	55,223	42,921
<i>Net profit (loss) from discontinued operations attributable to equity holders</i>	-	121
<b>Net profit attributable to equity holders</b>	<b>55,223</b>	<b>43,042</b>
<i>Weighted average number of shares in issue during the period (thousand units)</i>	600,462	600,717
<b>Basic earnings per share (EUR)</b>	<b>0.09</b>	<b>0.07</b>
<i>Basic earnings per share (EUR) from continuing operations</i>	0.09	0.07
<i>Basic earnings per share (EUR) from discontinued operations</i>	-	0.00

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

	1 January - 31 December 2021		1 January - 31 December 2020	
	Group	Bank	Group	Bank
<b>Interest revenue calculated using the effective interest method (on financial assets at amortized cost and fair value through other comprehensive income):</b>	<b>83,035</b>	<b>69,951</b>	<b>78,502</b>	<b>65,067</b>
<i>on loans to other banks and financial institutions and placements with credit institutions</i>	2,135	4,922	921	3,762
<i>on loans to customers</i>	75,590	59,972	70,725	54,688
<i>on debt securities at amortized cost</i>	5,023	4,831	6,559	6,381
<i>on debt securities at fair value through other comprehensive income</i>	287	226	297	236
<i>Other similar income:</i>	8,861	8,719	7,527	7,435
<i>on debt securities at fair value through profit or loss</i>	498	372	292	214
<i>on finance leases</i>	7,656	7,633	7,111	7,097
<i>other interest income</i>	707	714	124	124
<b>Total interest income</b>	<b>91,896</b>	<b>78,670</b>	<b>86,029</b>	<b>72,502</b>
<i>Interest expense:</i>				
<i>on financial liabilities designated at fair value through profit or loss</i>	-	-	-	-
<i>on financial liabilities measured at amortized cost</i>	(8,682)	(8,682)	(9,659)	(9,653)
<i>on other liabilities</i>	(2,297)	(2,290)	(662)	(418)
<b>Total interest expense</b>	<b>(10,979)</b>	<b>(10,972)</b>	<b>(10,321)</b>	<b>(10,071)</b>
<b>Net interest income</b>	<b>80,917</b>	<b>67,698</b>	<b>75,708</b>	<b>62,431</b>

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

	1 January - 31 December 2021		1 January - 31 December 2020	
	Group	Bank	Group	Bank
<b>Fee and commission income:</b>				
<i>for administration of loans of third parties</i>	4,474	4,474	4,598	4,598
<i>for settlement services</i>	5,625	5,636	5,106	5,110
<i>for cash operations</i>	4,964	4,965	5,037	5,037
<i>for account administration</i>	4,276	4,276	4,011	4,011
<i>for guarantees, letters of credit, documentary collection</i>	909	909	763	763
<i>for collection of utility and similar payments</i>	290	290	272	276
<i>for services related to securities</i>	3,284	3,403	1,977	2,119
<i>other fee and commission income</i>	795	1,240	849	1,100
<b>Total fee and commission income</b>	<b>24,617</b>	<b>25,193</b>	<b>22,613</b>	<b>23,014</b>
<i>Fee and commission expense:</i>				
<i>for payment cards</i>	(4,229)	(4,229)	(3,459)	(3,459)
<i>for cash operations</i>	(1,168)	(1,168)	(1,203)	(1,203)
<i>for correspondent bank and payment system fees</i>	(653)	(468)	(671)	(452)
<i>for services of financial data vendors</i>	(226)	(226)	(190)	(190)
<i>for services related to securities</i>	(791)	(791)	(678)	(678)
<i>other fee and commission expenses</i>	(390)	(357)	(367)	(345)
<b>Total fee and commission expense</b>	<b>(7,457)</b>	<b>(7,239)</b>	<b>(6,568)</b>	<b>(6,327)</b>
<b>Net fee and commission income</b>	<b>17,160</b>	<b>17,954</b>	<b>16,045</b>	<b>16,687</b>

**NOTE 9**  
**OTHER OPERATING EXPENSES**

	1 January - 31 December 2021		1 January - 31 December 2020	
	Group	Bank	Group	Bank
<i>Rent of buildings and premises</i>	(262)	(268)	(295)	(240)
<i>Utility services for buildings and premises</i>	(895)	(813)	(748)	(680)
<i>Other expenses related to buildings and premises</i>	(856)	(856)	(1,315)	(1,313)
<i>Transportation expenses</i>	(321)	(243)	(307)	(242)
<i>Legal costs</i>	(494)	(494)	(290)	(290)
<i>Personnel and training expenses</i>	(485)	(442)	(305)	(280)
<i>IT and communication expenses</i>	(6,660)	(5,976)	(5,188)	(4,595)
<i>Marketing and charity expenses</i>	(3,112)	(1,283)	(2,716)	(1,211)
<i>Service organization expenses</i>	(1,934)	(1,812)	(2,058)	(1,943)
<i>Non-income taxes, fines</i>	(10)	667	(250)	204
<i>Costs incurred due to debt recovery</i>	(275)	(89)	(384)	(116)
<i>Other expenses</i>	(1,338)	(658)	(1,321)	(975)
<b>Total</b>	<b>(16,643)</b>	<b>(12,268)</b>	<b>(15,177)</b>	<b>(11,681)</b>

**NOTE 10**  
**IMPAIRMENT LOSSES**

	1 January - 31 December 2021		1 January - 31 December 2020	
	Group	Bank	Group	Bank
<i>(Impairment losses) / reversal of impairment losses on loans</i>	(5,832)	(2,176)	(11,270)	(10,294)
<i>Recoveries of loans previously written-off</i>	849	542	1,309	694
<i>Reversal of impairment losses / (impairment losses) on finance lease receivables</i>	797	802	(656)	(655)
<i>Recovered previously written-off finance lease receivables</i>	-	-	142	-
<i>(Impairment losses) on debt securities</i>	10	11	(56)	(52)
<i>Reversal of impairment losses on due from banks</i>	(64)	(64)	(20)	(20)
<i>Reversal of impairment losses / (impairment losses) on other financial assets</i>	(114)	(88)	352	350
<i>(Impairment losses) on subsidiaries</i>	-	-	-	(114)
<i>(Impairment losses) / reversal of impairment losses on other non-financial assets</i>	821	(1)	(1,973)	27
<i>Recoveries of other non-financial assets previously written-off</i>	-	-	-	-
<i>Provisions for other liabilities</i>	(544)	-	199	-
<b>Total</b>	<b>(4,077)</b>	<b>(974)</b>	<b>(11,973)</b>	<b>(10,064)</b>

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

	1 January - 31 December 2021		1 January - 31 December 2020	
	Group	Bank	Group	Bank
<b>Allowance for impairment of loans</b>				
As at 1 January	42,783	37,821	38,509	32,065
Change in allowance for loan impairment	5,832	2,176	8,740	6,428
Loans written off during the period	(12,931)	(11,867)	(5,649)	(3,743)
Other factors (reclassification, FX rate shift, etc.)	12	7	(12)	(12)
As at 31 December	35,696	28,137	41,588	34,738
<b>Allowance for impairment of finance lease receivables</b>				
As at 1 January	4,585	3,842	3,961	3,187
Change in allowance for impairment of finance lease receivables	(797)	(802)	1,694	1,694
Finance lease receivables written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	(2)	(1)	-	-
As at 31 December	3,786	3,039	5,655	4,881
<b>Allowance for impairment of debt securities</b>				
As at 1 January	1,372	342	1,317	290
Change in allowance for impairment of debt securities	(10)	(11)	73	42
Debt securities written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	3	-	(2)	(1)
As at 31 December	1,365	331	1,388	331
<b>Allowance for impairment of due from banks</b>				
As at 1 January	42	42	23	23
Change in allowance for impairment of due from banks	64	64	15	15
Due from banks written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	(1)	(1)
As at 31 December	106	106	37	37
<b>Allowance for impairment of other financial assets</b>				
As at 1 January	161	153	517	505
Change in allowance for impairment of other financial assets	114	88	(229)	(225)
Other financial assets written off during the period	(15)	(13)	6	6
Other factors (reclassification, FX rate shift, etc.)	-	-	(2)	-
As at 31 December	260	228	292	286

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.

Scenario probabilities and weighted average GDP growth:

	2022		2023		2024		2025		2026	
	GDP	Probability								
<b>At 31 December 2021:</b>										
Base scenario	3.60 %	50 %	3.50 %	50 %	3.50 %	50 %	2.40 %	50 %	2.40 %	50 %
Pessimistic scenario	1.10 %	45 %	1.10 %	45 %	1.10 %	45 %	1.10 %	45 %	1.10 %	45 %
Optimistic scenario	3.80 %	5 %	3.80 %	5 %	3.80 %	5 %	3.80 %	5 %	3.80 %	5 %
Weighted average GDP growth	2.49%		2.44%		2.44%		1.89%		1.89%	
<b>At 31 December 2020:</b>										
Base scenario	-4.00 %	21 %	-4.00 %	19 %	-4.00 %	20 %	-4.00 %	21 %	-4.00 %	22 %
Pessimistic scenario	-6.60 %	10 %	-6.60 %	5 %	-6.60 %	5 %	-6.60 %	5 %	-6.60 %	5 %
Optimistic scenario	5.88 %	66 %	5.88 %	75 %	5.88 %	74 %	5.88 %	73 %	5.88 %	72 %
Stressed scenario	-15.30 %	3 %	-15.30 %	1 %	-15.30 %	1 %	-15.30 %	1 %	-15.30 %	1 %
Weighted average GDP growth	1.9%		3.2%		3.1%		3.0%		2.9%	

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 twelve months period ended 31 December 2021 – an impairment loss of EUR 1,353 thousand, for the twelve months period ended 31 December 2020 – an impairment loss of EUR 4,205 thousand.

**NOTE 11**

**SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS**

**Net gain from trading activities**

	1 January - 31 December 2021		1 January - 31 December 2020	
	Group	Bank	Group	Bank
<i>Net gain from operations with securities</i>	4,583	1,908	4,407	4,841
<i>Net gain from foreign exchange and related derivatives</i>	(2,718)	(2,791)	7,161	7,156
<i>Net gain (loss) from other derivatives</i>	10,071	10,071	21	21
<b>Total</b>	<b>11,936</b>	<b>9,188</b>	<b>11,589</b>	<b>12,018</b>

Net gain from trading activities includes investment result of the insurance company assets under unit-linked contracts (see below): a net gain of EUR 2,969 thousand for the twelve months period ended 31 December 2021; a net loss of EUR 363 thousand for the twelve months period ended 31 December 2020.

**Expenses related to insurance activities**

	1 January - 31 December 2021		1 January - 31 December 2020	
	Group	Bank	Group	Bank
<i>Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts*</i>	(2,969)	-	363	-
<i>Other changes of the technical insurance provisions and other expenses related to insurance activities</i>	(5,063)	-	(5,811)	-
<b>Total expenses related to insurance activities</b>	<b>(8,032)</b>	<b>-</b>	<b>(5,448)</b>	<b>-</b>

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

	1 January - 31 December 2021		1 January - 31 December 2020	
	Group	Bank	Group	Bank
<i>Interest and similar income</i>	61	-	61	-
<i>Net gain (loss) from operations with securities</i>	2,835	-	(421)	-
<i>Net gain (loss) from foreign exchange</i>	73	-	(3)	-
<b>Total</b>	<b>2,969</b>	<b>-</b>	<b>(363)</b>	<b>-</b>

**NOTE 12**

**RELATED-PARTY TRANSACTIONS**

Related parties with the Bank are classified as follows:

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

During 2021 and 2020, a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions. According to the local legislation, the information on executed material transactions with related parties is published on Bank's website ([www.sb.lt](http://www.sb.lt)) > About bank > Information > Reports regarding the transactions with related parties).

**NOTE 12**  
**RELATED-PARTY TRANSACTIONS (CONTINUED)**

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

	31 December 2021		31 December 2020	
	Balances of deposits	Balances of loans (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans and debt securities (incl.off-balance sheet credit commitments)
<i>Members of the Council and the Board</i>	1,555	53	1,606	57
<i>Other related parties (excluding subsidiaries of the Bank)</i>	6,319	16,167	4,306	18,161
<b>Total</b>	<b>7,874</b>	<b>16,220</b>	<b>5,912</b>	<b>18,218</b>

As of 31 December 2021, the balance of individual allowance for impairment losses on loans to related parties, except subsidiaries, amounted to EUR 44 thousand (31 December 2020: EUR 51 thousand).

**Transactions with subsidiaries:**

Balances of transactions with the subsidiaries are presented below:

	31 December 2021		31 December 2020	
	Balances of deposits	Balances of loans (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans (incl.off-balance sheet credit commitments)
<i>Non-financial institutions</i>	1,129	-	2,575	4,709
<i>Financial institutions</i>	6,806	136,230	2,466	102,760
	<b>7,935</b>	<b>136,230</b>	<b>5,041</b>	<b>107,469</b>

Bank's total balances with subsidiaries:

	31 December 2021	31 December 2020
<b>Assets</b>		
<i>Loans</i>	117,868	107,468
<i>Other assets</i>	-	93
<i>Bank's investment in subsidiaries</i>	31,668	29,135
<i>Bank's investment in subsidiaries classified as held for sale</i>	-	3,713
<b>Liabilities and shareholders' equity</b>		
<i>Deposits</i>	7,935	4,866
<i>Other liabilities</i>	-	175

Income and expenses arising from transactions with subsidiaries:

	1 January – 31 December 2021	1 January – 31 December 2020
<b>Income</b>		
<i>Interest</i>	2,697	3,210
<i>Commission income</i>	586	494
<i>FX gain (loss)</i>	(13)	6
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	8,830	5,470
<i>Other income</i>	352	250
<b>Expenses</b>		
<i>Interest</i>	(17)	(18)
<i>Operating expenses</i>	-	(1)
<i>(Impairment losses)/ reversal of impairment losses on loans</i>	1,998	(2,158)
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	114

As of 31 December 2021, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 13 thousand (31 December 2020: EUR 2,672 thousand).

NOTE 13

LIQUIDITY, MARKET AND OPERATIONAL RISKS

**Liquidity risk**

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

**Liquidity risk management process**

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

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

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

The structure of the Group's assets and liabilities by maturity as at 31 December 2021 was as follows:

	Less than 1 month	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	978,050	55,517	93,757	156,765	260,621	1,171,944	1,169,806	76,022	3,962,482
<i>Total liabilities and shareholders' equity</i>	1,915,613	94,817	123,154	160,676	285,066	793,581	183,148	406,427	3,962,482
<i>Net liquidity gap</i>	(937,563)	(39,300)	(29,397)	(3,911)	(24,445)	378,363	986,658	(330,405)	-

The structure of the Group's assets and liabilities by maturity as at 31 December 2020 was as follows:

	Less than 1 month	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	434,913	56,306	72,912	115,651	243,296	1,003,560	1,016,339	85,868	3,028,845
<i>Total liabilities and shareholders' equity</i>	1,525,924	96,438	126,636	158,671	290,531	356,600	118,979	355,066	3,028,845
<i>Net liquidity gap</i>	(1,091,011)	(40,132)	(53,724)	(43,020)	(47,235)	646,960	897,360	(269,198)	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2021 was as follows:

	Less than 1 month	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	977,176	49,416	196,531	141,912	240,068	1,118,847	1,130,958	64,566	3,919,474
<i>Total liabilities and shareholders' equity</i>	1,922,055	88,311	122,682	159,890	282,396	790,960	145,599	407,581	3,919,474
<i>Net liquidity gap</i>	(944,879)	(38,895)	73,849	(17,978)	(42,328)	327,887	985,359	(343,015)	-

**NOTE 13**

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

The structure of the Bank's assets and liabilities by maturity as at 31 December 2020 was as follows:

	Less than 1 month	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	433,978	49,423	159,971	102,766	218,464	961,141	984,594	77,332	2,987,669
<i>Total liabilities and shareholders' equity</i>	1,528,408	89,581	126,300	158,476	289,318	353,245	86,777	355,564	2,987,669
<i>Net liquidity gap</i>	(1,094,430)	(40,158)	33,671	(55,710)	(70,854)	607,896	897,817	(278,232)	-

**Operational risk**

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

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

In 2021, Bank's and Group's attention will be devoted to management of Bank's and Group's reputational risk, business continuity and outsourcing services. In order to ensure effective reputational risk management, reputational risk management procedure was approved in the end of 2020. Update of Bank's business continuity documentation and preparation for testing of components of Business Continuity Plan is currently being performed. After the approval of outsourcing service procurement procedure in the management board, amendments of important outsourcing agreements with Suppliers were initiated.

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

**NOTE 14**

**FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE**

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

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

During twelve months period ended 31 December 2021, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2020. For the valuation of financial assets and liabilities purposes, estimates, valuation techniques and inputs used to develop those measurements have not changed significantly during twelve months period ended 31 December 2021.

NOTE 14

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

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

	31 December 2021		31 December 2020	
	Group	Bank	Group	Bank
<b>LEVEL I</b>				
Trading book securities	41,235	8,153	33,459	7,327
Investment securities at fair value	78,415	78,415	30,888	30,888
<b>Total Level I financial assets</b>	<b>119,650</b>	<b>86,568</b>	<b>64,347</b>	<b>38,215</b>
<b>LEVEL II</b>				
Derivative financial instruments - assets	2,121	2,121	445	445
Derivative financial instruments - liabilities	(96)	(96)	(3,840)	(3,840)
<b>LEVEL III</b>				
Trading book securities	6,946	6,946	3,609	2,255
Investment securities at fair value	4,573	4,536	3,454	3,327
<b>Total Level III financial assets</b>	<b>11,519</b>	<b>11,482</b>	<b>7,063</b>	<b>5,582</b>

There were no transfers between fair value hierarchy levels during 2021 and 2020.

Changes in Level III instruments during twelve months period ended 31 December:

Group	Trading book securities		Investment securities at fair value	
	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
As at 31 December	3,609	1,519	3,454	5,190
Impact of change in accounting principles	-	-	-	-
<b>As at 1 January</b>	<b>3,609</b>	<b>1,519</b>	<b>3,454</b>	<b>5,190</b>
Additions	20,334	6,477	1,148	3,033
Disposals / redemption / derecognition	(17,072)	(4,384)	(505)	(4,000)
Changes due to interest accrued/paid	73	1	-	-
Changes in fair value	2	(4)	476	(769)
<b>As at 31 December</b>	<b>6,946</b>	<b>3,609</b>	<b>4,573</b>	<b>3,454</b>

Bank	Trading book securities		Investment securities at fair value	
	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
As at 31 December	2,255	1,519	3,327	622
Impact of change in accounting principles	-	-	-	-
<b>As at 1 January</b>	<b>2,255</b>	<b>1,519</b>	<b>3,327</b>	<b>622</b>
Additions	20,334	5,122	1,111	3,025
Disposals / redemption / derecognition	(15,718)	(4,384)	(378)	-
Changes due to interest accrued/paid	73	1	-	-
Changes in fair value	2	(3)	476	(320)
<b>As at 31 December</b>	<b>6,946</b>	<b>2,255</b>	<b>4,536</b>	<b>3,327</b>

	1 January – 31 December 2021		1 January – 31 December 2020	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	478	478	(773)	(323)

Fair value of investment securities held to collect cash flows:

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

	31 December 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Investment securities at amortized cost	705,398	698,867	709,454	725,022

**NOTE 15**  
**SEGMENT INFORMATION**
**Business segments**

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2021 and in the Statement of comprehensive income for twelve months period then ended is presented in the table below.

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
<i>Internal</i>	(529)	-	26	(33)	536	-
<i>External</i>	76,959	3,142	459	357	-	80,917
<b>Net interest income</b>	<b>76,430</b>	<b>3,142</b>	<b>485</b>	<b>324</b>	<b>536</b>	<b>80,917</b>
<i>Internal</i>	429	-	-	28	(457)	-
<i>External</i>	17,382	-	-	(222)	-	17,160
<b>Net fee and commissions income</b>	<b>17,811</b>	<b>-</b>	<b>-</b>	<b>(194)</b>	<b>(457)</b>	<b>17,160</b>
<i>Internal</i>	(100)	-	26	(5)	79	-
<i>External</i>	94,341	3,142	459	135	-	98,077
<b>Net interest, fee and commissions income</b>	<b>94,241</b>	<b>3,142</b>	<b>485</b>	<b>130</b>	<b>79</b>	<b>98,077</b>
<i>Internal</i>	(150)	-	-	(127)	277	-
<i>External</i>	(37,425)	(3,591)	-	(10,764)	-	(51,780)
<b>Operating expenses</b>	<b>(37,575)</b>	<b>(3,591)</b>	<b>-</b>	<b>(10,891)</b>	<b>277</b>	<b>(51,780)</b>
<i>Amortisation charges</i>	(1,160)	(129)	-	(57)	-	(1,346)
<i>Depreciation charges</i>	(2,544)	(268)	-	(282)	-	(3,094)
<i>Internal</i>	-	-	1,998	(821)	(1,177)	-
<i>External</i>	(4,211)	-	(140)	274	-	(4,077)
<b>Impairment expenses</b>	<b>(4,211)</b>	<b>-</b>	<b>1,858</b>	<b>(547)</b>	<b>(1,177)</b>	<b>(4,077)</b>
<i>Internal</i>	5,082	-	4,470	(809)	(8,743)	-
<i>External</i>	11,585	1,908	(539)	16,528	-	29,482
<b>Net other income</b>	<b>16,667</b>	<b>1,908</b>	<b>3,931</b>	<b>15,719</b>	<b>(8,743)</b>	<b>29,482</b>
<b>Profit (loss) before tax from continuing operations</b>	<b>65,418</b>	<b>1,062</b>	<b>6,274</b>	<b>4,072</b>	<b>(9,564)</b>	<b>67,262</b>
<i>Income tax</i>	(10,758)	(1,074)	-	(207)	-	(12,039)
<b>Profit (loss) per segment after tax from continuing operations</b>	<b>54,660</b>	<b>(12)</b>	<b>6,274</b>	<b>3,865</b>	<b>(9,564)</b>	<b>55,223</b>
<i>Profit or (loss) per segment after tax from discontinued operations</i>	-	-	-	-	-	-
<b>Profit (loss) per segment</b>	<b>54,660</b>	<b>(12)</b>	<b>6,274</b>	<b>3,865</b>	<b>(9,564)</b>	<b>55,223</b>
<i>Non-controlling interest</i>	-	-	-	-	-	-
<b>Profit (loss) for the period attributable to the owners of the Bank</b>	<b>54,660</b>	<b>(12)</b>	<b>6,274</b>	<b>3,865</b>	<b>(9,564)</b>	<b>55,223</b>
<i>Total segment assets</i>	2,288,855	1,766,700	5,582	61,010	(159,665)	3,962,482
<i>Total segment liabilities</i>	2,051,148	1,582,983	5,002	43,482	(126,560)	3,556,055
<b>Net segment assets (shareholders' equity)</b>	<b>237,707</b>	<b>183,717</b>	<b>580</b>	<b>17,528</b>	<b>(33,105)</b>	<b>406,427</b>

**NOTE 15**  
**SEGMENT INFORMATION (CONTINUED)**

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2020 and in the Statement of comprehensive income for twelve months period then ended is presented in the table below.

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
<b>Continuing operations</b>						
Internal	(174)	-	223	(134)	85	-
External	69,227	3,977	2,196	308	-	75,708
<b>Net interest income</b>	<b>69,053</b>	<b>3,977</b>	<b>2,419</b>	<b>174</b>	<b>85</b>	<b>75,708</b>
Internal	325	-	-	51	(376)	-
External	16,270	-	-	(225)	-	16,045
<b>Net fee and commissions income</b>	<b>16,595</b>	<b>-</b>	<b>-</b>	<b>(174)</b>	<b>(376)</b>	<b>16,045</b>
Internal	151	-	223	(83)	(291)	-
External	85,497	3,977	2,196	83	-	91,753
<b>Net interest, fee and commissions income</b>	<b>85,648</b>	<b>3,977</b>	<b>2,419</b>	<b>-</b>	<b>(291)</b>	<b>91,753</b>
Internal	(113)	-	(1)	(60)	174	-
External	(33,352)	(3,219)	-	(7,524)	-	(44,095)
<b>Operating expenses</b>	<b>(33,465)</b>	<b>(3,219)</b>	<b>(1)</b>	<b>(7,584)</b>	<b>174</b>	<b>(44,095)</b>
Amortisation charges	(959)	(106)	-	(45)	-	(1,110)
Depreciation charges	(2,401)	(250)	-	(345)	-	(2,996)
Internal	-	-	(2,262)	2,002	260	-
External	(10,470)	-	298	(1,801)	-	(11,973)
<b>Impairment expenses</b>	<b>(10,470)</b>	<b>-</b>	<b>(1,964)</b>	<b>201</b>	<b>260</b>	<b>(11,973)</b>
Internal	5,766	-	38	(46)	(5,758)	-
External	7,865	4,841	805	7,718	-	21,229
<b>Net other income</b>	<b>13,631</b>	<b>4,841</b>	<b>843</b>	<b>7,672</b>	<b>(5,758)</b>	<b>21,229</b>
<b>Profit (loss) before tax from continuing operations</b>	<b>51,984</b>	<b>5,243</b>	<b>1,297</b>	<b>(101)</b>	<b>(5,615)</b>	<b>52,808</b>
Income tax	(8,989)	(853)	-	(45)	-	(9,887)
<b>Profit (loss) per segment after tax from continuing operations</b>	<b>42,995</b>	<b>4,390</b>	<b>1,297</b>	<b>(146)</b>	<b>(5,615)</b>	<b>42,921</b>
Profit or (loss) per segment after tax from discontinued operations	-	-	121	-	-	121
<b>Profit (loss) per segment</b>	<b>42,995</b>	<b>4,390</b>	<b>1,418</b>	<b>(146)</b>	<b>(5,615)</b>	<b>43,042</b>
Non-controlling interest	-	-	-	-	-	-
<b>Profit (loss) for the period attributable to the owners of the Bank</b>	<b>42,995</b>	<b>4,390</b>	<b>1,418</b>	<b>(146)</b>	<b>(5,615)</b>	<b>43,042</b>
Total segment assets	1,921,559	1,179,967	12,969	61,613	(147,263)	3,028,845
Total segment liabilities	1,693,496	1,039,539	11,425	44,878	(115,559)	2,673,779
Net segment assets (shareholders' equity)	228,063	140,428	1,544	16,735	(31,704)	355,066

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

According to local legislation the Bank is required to disclose certain information for the Financial group. As of 31 December 2021 and 31 December 2020 the Bank owned the following controlled subsidiaries included in the prudential scope of consolidation (the Bank and four subsidiaries comprised the Financial group, all of the entities attributable to Financial Group operate in Lithuania):

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

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

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

	31 December 2021	31 December 2020
<b>ASSETS</b>		
<i>Cash and cash equivalents</i>	965,160	432,035
<i>Securities in the trading book</i>	15,099	9,582
<i>Due from other banks</i>	1,196	1,598
<i>Derivative financial instruments</i>	2,121	445
<i>Loans to customers</i>	1,908,681	1,610,371
<i>Finance lease receivables</i>	195,174	155,457
<i>Investment securities at fair value</i>	82,988	34,342
<i>Investment securities at amortized cost</i>	692,226	697,136
<i>Investments in subsidiaries and associates</i>	11,788	11,320
<i>Intangible assets</i>	3,115	4,232
<i>Property, plant and equipment</i>	14,453	16,233
<i>Investment property</i>	2,229	2,920
<i>Current income tax prepayment</i>	820	8
<i>Deferred income tax asset</i>	1,591	2,076
<i>Other assets</i>	26,975	17,661
<b>Total assets</b>	<b>3,923,616</b>	<b>2,995,416</b>
<b>LIABILITIES</b>		
<i>Due to other banks and financial institutions</i>	699,560	230,143
<i>Derivative financial instruments</i>	96	3,840
<i>Due to customers</i>	2,679,204	2,347,682
<i>Special and lending funds</i>	6,667	5,749
<i>Debt securities in issue</i>	95,212	20,027
<i>Current income tax liabilities</i>	1,084	1,092
<i>Deferred income tax liabilities</i>	1,452	1,251
<i>Other liabilities</i>	32,540	29,563
<b>Total liabilities</b>	<b>3,515,815</b>	<b>2,639,347</b>
<b>EQUITY</b>		
<i>Share capital</i>	174,211	174,211
<i>Share premium</i>	3,428	3,428
<i>Treasury shares (-)</i>	(516)	-
<i>Reserve capital</i>	756	756
<i>Statutory reserve</i>	21,770	14,304
<i>Reserve for acquisition of own shares</i>	10,000	10,000
<i>Financial instruments revaluation reserve</i>	(597)	375
<i>Financial instruments revaluation reserve</i>	3,242	2,325
<i>Retained earnings</i>	195,507	150,670
<i>Non-controlling interest</i>	-	-
<b>Total equity</b>	<b>407,801</b>	<b>356,069</b>
<b>Total liabilities and equity</b>	<b>3,923,616</b>	<b>2,995,416</b>

SELECTED INFORMATION OF FINANCIAL GROUP (CONTINUED)

Financial Group's condensed income statement

	for twelve months period ended	
	31 December 2021	31 December 2020
<i>Interest revenue calculated using the effective interest method</i>	82,867	78,481
<i>Other similar income</i>	8,744	7,449
<i>Interest expense and similar charges</i>	(10,975)	(10,329)
<b>Net interest income</b>	<b>80,636</b>	<b>75,601</b>
<i>Fee and commission income</i>	24,747	22,759
<i>Fee and commission expense</i>	(7,366)	(6,488)
<b>Net fee and commission income</b>	<b>17,381</b>	<b>16,271</b>
<i>Net gain from trading activities</i>	10,362	12,018
<i>Net gain (loss) from changes in fair value of subordinated loan</i>	-	-
<i>Net gain (loss) from derecognition of financial assets</i>	4,735	1,265
<i>Net gain (loss) from disposal of tangible assets</i>	987	266
<i>Revenue related to insurance activities</i>	-	-
<i>Other operating income</i>	1,289	718
<i>Salaries and related expenses</i>	(25,889)	(22,342)
<i>Depreciation and amortization expenses</i>	(4,179)	(3,794)
<i>Expenses related to insurance activities</i>	-	-
<i>Other operating expenses</i>	(16,179)	(14,683)
<b>Operating profit before impairment losses</b>	<b>69,143</b>	<b>65,320</b>
<i>Allowance for impairment losses on loans and other assets</i>	(2,900)	(12,283)
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	(114)
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	1,242	(108)
<b>Profit before income tax</b>	<b>67,485</b>	<b>52,815</b>
<i>Income tax expense</i>	(11,879)	(9,859)
<b>Net profit for the period</b>	<b>55,606</b>	<b>42,956</b>
<i>Profit (loss) from discontinued operations, net of tax</i>	-	58
<b>Net profit for the year</b>	<b>55,606</b>	<b>43,014</b>
<b>Net profit attributable to:</b>		
<i>Owners of the Bank</i>	55,606	43,014
<i>From continuing operations</i>	55,606	42,956
<i>From discontinued operations</i>	-	58
<i>Non-controlling interest</i>	-	-

Financial Group's condensed statement of comprehensive income

	for twelve months period ended	
	31 December 2021	31 December 2020
<b>Net profit for the period</b>	<b>55,606</b>	<b>43,014</b>
<b>Other comprehensive income</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
<i>Gain from revaluation of financial assets</i>	(1,212)	446
<i>Deferred income tax on gain from revaluation of financial assets</i>	240	(49)
<b>Other comprehensive income, net of deferred tax</b>	<b>(972)</b>	<b>397</b>
<b>Total comprehensive income for the period</b>	<b>54,634</b>	<b>43,411</b>
<b>Total comprehensive income (loss) attributable to:</b>		
<i>Owners of the Bank</i>	54,634	43,411
<i>Non-controlling interest</i>	-	-
	54,634	43,411

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

**Technical insurance provisions**

Bank's subsidiary SB draudimas UAB is engaged in life insurance business. For the periods ended 31 December 2021 and 31 December 2020 the technical insurance provisions and their changes were as follows:

	<i>Unearned premiums</i>	<i>Claims outstanding</i>	<i>Mathematical</i>	<i>Unit-linked</i>	<i>Investment units</i>	<i>Total</i>
<b>Gross:</b>						
<i>At 1 January 2020</i>	15	144	9,291	23,045	1,003	33,498
<i>Change during period</i>	(1)	120	1,242	604	813	2,778
<i>At 31 December 2020</i>	14	264	10,533	23,649	1,816	36,276
<i>Change during period</i>	-	(50)	(224)	4,192	1,215	5,133
<i>At 31 December 2021</i>	14	214	10,309	27,841	3,031	41,409
<b>Reinsurance share:</b>						
<i>At 1 January 2020</i>	(25)	-	(5)	-	-	(30)
<i>Change during period</i>	(3)	(16)	-	-	-	(19)
<i>At 31 December 2020</i>	(28)	(16)	(5)	-	-	(49)
<i>Change during period</i>	(7)	15	-	-	-	8
<i>At 31 December 2021</i>	(35)	(1)	(5)	-	-	(41)
<b>Net value</b>						
<i>At 31 December 2020</i>	<b>(14)</b>	<b>248</b>	<b>10,528</b>	<b>23,649</b>	<b>1,816</b>	<b>36,227</b>
<i>At 31 December 2021</i>	<b>(21)</b>	<b>214</b>	<b>10,304</b>	<b>27,841</b>	<b>3,031</b>	<b>41,368</b>

During first half of year 2021 methodology of technical provisions calculation used in financial statements preparation was improved. Main change in methodology was inclusion of investment return to forecasted future cashflows when assessing Liabilities adequacy test. After these changes in methodology were made, mathematical technical provision has decreased by EUR 479 thousand. Other changes in insurance technical provisions were influenced by risk free interest rate curve increase; increase in value of investment units; increased operations level (change in portfolio).

Liabilities under unit-linked insurance contracts are fully covered with assets: other securities in the trading book and cash (31 December 2021: securities EUR 29,983 thousand, cash EUR 889 thousand, 31 December 2020: securities EUR 24,525 thousand, cash EUR 940 thousand).

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

On 26 January 2022 Bank has acquired 2,105 thousand units of own shares. Amount paid for the shares is EUR 1,557 thousand. Purpose of share acquisition - granting shares to the employees of the Bank and the Bank's subsidiaries.

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

# ADDITIONAL INFORMATION

for the twelve months period ended 31 December 2021

The present additional information of Šiaulių Bankas AB (hereinafter — the Bank) covers the period 01 January 2021 to 31 December 2021.

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

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

## ACTIVITY RESULTS

- Šiaulių bankas Group earned unaudited net profit of EUR 55.2 million last year, or 28% more than in 2020
- The loan portfolio increased by 19% year-on-year to over EUR 2.1 billion
- The deposit portfolio grew by 14% to EUR 2.6 billion
- The mystery shopper research recognised Šiaulių bankas as the bank with the best customer service in Lithuania



### Overview of the key performance indicators

“Compared to 2020, this year has been a successful one, and it seems that the economic situation is getting back on track, despite the still looming pandemic. Both corporate and private clients were actively interested in financing and looking for ways to invest their savings. Although the number of live consultations and cash transactions since the pandemic has not yet returned to normal levels, and the demand for remote servicing is increasing, we are pleased that we have chosen the strategy of staying closer to our clients and letting them choose how they want to be serviced. This has been recognised not only by international evaluators – after the results of the 2021 mystery shopper survey conducted by DIVE Lietuva were published, we regained the title of the bank with the best customer service and scored 100% in the quality score out of a possible 100,” said Vytautas Sinius, CEO of Šiaulių bankas.

Šiaulių bankas Group earned unaudited net profit of EUR 55.2 million in 2021 (28% more than in 2020). Net profit for the Q4 of 2021 was EUR 11.0 million (25% increase compared to Q4 2020).

Due to the strong growth in lending volumes and client activeness, both net interest income and net service and commission income grew by 7% each and reached EUR 80.9 million and EUR 17.2 million respectively.

With no significant deterioration in credit quality and no upward trend in overdue loans observed throughout 2021, provisions of EUR 4.1 million were made during the year, compared to provisions of EUR 12.0 million in 2020, mainly taking into account the forecasted impact of COVID-19. The cost of risk (CoR) of the loan portfolio was 0.2% in 2021 (0.6% in 2020).

The Group's cost/income ratio (excluding the impact of the client portfolio of SB draudimas) remained almost unchanged during the year and stood at 42.8% at year-end (42.9% in the previous year), while the ROE increased to 14.3% (12.7% in the previous year). The capital and liquidity position remains strong and prudential ratios are being met by a wide margin.

### Overview of Business Segments

#### Business and Private Clients Financing

With strong growth in both corporate and private client financing, the value of the loan portfolio increased by 3% in Q4 and by 19% to over EUR 2.1 billion in 2021. More than EUR 1.2 billion worth of new lending contracts were signed last year, 71% more than in 2020.

With business expectations remaining stable and growing investments, new business credit agreements worth almost EUR 0.7 billion were signed during the year (twice as much as in 2020) and EUR 200 million in the Q4 alone. While the business finance portfolio remained almost unchanged in Q4, it grew by 11% over the whole of last year to EUR 1.17 billion. The non-performing loan portfolio of business finance continues its downward trend, amounting to EUR 64 million at the end of the year (down by EUR 48 million, or 42% year-on-year).

Despite the ongoing pandemic, strong demand for private clients financing continued to be recorded, especially in the area of housing loans. With a continued high level of new applications, the mortgage portfolio grew by 10% in the fourth quarter and by 53% year-to-date to over EUR 454 million. The consumer finance portfolio grew by 4% in the Q4 and by 6% for the whole of 2021, reaching over EUR 170 million.

The Bank continues to focus on financing energy efficiency projects, with more than EUR 30 million of multi-apartment building modernisation contracts signed in the Q4 and EUR 127 million over the year (+56% year-on-year change). Together with the European Investment Bank (EIB) and other investors, a new EUR 275 million Multi-Apartment Building Modernisation Fund is nearing completion of the contracts signing process. The Fund is expected to start operations in the Q2 of this year.

#### *Daily Banking*

Last year, net service and commission income grew consistently each quarter to reach EUR 17.2 million, up 7% year-on-year. More than 15 thousand new private and corporate clients started using the Bank's services in 2021, bringing the total number of clients to 326 thousand. The number of clients subscribing to service plans grew by 7% to 173 thousand.

The use of non-cash services continues to grow strongly, while cash transactions are decreasing. The population is increasingly using payment cards - the total number of payment cards issued grew by 25% year-on-year and reached 173 thousand.

Throughout the year, the Bank developed its digital channels in line with customer needs, expanding the number of services in the internet bank and the mobile application. The total number of e-channel users exceeded 218 thousand (+15% compared to 2020). The number of clients served remotely is also steadily increasing.

2021 was a year of recognition for the Bank: Šiaulių bankas won the 2021 Best Bank in Lithuania award in The Banker awards published by The Financial Times; earlier in the year, the Bank was recognised by the business and finance magazine Global Finance Magazine as the best, and then the safest, bank operating in Lithuania. The most important award was the results of the mystery shopper survey conducted by Dive Lietuva in December, which showed that the quality of Šiaulių bankas' customer service is of the highest level, and the aggregated scores of the individual categories amounted to 100% out of 100. Šiaulių bankas has won the position of the bank with the best customer service for the third time: in 2021, 2019 and 2018.

#### *Saving and Investing*

The deposit portfolio grew by 14% over the year (EUR 332 million) and exceeded EUR 2.6 billion. Demand deposits, which account for the bulk of the portfolio, grew by 27% or EUR 394 million, while the term deposit portfolio decreased by EUR 61 million (-7%). Clients are increasingly directing their savings towards the Bank's investment products, with commission income from securities-related services reaching EUR 3.3 million for the year (66% increase compared to 2020). At the end of last year, in cooperation with SB draudimas, the Bank's clients were offered a new long-term savings service - investment life insurance.

## COVID-19

The ongoing COVID-19 pandemic in 2021 and the restrictions imposed by local authorities to stop its spread continued to affect all market participants. At the beginning of the year, in response to the Government's decisions and recommendations, the Bank operated by reducing the number of operating units, ensuring the conditions for customers to receive services remotely. In the first half of the year, all temporarily closed units were gradually opened - at the end of the year, we had 56 branches operating in 37 cities. During the pandemic, it became common to serve customers remotely - call flows and remote requests have grown steadily since the beginning of the pandemic and the number of remotely identifiable customers has increased.

#### *Aids for customers affected by COVID-19*

Šiaulių Bankas continued to support private and business customers to overcome the difficulties of the pandemic. The total of EUR 187 million of loans deferred due to Covid-19 since the start of the pandemic, EUR 180 million have matured and 69 customers (EUR 62 million) re-applied for a deferral in 2021, when 523 Bank customers (EUR 118 million) keep meeting their initial payment obligations.

The portfolio of deferred loans for individuals due to Covid-19 amounts to EUR 9 million (225 customers) at the end of the year, 12 Customers (EUR 1 million) of which requested repeated restructuring and EUR 8 million (213 Customers) returned to payments under the original payment schedule.

The largest number of repeated deferrals in 2021 was made for legal entities operating in the Real Estate (48%), Accommodation and Catering (20%), and Art and Entertainment Activities (20%) sectors, the majority (98%) of re-restructurings were made by August, only 2% of all restructurings took place during the last months of 2021.

Only 9 customers (EUR 1 million) out of 369 customers portfolio taking advantage of the conditions of the moratorium, which amounted to EUR 54 million at the end of the year, re-applied for reorganization in 2021, the rest are making payments under the original payment schedule.

On February 22, 2021, the international rating agency Moody's Investor Service (Moody's) affirmed Šiaulių Bankas' previous long-term debt rating Baa2 and changed its outlook to positive from stable. The bank was also affirmed with a short-term rating of P-2:

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

The rating outlook improvement reflected expectations that Šiaulių Bankas would maintain a strong capital position, ensure resilient profitability as well as successfully manage asset risk and risk appetite. The rating agency also noted that the rating of Šiaulių Bankas was also affected by the recently improved long-term debt rating of Lithuanian to A2 from A3. Moody's has improved the country's rating after six years considering Lithuania's resilience to shock and its ability to manage pandemic threats to the country's economy.

## COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

Income was growing faster than its expenses which led to the high efficiency of the performance. Capital and liquidity position remain robust - prudential requirements are implemented with adequate reserve. According to the data as of 31 December 2021 the Bank complied with all the prudential requirements set out by the supervisory authority.

### The main financial indicators of the Group:

	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
ROAA, %	1.6	2.4	2.1	1.5	1.6
ROAE, %	16.1	22.3	17.6	12.7	14.3
Cost to income ratio, %	52.1	37.3	42.5	42.7	44.1
Loan to deposit ratio, %	72.2	75.1	82.2	75.0	78.6

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

- on operating profitability indicators:

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

- prudential requirements:

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

## AUTHORIZED CAPITAL, SHAREHOLDERS

As of 31 December 2021, the authorized capital of the Bank totalled to EUR 174,210,616.27 and is divided into 600,726,263 units of ordinary registered shares with a nominal value of EUR 0.29 each (ISIN LT0000102253 Nasdaq CSD Lithuanian branch). The Charter of the Bank were registered in the Register of Legal Entities on 13 December 2018 after the last increase of the authorized capital by additional contributions. The authorized capital of the bank was not increased during 2021.

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

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

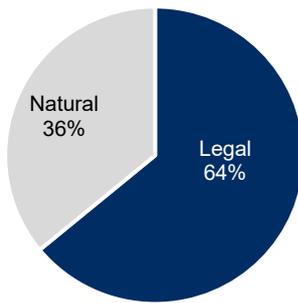
### Authorized capital:

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

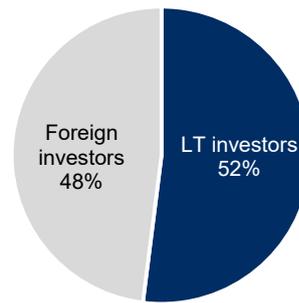
As of 31 December 2021 the number of the Bank's shareholders was 16,573 (at the end of 2020 – 9,053). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the The Republic of Lithuania of Lithuania and the Charter of the Bank:

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

Shareholders by type



Shareholders by residence



Shareholders owning more than 5% of the Bank's shares and votes as of 31 December 2021:

	Share of shares and votes, %
EBRD, LEI code 549300HTGDOVDU60GK19	21.96
Invalda INVL AB, c.c. 121304349*	8.10
ME INVESTICIJA UAB, c.c. 302489393	5.71
Gintaras Kateiva**	5.29
Algirdas Butkus***	5.28

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

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

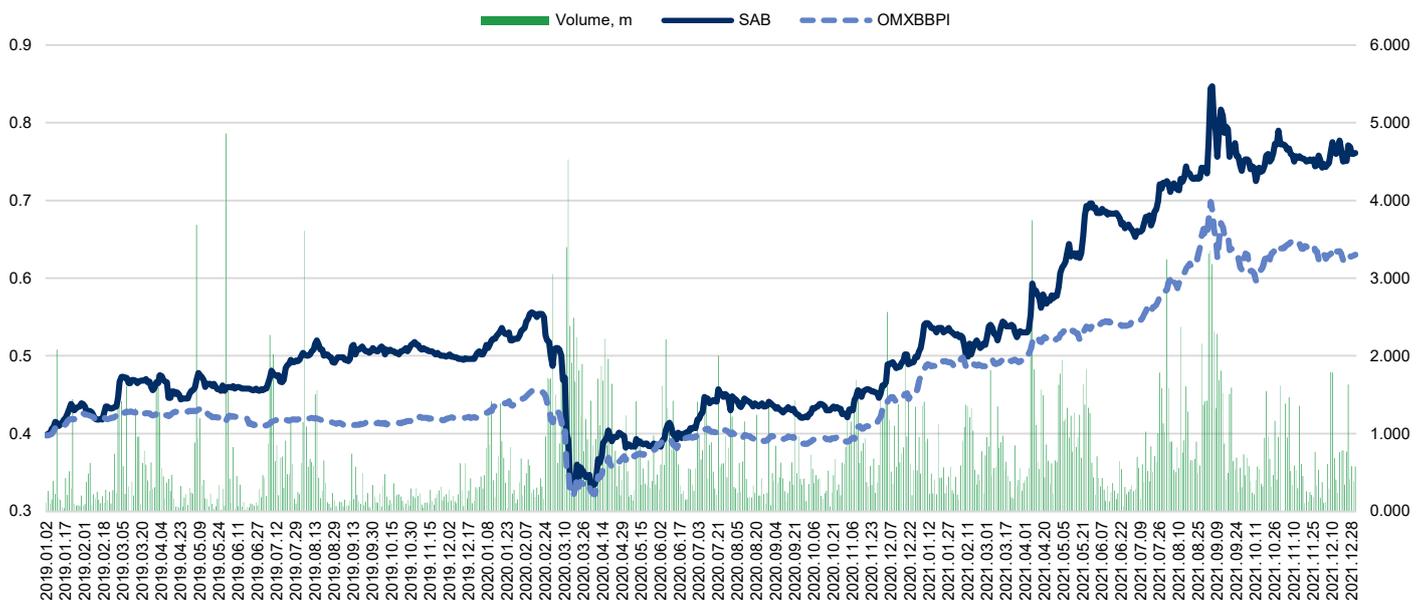
\*\*\* Votes are counted together with controlled companies: Prekybos namai AIVA UAB, c.c. 144031190 - 2%, Mintaka UAB, c.c. 144725916 - 0.88%

Information on shares:

	2017	2018	2019	2020	2021
Capitalization, m EUR	266.8	240.9	304.0	299.2	457.2
Turnover, m Eur	44.5	34.7	48.3	84.5	134.8
Share price on the last trading session day	0.589	0.401	0.506	0.498	0.761
Lowest share price during the reporting period	0.448	0.391	0.394	0.320	0.493
Highest share price during the reporting period	0.627	0.658	0.534	0.558	0.890
Average share price during the reporting period	0.530	0.521	0.473	0.442	0.663
Share book value	0.448	0.448	0.518	0.592	0.678
P/BV	1.3	0.9	1.0	0.8	1.1
P/E	8.3	4.6	5.9	7.0	8.3
Capital increase from retained earnings, %	20.0	-	-	-	-

\* 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 2019-2021:



As one of the most traded stocks in the Baltic market, the Bank's shares are included in the following *Nasdaq* indices:

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

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

Besides, the Bank's shares are included into such indices as *STOXX 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, and in some FTSE Russell Frontier* indices.

## ACQUISITION OF OWN SHARES

During the period from 11 August 2021 to 12 August 2021, the Bank repurchased its own shares on the Nasdaq Vilnius Tender Offer Market. 1,000,000 of its own shares were purchased for EUR 750,000 then with the purpose to provide shares to the employees of the Bank and the Bank's subsidiaries. On 13 August 2021 Šiaulių Bankas AB transferred 312 502 own shares to the employees of the Bank and the Bank's subsidiaries as a deferred part of variable remuneration for 2017. Following this transfer, the Bank holds 687,498 its own shares.

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

## DIVIDENDS

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

The General Meeting of Shareholders held on 31 March 2021 passed a resolution on the allocation of the Bank's profit. The amount allocated for dividends in this allocation amounts to 7.7 per cent of the net profit for 2020. A dividend of EUR 0.0055 is payable per ordinary registered share with a nominal value of EUR 0.29.

### Information on the dividends paid:

	2016	2017	2018	2019	2020
<i>Per cent from nominal value</i>	1.72	1.72	10	-	1.90
<i>Dividend amount per share, Eur</i>	0.005	0.005	0.029	-	0.0055
<i>Dividend amount, Eur</i>	1,887,442	2,264,938	17,421,064	-	3,303,994
<i>Yields from dividends, %</i>	1.1	0.8	6.2	-	1.1
<i>Dividends to Group net profit, per cent</i>	4.3	7.1	33.0	-	7.7

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

**MANAGEMENT OF THE BANK**

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

The Bank's Supervisory Council (elected on 31 March 2020 and replenished on 10 June 2020, the term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024) currently consists of 8 members, 5 of whom are independent.

**Supervisory Council of the Bank**

<i>Name, Surname</i>	<b>Duties at the Supervisory Council</b>	<b>Share of capital under the right of ownership, % (31/12/2021)</b>	<b>Share of votes together with the related persons, % (31/12/2021)</b>
<i>Arvydas Salda</i>	Chairman since 1999	1.61	1.61
<i>Gintaras Kateiva</i>	Member since 2008	5.27	5.29*
<i>Ramunė Vilija Zabulienė</i>	Independent member since 2012	-	-
<i>Darius Šulnis</i>	Member since 2016	-	-
<i>Martynas Česnavičius</i>	Independent member since 2016	-	0.35**
<i>Miha Košak</i>	Independent member since 2017	-	-
<i>Adriano Arietti</i>	Independent member since 2020-06-03	-	-
<i>Susan Gail Buyske</i>	Independent member since 2020-07-31	-	-

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

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

The Board of the Bank was elected on 31 March 2020, the term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024. In the meeting of 6 May 2021, the Supervisory Council of the Bank removed Vita Urbonienė from the position of a member of the Management Board of the Bank and elected Algimantas Gaulia as a new member of the Management Board of the Bank, who was take up the position of a member of the Board on 30 July 2021 with the permission of the supervisory authority.

**Management Board of the Bank**

<i>Name, Surname</i>	<b>Duties at the Board</b>	<b>Other current leading positions at the Bank</b>	<b>Share of capital under the right of ownership, % (31/12/2021)</b>	<b>Share of votes together with the related persons, % (31/12/2021)</b>
<i>Algirdas Butkus</i>	Chairman since 1999	Deputy Chief Executive Officer	2.40	5.28*
<i>Vytautas Sinius</i>	Deputy Chairman since 2014	Chief Executive Officer	0.20	0.20
<i>Donatas Savickas</i>	Deputy Chairman since 1995	Deputy Chief Executive Officer, Head of Finance Division	0.10	0.10
<i>Daiva Šorienė</i>	Member since 2005	Deputy Chief Executive Officer, Head of Sales and Marketing Division	0.01	0.01
<i>Mindaugas Rudys</i>	Member since 2020	Head of Service Development Division	0.03	0.03
<i>Ilona Baranauskienė</i>	Member since 2014	Head of Legal and Administration Division	0.01	0.01
<i>Algimantas Gaulia</i>	Member since 30 July 2021	Head of Risk Management Division	<0.01	<0.01

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

## OTHER INFORMATION, PUBLISHED INFORMATION AND MAJOR EVENTS

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

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

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

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

Chief Executive Officer

28 February 2022



Vytautas Sinius

## CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Chief Financial Officer Donatas Savickas, confirm that as far as we know, the financial statements for twelve months of 2021 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the total assets, liabilities, financial status, activity result and cash flow of Šiaulių bankas AB and consolidated companies.

Chief Executive Officer

Chief Financial Officer

28 February 2022



Vytautas Sinius



Donatas Savickas