

REMUNERATION POLICY

I. GENERAL PROVISIONS

- 1.1. This Remuneration Policy (the **Policy**) sets forth the requirements that Šiaulių bankas AB (the **Bank**) and its subsidiaries (the **Group**) shall adhere to when determining and paying remuneration, bonuses and other benefits to employees for performance and other benefits, thereby ensuring efficiently managed salary costs and creating motivational incentives for employees to contribute to the responsibly managed Bank's and the Group's mission, vision, values, long - term goals and strategy.
- 1.2. The policy is aimed at promoting responsible business, fair dealing with customers and avoiding conflicts of interest in relations with customers so that monetary and/or non-monetary rewards do not become an incentive for employees to serve their own, Bank's or any other Group business' interests to the detriment of customers' interest.
- 1.3. The Policy is in line with the selected Group's business strategy, objectives, values and long-term activity interests, which aim to increase the long-term value of the Bank's shares, avoid conflicts of interest, promote sound and efficient risk management as well as reliable anti-money laundering and counter terrorist financing risk management and define processes and principles to be followed when paying the remuneration.
- 1.4. The Policy has been prepared in accordance with the Law on Companies of the Republic of Lithuania, Resolution of the Board of the Bank of Lithuania on Approval of the Description of Minimum Remuneration Policy Requirements for Credit Institutions and Brokerage Firms and other legal acts regulating the requirements for remuneration policy of the Bank as a financial institution and a public limited liability company whose shares are admitted to trading on a regulated market.
- 1.5. The Policy is addressed and applies to the Bank and the Group companies. The Policy is implemented in accordance with the procedure provided for in the internal documents of the Bank and the Group companies (legal acts approved by the General Meeting of Shareholders, the Supervisory Council, the Remuneration Committee, the Board, the Head of Bank Administration). The employee incentive/motivation systems set forth in the internal documents and applied by the Group shall comply with the principles of the Policy and the requirements of applicable legal acts.
- 1.6. The Policy applies to all employees of the Bank and the Group companies as well as non-employee members of the Bank's Supervisory Council and Board.
- 1.7. The Bank shall have in place and operate a remuneration committee which shall assess competently and independently the variable remuneration policy, practice and ensure that the remuneration system considers all risks, capital and liquidity and is consistent with sound and effective risk management and the business strategy of the Bank or the Group, objectives, in the long-term interests of continuing operations. The composition, formation, functions, rights, and responsibilities of the Remuneration Committee are provided for in the Remuneration Committee regulations approved by the Bank's Supervisory Council.

II. REMUNERATION SYSTEM AND PRINCIPLES

- 2.1. The remuneration system is a set of elements of the reward package that the Group uses to attract, motivate and retain the best employees who would help to support the Group's long-term goals, business strategy.
- 2.2. The remuneration system shall be designed taking into account and applying all of the following principles:
 - ✓ *internal justice* is assessed on the basis of the responsibilities assigned to the employee, the performance of the employee, the competencies, knowledge, skills, etc. held by the employee, and similar positions are remunerated in a similar manner;

- ✓ *external competitiveness* is the remuneration paid to employees is competitive towards the labour market of the country in which they work, enabling to attract and retain the necessary employees;
 - ✓ *transparency*: it must be clear to each employee how his/her salary is determined and what performance, competences and qualifications depend on;
 - ✓ *flexibility*: whenever it is necessary to hire or retain employee having significant meaning for the Group work, or to manage emerging risks related to employee rotation, change, the Group may make decisions with exceptions to this Policy, without prejudice to the fundamental principles of fixed-variable remuneration ratio.
- 2.3. Employees are subject to a uniform pay system, without discrimination on grounds of sex, age, nationality, race, social status, religion, social orientation, etc.
 - 2.4. In order to be able to attract and retain the employees with the necessary experience, competence, qualifications and motivation for the Group's management, while taking into account the financial capabilities of the Group, the remuneration of the employees of Group companies is based on the national and/or specific sector median market remuneration.
 - 2.5. Employment contracts shall be for an indefinite period and, where appropriate, for a fixed period. Contracts with non-staff members of the Bank's Board (if any) or the Supervisory Council are concluded for their term of office.
 - 2.6. Payment rates, notice periods related to the termination of employment or term of office shall be determined in accordance with the principles set out in labour laws, except in exceptional cases, when due to objective conditions or having regard to long-term employment at the Bank or Group companies, individual terms are agreed on with the decision made by a respective competent body. The Group does not usually apply prior arrangements regarding the amounts of termination benefits, additional pensions or early retirement terms, but in exceptional cases such arrangements may be made if the respective competent body so decides.
 - 2.7. The Bank and the Group companies, depending on their size, the nature, scale and complexity of their operations and the risks they take, are subject to fixed remuneration and variable remuneration (remuneration components):
 - ✓ Fixed remuneration for the employees consists of (i) official remuneration and (ii) additional benefits;
 - ✓ The fixed remuneration for the members of the Bank's Supervisory Council who are not employees (the **Supervisory Council members**) consists of (i) official remuneration and (ii) premium to the official remuneration;
 - ✓ Variable remuneration includes (i) annual variable remuneration, (ii) bonuses, (iii) one-time bonuses.
 - 2.8. Remuneration shall be determined, calculated and paid in accordance with the terms and conditions set out in this Policy and in the internal documents.

III. FIXED REMUNERATION

Official remuneration of employees

- 3.1. The remuneration of employees shall be determined in accordance with the principle of external competitiveness, the principle of internal justice, the level of remuneration determined for the level of the position, the professional experience, abilities, specific knowledge, skills and competences of the employee and the remuneration budget possibilities.
- 3.2. The official remuneration of the Bank's employees shall be determined by the Head of Bank Administration. Prior approval of the Supervisory Council of the Bank shall be obtained when determining the remuneration of the members of the Board of the Bank who hold other positions in the Bank, the Head of Bank Administration and his deputies. The remuneration of the managers of the Group companies is determined by the Board of the Group company (if any) with the approval of the Supervisory Council of the latter company or the Bank (when the company does not have a Board) as sole shareholder of the company. The salary of other employees of the Group companies is determined by the head of that Group company.

Additional benefits for employees

- 3.3. Additional benefits are the Bank's or other Group's entities initiative to provide long-term benefits, payments and allowances to employees that may be received by a significant portion

- of the Bank's or Group companies' employees or employees performing specific functions. Additional benefits are determined in the internal documents of the Bank or the Group companies.
- 3.4. The additional benefits are considered as part of a fixed salary and in combination with the salary, are intended to encourage employee engagement, loyalty, make the employer more distinct, increase its attractiveness, help reconcile work and rest, achieve better performance and provide a competitive overall reward package. The Group aims to be socially responsible, take care of employees' well-being, health, quality of life, and have effective motivational benefits in line with the practices applicable in the labour market.
 - 3.5. The additional benefits apply regardless of the individual performance of the employees, without providing an incentive to take risks. The additional benefits are based on predefined criteria, reflect the professional experience of the employees and are irrevocable for the stated term of the benefits and/or until the employee has a specific position with assigned certain additional benefits in accordance with the Bank's internal documents and additional benefits, limits and / or norms set in them.

Fixed remuneration for Council members

- 3.6. The salary and the bonus to the members of the Council shall be paid regardless of their status, age, nationality or experience.
- 3.7. The official remuneration of a member of the Council shall be an annual monetary remuneration of EUR 50,000 (before applicable taxes) paid to the member of the Council for the performance of his / her functions and paid on a monthly, quarterly or other basis as agreed between the Bank and the Council member.
- 3.8. A supplement to the official salary of the Council member is a monetary bonus paid for performing additional functions while performing the duties of a member of the Council.
- 3.9. The annual supplement to the official salary to the member of the Council for the position of the Chairman of the Council shall be 200% of the annual official remuneration. The annual supplement to the salary of a member of the Council for the office of chairman of the committee shall be 25% of the annual official remuneration. The annual supplement to the official salary for a member of the Council for his / her duties as a member of the Committee shall be 15% of the annual official remuneration.
- 3.10. The annual supplement to the official remuneration to the member of the Supervisory Council shall be paid in proportion for the previous month, quarter or any other period as determined by the agreement between the Bank and the member of the Council.
- 3.11. The annual amount of the official remuneration and the percentage of bonuses paid to the member of the Council shall be approved by the General Meeting of Shareholders of the Bank for the whole term of office by approving the Policy.

IV. VARIABLE REMUNERATION

- 4.1. Variable remuneration models are designed to meet the Group's business strategy, objectives, values, long-term interests, and promote sound and effective risk management, avoid conflicts of interest, ensure compliance with the Code of Ethics and discourage employees from taking excessive risks that are unacceptable to the Group, also ensure the principles of investor and customer protection in the provision of services by the Group and would not harm the interests of costumers.
- 4.2. A variable remuneration fund is formed only after assessing the Bank's performance, taking into account current and future risks, costs of capital employed and liquidity support. The variable remuneration fund and its size shall not limit the ability of the Group to strengthen its capital base.
- 4.3. Variable remuneration is paid to link the individual performance goals of the employees to the long-term interests of the Group in order to ensure sustainable business development and to encourage employees to act in an respectful, honest, transparent and professional manner, respecting the rights and interests of clients.
- 4.4. The variable remuneration is based on an overall assessment of the performance of the employee, unit and the Group. The variable remuneration granted to an employee may also depend on the position occupied by the employee and the importance of decision-making, which may have a significant effect on the risk taken by the Group. When assessing an employee's

individual annual goals, achievements, not only personal financial performance, but also non-financial/non-qualitative inputs (e.g. relations with customers, colleagues, compliance with standards, compliance with internal document requirements, initiative, responsibility, performance improvement) are evaluated.

- 4.5. Variable remuneration may be granted to all employees, while maintaining an appropriate balance between the fixed and the variable component of remuneration and the ability to pursue a flexible policy regarding variable components of remuneration, i.e. the variable remuneration awarded during 1 (one) calendar year may not exceed 100% of the amounts of fixed remuneration items received during the same 1 (one) calendar year for which variable remuneration has been granted in order to promote sound and efficient risk management, unless the Bank's General Shareholders Meeting, in accordance with legal requirements, increases the maximum ratio between variable remuneration and fixed remuneration up to 200 percent.
- 4.6. The effective ratio of the variable remuneration to the fixed remuneration in the Group is calculated by adding up all the variable remuneration components allocated for a period and dividing them by the sum of the fixed remuneration elements allocated during the same period.
- 4.7. The variable remuneration and/or additional incentive for the employees, as well as the Nominated Employees (as defined in paragraph 4.11), shall be determined and paid in accordance with the internal documents approved by the Board of the Bank and the Group companies.
- 4.8. Variable remuneration payments related to termination of employment are determined by reference to the employee's performance during the period determined by the Bank or the Group Company and so that the employee is not remunerated if his/her activities have resulted in a loss for the Bank or the Group company, except of the statutory payments. There is no possibility of recovering the variable remuneration paid to the employee.
- 4.9. The variable remuneration of employees engaged in risk management, compliance and internal audit functions shall not take into account the performance of the units they control.

Annual variable remuneration

- 4.10. The annual variable remuneration is the portion of the variable remuneration that is comprised of an immediately disbursed portion and a deferred portion to promote sound and effective risk management.
- 4.11. The annual variable remuneration may be granted only to the Nominated Employees. **Nominated Employees** means the managers and members of the Board of the Bank and part of the Group companies, as well as other employees of the Bank and the Group companies whose professional activities have a material impact on the risk profile of the Bank and the Group, due to which such employees according to the applicable legal acts of the Republic of Lithuania and European Union and internal documents of the Bank shall be considered as recipients of variable annual remuneration. The list of the Nominated Employees shall be approved by the Bank's Board. The members of the Supervisory Council are not assigned an annual variable remuneration.
- 4.12. The annual variable remuneration may only be assigned, paid and/or granted if the Bank is in sustainable financial position and without prejudice to legal requirements. The annual variable remuneration shall be reduced or unpaid at the suggestion of the Head of Bank Administration if the Group's performance is not in line with the strategy or the activities are loss-making, the Nominated Employee has acted dishonestly or has caused loss to the Bank or the Group.
- 4.13. The annual variable remuneration is divided into two equal parts:
 - ✓ the immediately paid 50% of the total annual variable remuneration awarded, which is paid in cash;
 - ✓ the deferred portion of 50% of the total annual variable remuneration is allocated in the Bank's shares. The granting of this portion of the remuneration is deferred for a period of 3 years from the date of award of the annual variable remuneration until the grant of the deferred portion, taking into account the potential risks related to the employee's annual valuation results.
- 4.14. The Board of the Bank approves the assignment of the annual variable remuneration for the Nominated Employees, except the members of the Board of the Bank, for whom the assignment of the annual variable remuneration is approved by the Bank's Supervisory Council.

- 4.15. Following the designation of the deferred part, the relevant body of the Bank (the Board or the Supervisory Council) shall approve the Bank's shares assigned for each year in accordance with the following principles:
- ✓ the deferred part allocated for the year in question must be approved in three times, i.e. (a) 1/3 of the assigned shares must be approved after 1 year; (b) an additional 1/3 of the assigned shares must be approved after 2 years; and (c) after 3 years, the remaining 1/3 of the assigned shares must be approved;
 - ✓ the deferred part assigned at the time of approval may be adjusted by reducing it (with the right to decrease to zero);
 - ✓ the validation of the deferred part shall be based on the results of the evaluation of at least the last 3 years.
- 4.16. The deferred part is granted to the employee (the shares are transferred to the employee's ownership) after the expiry of the 3 year deferral period.
- 4.17. Shares, as part of the annual variable remuneration payable to employees, are granted in accordance with the Share Grant Rules approved by the Bank's General Meeting of Shareholders.

Extra pays

- 4.18. Extra pays are variable remuneration that may be granted to Group employees other than Nominated Employees. Premiums are assigned and paid in cash based on the performance of the Bank, the Group, the Bank's divisions and their employees for the previous quarter or other previous period. Extra pays may be quarterly and/or annual.
- 4.19. Amounts of premiums for the Group are approved by the Board of the Bank.

One-time bonuses

- 4.20. One-time bonuses are part of a variable reward that can be assigned to reward an employee for a job well done, for individual or group performance or performance results, for an exceptional demonstration of values, and so on. One-time bonuses are awarded and paid in cash based on the value added generated, scope of work, project relevance to the Group, project execution timeline, personal time assigned for preparation, participation, according to employee reward programs, and so on.
- 4.21. The amount of the one-time bonuses shall be determined by or in agreement with the Head of Bank Administration.

V. FINAL PROVISIONS

- 5.1. The Policy is reviewed and updated at regular intervals and in accordance with statutory deadlines and procedures. The Policy is reviewed by the Head of Bank Administration who submits it to the Bank's Board and the Remuneration Committee for consideration. The Policy, together with the feedback and suggestions, shall be submitted to the Bank's Supervisory Council and the General Meeting of Shareholders for approval.
- 5.2. The Policy shall enter into force upon approval by the General Meeting of Shareholders of the Bank.
- 5.3. The Policy is published on the Bank's website.
- 5.4. The Supervisory Council of the Bank is responsible for the establishment of the principles of the Policy and the models of the remuneration system, as well as for the periodic review of the Policy and the Board is responsible for the implementation of the Policy. The Bank's Internal Audit Service regularly reviews the implementation of the Policy principles.
- 5.5. The Bank discloses information about the implementation of the Policy only in compliance with mandatory legal requirements and without prejudice to confidentiality provisions and requirements of legal protection of personal data.