

**IMPORTANT:** You must read the following before continuing. The following applies to the Base Prospectus (the "Base Prospectus") following this page, and you are therefore required to read this carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

**THE BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE BASE PROSPECTUS MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED ("THE SECURITIES ACT"). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.**

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION. THE SECURITIES DESCRIBED IN THE BASE PROSPECTUS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS.**

**Confirmation of your Representation:** In order to be eligible to view the Base Prospectus or make an investment decision with respect to the securities described in the Base Prospectus, you must be a person other than a U.S. person (within the meaning of Regulation S under the Securities Act) who is outside the United States. By accepting the email and accessing the Base Prospectus, you shall be deemed to represent that you are not, and that any customer represented by you is not, a U.S. person; the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the U.S., its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia; and that you consent to delivery of the Base Prospectus by electronic transmission.

**Prohibition of sales to EEA and UK retail investors:** The Notes described in the Base Prospectus (the "Notes") are not intended to be offered, sold or otherwise made available to and, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA") or in the United Kingdom (the "UK"). For these purposes, a "retail investor" means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II") or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

**You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not, nor are you authorised to, deliver the Base Prospectus to any other person.**

**Any materials relating to the potential offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and any underwriter or any affiliate of any underwriter is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the underwriter or such affiliate on behalf of the Issuer in such jurisdiction.**

**Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction. The Base Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.**

**The Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently no responsibility whatsoever will be accepted in respect of any difference between the Base Prospectus distributed to you in electronic format and a hard copy version that may be made available to you.**

## BASE PROSPECTUS



### AKCINĖ BENDROVĖ ŠIAULIŲ BANKAS

(a public limited liability company incorporated and existing under the laws of the Republic of Lithuania, company code 112025254)

**EUR 250,000,000**

### **Euro Medium Term Note Programme**

Under this EUR 250,000,000 Euro Medium Term Note Programme (the "**Programme**"), described in this base prospectus (the "**Base Prospectus**" or the "**Prospectus**"), Akcinė bendrovė Šiaulių bankas (the "**Bank**", the "**Company**" or the "**Issuer**") may from time to time issue restricted senior preferred notes (the "**Restricted Senior Preferred Notes**" or the "**Notes**") denominated in Euro.

This Base Prospectus has been approved by the Bank of Lithuania (the "**BoL**"), which is the Lithuanian competent authority under Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**"), as a base prospectus issued in compliance with the Prospectus Regulation for the purpose of giving information with regard to the issue of Notes issued under the Programme described in this Base Prospectus during the period of twelve months after the date hereof. The BoL has only approved this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such an approval should not be considered as an endorsement of the Issuer nor as an endorsement of the quality of the Notes that are the subject of the Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. Such approval of the BoL relates only to Notes issued under the Programme within twelve months after the date hereof.

Application(-s) will be made for the Notes issued under the Programme to be admitted during the period of twelve months after the date hereof to listing on the bond list (the "**Bond List**") and to trading on the regulated market (the "**Regulated Market**") of Nasdaq Vilnius AB ("**Nasdaq Vilnius**"). The Regulated Market of Nasdaq Vilnius is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments (as amended, "**MiFID II**"). In order to execute admission of each separate Tranche of Notes to the Bond List of Nasdaq Vilnius as soon as possible following their placement to the investors, the Issuer has filed a request to Nasdaq Vilnius for adoption of a decision on conditional admission of the Notes to trading on the above list of Nasdaq Vilnius. On 22 September 2021 Nasdaq Vilnius management board passed the respective decision.

The Notes being offered and sold under this Base Prospectus will be registered within Lithuanian branch of Nasdaq CSD, SE ("**Nasdaq CSD**") (the merged central securities depository of Lithuania, Latvia, Estonia and Iceland). Noteholders will be able to hold the Notes through Nasdaq CSD participants, such as investment firms and custodian banks operating in Lithuania.

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 (twelve) months from its date in relation to Notes which are to be admitted to trading on a regulated market in the EEA. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

Restricted Senior Preferred Notes to be issued under the Programme may be rated by Moody's Investors Service ("**Moody's**"). Moody's is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

**A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

Interest and/or other amounts payable under the Notes may be calculated by reference to certain benchmarks. Details of the administrators of such benchmarks, including details of whether or not, as at the date of this Base Prospectus, each such administrator's name appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to article 36 of Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") are set out in the section entitled "**Benchmarks Regulation**" on page (iii) of this Base Prospectus.

The Notes have not been, and will not be, registered under the U.S. Securities Act 1933 (as amended) (the "**Securities Act**"), or with any securities regulatory authority of any state of the United States. This Base Prospectus and/or the Final Terms are not to be distributed to the United States or in any other jurisdiction where it would be unlawful. The Notes may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the United States or to, for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (the "**Regulation S**")), except to a person who is not a U.S. Person (as defined in Regulation S) in an offshore transaction pursuant to Regulation S.

Taking into consideration that a minimum denomination per Note shall be EUR 100,000, under Articles 8 and 16 of the Commission Delegated Regulation 2019/980 (the "**Delegated Regulation**"), this Base Prospectus has been prepared as a simplified prospectus and in accordance with Annex 7 (Registration document for wholesale non-equity securities) and Annex 15 (Securities note for wholesale non-equity securities) of the Delegated Regulation.

*Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" below.*

Arranger and Dealer  
**Luminor Bank AS**

**Base Prospectus dated 27 September 2021**

## IMPORTANT NOTICES

### Responsibility for this Base Prospectus

The Issuer accepts responsibility for the information contained in this Base Prospectus and any Final Terms. To the best of the knowledge and belief of the Company, Mr Vytautas Sinius (Chief Executive Officer), the information contained in this Prospectus is in accordance with the facts and the Base Prospectus contains no omissions likely to affect its import.

### Final Terms

Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to each such Tranche called final terms (the "**Final Terms**") as described under "*Final Terms*" below.

### Other relevant information

This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

The Issuer has confirmed to the Dealer named under "*Subscription and Sale*" below that this Base Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

Any information sourced from third parties contained in this Base Prospectus has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### Unauthorised information

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealer nor any of its respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus or any responsibility for the acts or omissions of the Issuer or any other person (other than the relevant Dealer) in connection with the issue and offering of the Notes. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial position or performance of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

### Restrictions on distribution

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealer to inform themselves about and to

observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". **In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States that is subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see "*Subscription and Sale*").**

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealer or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer. The Dealer has not provided any financial or taxation advice in connection with the Programme or Notes issued thereunder.

**IMPORTANT – EEA AND UK RETAIL INVESTORS** – The Final Terms in respect of any Notes shall include a legend entitled "Prohibition of Sales to EEA and UK Retail Investors", which means that the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97, as amended ("**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

**MIFID II PRODUCT GOVERNANCE / TARGET MARKET** – The Final Terms in respect of any Notes will include a legend entitled "**MiFID II Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under Commission Delegated Directive (EU) 2017/593, as amended (the "**MiFID Product Governance Rules**"), Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise the Arranger (the Dealer) or any of its respective affiliates will not be a manufacturer for the purpose of the MIFID Product Governance Rules.

#### **Programme limit**

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed EUR 250,000,000.

#### **Certain definitions**

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area.

References to "**U.S.\$**", "**U.S. dollars**" or "**dollars**" are to United States dollars, references to "**EUR**", "**€**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

## Language

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

## Ratings

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms. In general, European Union regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

## Benchmarks Regulation

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011, as amended (the "**Benchmarks Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

## Stabilisation

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## **PRESENTATION OF FINANCIAL INFORMATION**

References in this Base Prospectus to the financial statements for 2020 and 2019 of the Issuer and of the Group are to the audited consolidated financial statements of the Issuer for the years ended 31 December 2020 and 31 December 2019, references in this Base Prospectus to the financial statements for 6-month period, ended 30 June 2021 are to the consolidated financial statements of the Issuer for the 6-month period, ended 30 June 2021, reviewed by the audit company of the Issuer, incorporated by reference in this Base Prospectus. Such financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”).

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

### **Alternative Performance Measures**

This Base Prospectus contains certain financial measures that are not defined or recognised under IFRS and which are considered to be “alternative performance measures” as defined in the “ESMA Guidelines on Alternative Performance Measures” issued by the European Securities and Markets Authority on 5 October 2015 (the “**Alternative Performance Measures**” or “**APMs**”). Such APMs are described in detail in “Key Financial Ratios and Alternative Performance Measures of the Issuer”.

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## OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. This overview must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.

The overview constitutes a general description of the Programme for the purposes of Article 25(1)(b) of Commission Delegated Regulation (EU) 2019/980, as amended.

<b>Issuer:</b>	Akcinė bendrovė Šiaulių bankas
<b>Programme Approval:</b>	The Programme was approved by the decision of the Management Board No. 42, dated 22 September 2021.
<b>Programme Amount:</b>	Up to €250,000,000 aggregate nominal amount of Notes outstanding at any one time
<b>Arranger:</b>	Luminor Bank AS (the " <b>Arranger</b> ")
<b>Description:</b>	Euro Medium Term Note Programme
<b>Dealer:</b>	Luminor Bank AS (the " <b>Dealer</b> ")
<b>Currency:</b>	Notes will be denominated in Euros
<b>Method of Issue:</b>	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
<b>Denominations:</b>	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) (subject to compliance with all applicable legal and/or regulatory and/or central bank requirements), save that the minimum denomination of each Note will be €100,000 and (if so decided) integral multiples of EUR 1,000 in excess thereof.
<b>Maturities:</b>	Any maturity, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
<b>Listing and Trading:</b>	<p>Application(-s) will be made for Notes issued under the Programme to be admitted during the period of twelve months after the date hereof to listing on the Bond List and to trading on the Regulated Market of Nasdaq Vilnius.</p> <p>However, in order to execute admission of each separate Tranche of Notes to the Bond List of Nasdaq Vilnius as soon as possible following their placement to the investors, the Issuer has filed a request to Nasdaq Vilnius for adoption of a decision on conditional admission of the Notes to trading on the above list of Nasdaq Vilnius. On 22 September 2021 Nasdaq Vilnius management board passed the respective decision.</p>
<b>Status of Restricted Senior Preferred Notes:</b>	Notes under the Programme will be issued as Restricted Senior Preferred Notes only.

	<p>The rights of Noteholders shall be subject to any present or future Lithuanian laws or regulations relating to the insolvency, recovery and resolution of credit institutions in Lithuania which are or will be applicable to the Notes only as a result of the operation of such laws or regulations.</p> <p>Restricted Senior Preferred Notes constitute senior, unsecured, unsubordinated, direct, general and unconditional obligations of the Issuer which will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, except for the claims of the Noteholders which are also shareholders of the Issuer holding qualified holdings (direct or indirect holding of the Issuer which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the Issuer), in the Issuer's authorised capital and/or voting rights, members of the Supervisory Council, members of the Management Board and CEO of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.</p>
<b>Waiver of Set-Off</b>	No holder of Restricted Senior Preferred Notes shall be entitled to exercise any right of set off or counterclaim against moneys owed by the Issuer in respect of such Restricted Senior Preferred Notes.
<b>Final Terms:</b>	Notes issued under the Programme will be issued pursuant to this Base Prospectus and associated Final Terms. The terms and conditions applicable to any particular Tranche of Notes will be the Conditions as completed by the relevant Final Terms.
<b>Issue Price:</b>	Notes may be issued at any price (at nominal amount or at a discount or a premium to their nominal amount). The price and amount of each Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and established in the relevant Final Terms.
<b>Interest:</b>	Notes will be interest bearing and subject to Reset Note provisions as provided in Condition 5(c) ( <i>Reset Note Provisions</i> ).
<b>Form of Notes:</b>	The Notes shall be issued in dematerialized form and book-entered with Nasdaq CSD. According to the Law on Markets in Financial Instruments of the Republic of Lithuania the book-entry and accounting of the dematerialized securities in the Republic of Lithuania, which will be admitted to trading on the Regulated Market (Nasdaq Vilnius), shall be made by Nasdaq CSD. Entity to be in charge of keeping the records will be the Issuer. The Notes shall be valid from the date of their registration until the date of their redemption. No physical certificates will be issued to the Investors. Principal and interest accrued will be credited to the Noteholders' accounts through Nasdaq CSD.
<b>Redemption:</b>	Unless previously redeemed, or purchased and cancelled, Notes will be redeemed at their Final Redemption Amount (as specified in the relevant Final Terms) on the Maturity Date.
<b>Optional Redemption:</b>	Before the Maturity Date (as described in Condition 6(c) ( <i>Redemption and Purchase – Redemption at the option of the Issuer</i> )) in whole, but not in part on the Reset Date at their outstanding principal amount together with accrued interest. No redemption at the option of the Noteholders is permitted for the Notes.

<b>Early Redemption:</b>	Upon the occurrence of a Tax Event or a Withholding Tax Event, the Issuer (subject to Condition 6(h) ( <i>Conditions to Redemption or Repurchase</i> )) may, at its option, redeem the Notes in whole but not in part at any time at their principal amount, together with interest accrued (if any) to the date fixed for redemption as described in Condition 6(b) ( <i>Redemption for tax reasons</i> ). Early redemption will otherwise be permitted only to the extent specified in the relevant Final Terms.
	Upon the occurrence of a MREL Disqualification Event, the Issuer (subject to Condition 6(h) ( <i>Conditions to Redemption or Repurchase</i> )) may, at its option, redeem all (but not some only) of the Notes at their outstanding aggregate principal amount together with interest (accrued to but excluding the date of redemption) as described in Condition 6(e) ( <i>Early Redemption of Restricted Senior Preferred Notes as a result of a MREL Disqualification Event</i> ).
	There are additional restrictions on the early redemption of Restricted Senior Preferred Notes, as mentioned in Condition 6(h) ( <i>Conditions to Redemption or Repurchase</i> ).
<b>Substitution and Variation:</b>	The Issuer may substitute or vary the terms of all (but not some only) of the Restricted Senior Preferred Notes as provided in Condition 14 ( <i>Substitution and Variation</i> ) (including changing the governing law of Condition 16 ( <i>Acknowledgement of Bail-in and Loss Absorption Powers</i> )) without any requirement for the consent or approval of Noteholders.
<b>Taxation:</b>	All interest payments only in the case of Restricted Senior Preferred Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Lithuania or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as described in Condition 8 ( <i>Taxation</i> ).
<b>Events of Default and Cross Acceleration:</b>	The Restricted Senior Preferred Notes provide for events of default in certain circumstances, but do not contain a cross-default or cross-acceleration provision.
<b>Clearing Systems:</b>	The Lithuanian branch of Nasdaq CSD, SE (" <b>Nasdaq CSD</b> ") (the merged central securities depository of Lithuania, Latvia, Estonia and Iceland).
<b>Risk Factors:</b>	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its respective obligations under the Notes are discussed under " <b>Risk Factors</b> " below.
<b>Governing Law:</b>	The Notes shall be governed by Lithuanian law.
<b>Ratings:</b>	The Notes issued under the Programme may be rated by Moody's Investors Service (" <b>Moody's</b> "). Moody's is established in the EEA and

	registered under Regulation (EC) No 1060/2009, as amended (the " <b>CRA Regulation</b> ").
<b>Selling Restrictions:</b>	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Japan and the Republic of Italy, see " <i>Subscription and Sale</i> " below.

## **RISK FACTORS**

*Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industry(-ies) in which it operates together with all other information contained in this Base Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.*

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. The below disclosure of risks only includes the risks the Issuer deems specific to the Issuer and to the Notes within the Programme, and which the Issuer believes to be the most essential for taking an informed investment decision. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer, or that are currently deemed immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Base Prospectus and their personal circumstances.*

*The risk factors below are presented in categories depending on their nature. In each category the most material risk factors are mentioned first according to the assessment of the materiality of the risk factors concerned. Unless otherwise specified, the risks relating to the Issuer as discussed in this section below, apply to the Issuer together with its branches and subsidiaries operating in Lithuania.*

### **General business risks**

#### ***Risks associated with COVID-19***

In March 2020, the World Health Organisation declared the outbreak of a new infectious disease known as "COVID-19", caused by the severe acute respiratory syndrome coronavirus 2 (commonly known as SARS-CoV-2), to be a global pandemic. COVID-19, first identified in China in December 2019, has spread rapidly in almost all regions around the globe, and has resulted in a rapid deterioration of the political, socio-economic and financial situation globally. As at the date of this Base Prospectus, the Issuer is continuing to monitor the impact which the COVID-19 outbreak could have on its operations, the markets in which the Issuer operates and more broadly on the macro-economic outlook as further cases emerge and governments and international agencies impose a range of measures to deal with the outbreak. Whilst as at the date of this Base Prospectus it is difficult to predict the extent of the effect which COVID-19 may have from a public health perspective and pre-emptive measures that may be adopted with a view to containing its spread (such as travel bans, quarantine, elective self-isolation and temporary business shut-downs), it could have a material adverse effect on the Issuer's operations and economic conditions and financial markets both in Lithuania and globally.

Among other effects which may not be identifiable as at the date of this Base Prospectus, the COVID-19 pandemic, various emergency measures applied in relation to the pandemic across a number of countries, as well as the negative effects the pandemic may have on the economy and financial markets, could impact the Issuer, its business, financial condition and results of operations as follows:

- the continuity of the Issuer's operations could be affected by the implementation of quarantine, self-isolation, social distancing or other similar measures affecting the employees of the Issuer or due to the spread of COVID-19 amongst the employees of the Issuer;
- a downturn in the economy could result in an increase in defaults by the borrowers financed by the Issuer and other contractual partners of the Issuer;
- the implementation of governmental and other measures to combat the pandemic and the associated economic downturn may include, among other things, the suspension of mortgage payments, the adoption of new rules relating to the payment of penalty interest, the imposition of restrictions on the termination of agreements and/or the application of enforcement measures and on taking steps with a view to initiating insolvency and/or enforcement proceedings which would affect the income receivable by the Issuer from its borrowers; and

- there could be a decrease in demand for the Issuer's services as a result of any economic downturn caused by the pandemic.

Any of the above listed effects, as well as effects which may not be identifiable at the date of this Base Prospectus, could also affect both the Issuer's ability to fulfil its obligations under the Notes and the value of the Notes.

There can be no guarantee that any similar pandemics or outbreaks will not occur in the future or that the effects of the current global pandemic will not deteriorate further. If such pandemics or outbreaks occur in the future, these may result in similar or more adverse effects as the COVID-19 pandemic, and could result in similar or further adverse effects on the Issuer, the Notes and the position of the Noteholders.

#### ***Real estate market risk***

As a part of Group's business activities, the Group finances entities operating in Lithuanian real estate sector. As of 30 June 2021, credit exposure to entities operating in real estate and rent and in construction sectors accounted to 17.7% (as of 30 June 2020 19.2%) of total gross loans provided by the Group before taking into account collateral held. In addition to that, the Group uses real estate as a main type of collateral securing both corporate and individual loans provided. As of 30 June 2021, real estate with the fair value of EUR 2,987 million (as of 30 June 2020 EUR 2,738 million) was used as a collateral for loans provided. Potential negative development of Lithuanian real estate market could have a negative impact on both real estate market prices and transaction volume. Such decreases in prices and volumes could have an adverse effect on Group's debtors operating in real estate sector and could degrade the value and liquidity of real estate used by the Group as a collateral which in turn could have negative effect on the Group's financial position. In 2021 new risk factor in real estate/construction sector appeared – increase of prices of raw materials raises some concerns regarding the borrowers that have previously signed fixed-price contracts. Monitoring of borrowers in mentioned sectors has increased, so far, no material impact is foreseen, but if the situation escalates further, this could adversely affect the ability of such borrowers to service the loans and the financial position of the Group respectively.

#### ***Interest rate risk***

The operations of the Group are inherently exposed to interest rate risk. The amount of net interest income earned by the Group materially affects the revenues and the profitability of the operations of the Group – during 6-month period ended 30 June 2021 net interest income accounted to 62.58% of the Groups total operating income (69.66% during 6 months of 2020). Interest rates are affected by numerous factors beyond the control of the Group, which may be not estimated adequately. Such factors include the changes in the overall economic environment, level of inflation, that in turn could influence ECB monetary policy decisions, which can lead to the interest rate fluctuations. Despite the fact that the management of the Issuer uses adequate interest rate risk management methods and tools, due to the unforeseen fluctuations of market interest rates there may be a mismatch between the interest income earned from the lending and crediting operations of the Group and the interest costs paid on the interest-bearing liabilities, which may have material adverse effect on the Group's operations, financial condition and results of operations.

#### ***Securities risk***

Securities risk is the risk to incur losses from the investment in securities. The Group has a substantial securities portfolio – as of 30 June 2021, securities portfolio accounted for 24.26% of Group's assets (25.44% as of 30 June 2020). The investment grade debt securities make up the largest part of the Group's securities portfolio (93.60% as of 30 June 2021 and 95.49% as of 30 June 2020). Largest share of the securities portfolio serves as a secondary liquidity reserve. The Group uses internal risk limit system that combines various maturity/rating, geographical region, value at risk, capital requirements, issuer, portfolio limits to manage securities risk. However, certain geopolitical, economic or other factors may lead to a situation when the unforeseen market fluctuations or disappearance of the active market for securities may have a material adverse effect on the Group's liquidity, financial condition and results of operations. If necessary, the Issuer prefers to raise liquid funds from debt securities portfolio, through operations of monetary policy of the ECB, by pledging eligible securities, rather than by selling the securities on the market seeing that securities portfolio yields are higher than current yields in the market, whereas the Issuer aims to keep interest income.

### ***Technological innovation related risk***

In recent years the banking industry has been a focus of a number of digital technology-based business initiatives and business ventures (“fintechs”) which aim to transform the banking business model and compete with conventional banking institutions. A risk exists that new technology-based market players could enter the market of banking services, thus significantly changing competitive landscape of the industry. Such changes could have an adverse effect on the Issuer’s business operations and financial position. This risk is material specifically for the Issuer as:

- the main provider of the information system IS Forpost, used by the Issuer may not be able to sustain competence from other market participants due to decrease of subjects, using the system;
- the Issuer uses quite a large amount of software, which does not fit together;
- some of the systems, developed partially by the Issuer itself (e.g., trade and accounting of the securities) does not have a reliable maintenance.

### ***Foreign currency risk***

Foreign currency risk arises primarily from the acquisition of securities denominated in foreign currencies or from foreign currency receivables and liabilities. Foreign exchange rates may be affected by complex political and economic factors, including relative rates of inflation, interest rate levels, the balance of payments between countries, the extent of any governmental surplus or deficit, and from the monetary, fiscal and trade policies pursued by the governments of the relevant currencies. Devaluation, depreciation or appreciation of foreign currency may have significant adverse effect on the value of the Group’s assets denominated in foreign currency or increase the euro value of the Group’s foreign currency liabilities. The Group’s foreign currency risk management is based on monitoring the risk exposure against the limits established for single open currency position. Positions are monitored on a daily basis and the risk management policy is focused on maintaining substantially closed foreign exchange positions. The Group also calculates Overall net open position (ONOP), which is the higher of the total short or total long positions. As of 30 June 2021, the Group’s ONOP was equal to 0.05% of Group’s capital (0.29% as of 30 June 2020). However, situations may arise in which internal risk management procedures might turn out to be inadequate and adverse changes in foreign currency exchange rates could result in material adverse effect on the Group’s financial situation and business results.

### ***Climate related and environmental risk***

The Issuer is exposed to climate related and environmental risk. This risk could affect the Issuer:

- as physical risk – financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation, e.g., due to climate-related events such as floods or draughts because of which direct property damage could occur, which could either mean direct expenses to the Bank to restore its property or effect its borrowers’ position through their business disruption or physical damage of collateral and/or
- as transition risk – financial loss which may result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy, e.g., adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences could impact the ability of Group’s borrowers to service the loans.

The Issuer is currently constructing the relevant metrics for monitoring this risk and upgrading its risk management.

### **Risk factors, specific to banking activities of the Issuer**

#### **Risks associated with credit portfolio**

This risk is the risk of potential loss which may arise from counterparty’s inability to meet its obligations to the Group. The risk affects cash and cash equivalents held with third parties (such as deposits with banks

and other financial institutions), bonds, derivatives, but mostly credit exposures to customers, including outstanding loans as well as other receivables and commitments. Group's maximum exposure to credit risk before collateral held or other credit enhancements amounted to EUR 3.507 billion as of 30 June 2021 and EUR 2.912 billion as of 30 June 2020. There is no full clarity regarding further development scenarios of COVID-19 pandemic and uncertainties regarding further global, country and sector development trends, therefore there is a significant probability that some of the Group's customers will have disruptions in their cash flows and will be unable to meet their obligations by original payment schedules and the Group might incur additional credit losses. A major scale deterioration in credit risk could have a material impact on Group's capital levels and lead to insufficiency of capital, which could lead to a failure of the respective Group Company to meet its obligations to its creditors.

#### ***Loan portfolio concentration risk***

The operations of the Group are subject to loan portfolio concentration risk, which by essence is a risk arising from the overall spread of outstanding accounts over the number and variety of clients. As of 30 June 2021, largest exposure amounted to 10.8% of regulatory CET1 capital (30 June 2020: 11.1 of total capital), while the limit is <25%. As of 30 June 2021, the top 3 industries with largest exposure were Real Estate with 25%, Manufacturing with 17%, and Wholesale and Retail Trade with 14% share of the total gross corporate non-financial loans value provided by the Group. The above concentration risk may have a material adverse effect on the Group's operations, financial condition and results of operations. If the concentrations are mismanaged, severely adverse credit situation in a segment where the Group has excessive concentration could have a material impact on Group's capital levels and lead to a failure of the respective Group Company to meet its obligations to its creditors.

#### ***Liquidity risk***

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments related to financial instruments as they actually fall due. If an institution has insufficient liquidity, it may be unable to meet its obligations to its creditors. As of 30 June 2021, the Issuer's financial liquidity coverage ratio was equal to 234% (as of 30 June 2020 223%), when the requirement is set at  $\geq 100\%$ .

The Issuer relies on deposits from retail and corporate customers in order to service most of its liquidity needs. The volume of such liquidity is, however, dependent on factors which are beyond the Issuer's control, such as changes in household savings ratios, the propensity to save by making bank deposits and changes in the tax regime applicable to bank deposits. The Issuer's liquidity position may also be affected negatively by a large and unexpected outflow of deposits.

Currently, the refinancing risk of the Issuer is low as it relies on deposit-based funding (customer deposits amount to 82% of total liabilities as of 30 June 2021, with the same amount also as of 30 June 2020), but as the borrowings increase, it will become more significant and the Issuer will face the risk of not being able to raise funds from money and/or capital markets on acceptable terms, which may have an adverse effect on the Issuer's business operations, its performance or financial position.

#### ***Dependency on information technology systems***

The Group has developed and uses a variety of information technology (IT) systems and web-based solutions in carrying out its everyday business operations and providing services to its clients. This means that the Group is exceedingly open to IT related risks over which it has no control, including system-wide failures of communication infrastructure, quality and reliability of equipment and software supplied by third parties and other similar risks. Furthermore, should the Group experience a significant security breakdown or other significant disruption to its information technology systems, sensitive information could be compromised, which in turn could result in civil and administrative liability of the Group before its customers, counterparties and state authorities. In addition to that, potential illegal attacks on the Group's internal IT systems may limit access to both online and offline services of the Group, which would have material adverse effect on further operations of the Group and its financial position. The Group may, despite its efforts, fail to mitigate all IT systems related risks or fail to take appropriate and effective countermeasures if its systems fall under attack, which in turn may have material adverse effect on the Group's operations, financial position and results.



### ***Risks associated with the Issuer's human resources***

The Issuer's performance is largely dependent on the talents and efforts of highly skilled individuals. The employees have a high workload and complex planning of resources is required with a need to prioritise both business-driven development and regulatory-driven development while simultaneously managing day-to-day operations. Increased staff-related risks could materially adversely affect the Issuer's business, financial condition and results of operations.

The Issuer's continued ability to compete effectively in its businesses depends on the Issuer's ability to attract qualified employees and to retain and motivate its existing employees. Competition from within the financial services industry and from businesses outside the financial services industry for qualified employees is intense. The need for higher cost efficiency could also result in a lower rate of wage increases in the coming years, which may also impact the Issuer's ability to retain or recruit employees. This may impact the Issuer's ability to take advantage of business opportunities, potential efficiencies, or profitably manage its existing or new assets.

As staff costs comprise the main part of operating costs (2021 H1 – 50%, 2020 H1 – 54%), increased staff-related risks could materially adversely affect the Issuer's business, financial condition and results of operations, also increase in staff costs behind the market expectations could lead to potentially worse evaluations from investors, rating agencies and other stakeholders and impair the possibilities to generate capital / attract funding.

### ***Risks associated with the credit ratings of the Issuer***

The Issuer's credit ratings do not always mirror the risk related to individual Notes under the Programme.

Currently, the Issuer has a rating from Moody's. Any credit rating agency may lower its ratings or withdraw the rating if, in the sole judgement of the credit rating agency, the credit quality of the Issuer has declined or is in question. In addition, at any time a credit rating agency may revise its relevant rating methodology with the result that, among other things, any rating assigned to the Issuer may be lowered. If any of the ratings assigned to the Issuer is lowered or withdrawn, the market value of the Notes may be reduced. Furthermore, such ratings may not reflect the potential impact of all risks related to the structure, market, and other factors that may affect the financial standing of the Issuer. Accordingly, a credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. The Issuer's ratings may also decline if sovereign credit rating of Lithuania is downgraded regardless of any direct correlation with the Issuer's activities.

The Issuer can at any time choose to stop cooperating with the relevant credit rating agency, which would result in the Notes no longer being rated, unless the Issuer chooses to be rated by one or several other credit rating agencies. A decline in the rating of the Issuer or withdrawal of the rating by a rating agency may have a material adverse effect on the business, financial condition and results of operations of the Issuer.

### ***Operational risk***

Operational risk is a risk of potential loss caused by the operational risk of inadequacy or failure of internal procedures, employees, process or information system failures and flaws or due to external risks including legal risk and reputational risk. In addition, the operational risk embraces risk of corporate fraud and misconduct.

This encompasses (i) internal risks including theft and fraud by employees, development and process failures, business interruptions or break-downs in information systems and (ii) external risk factors such as property damage and fraud by customers.

The Issuer makes every effort to maintain the lowest possible risk level, meanwhile striving at not exceeding a reasonable level of expense.

When completing transactions, transaction limits and competence systems are used to minimise potential loss and the principle of duality is used in the Group's working procedures, according to which there should be an approval by at least two employees or units in order to carry out a transaction or procedure. The information systems and operations of the Group companies are monitored constantly in order to identify

risks of system failures, flaws or fraud and mitigate the operational risk. The information received from the monitoring of the information systems and operations of the Group companies is used to correct the flaws in information systems and avoid failures thereof. The Group's working procedures are reviewed periodically to ensure minimising human and process flaws and the potential loss arising therefrom. However, the risk of such losses cannot be eliminated altogether. The operational risk may have material adverse effect on the Group's operations, financial position and results.

Any inadequate or failed internal or external risk-related processes may affect the Issuer's strategy, its growth potential, its fees and commissions, and profit margins and, consequently, could have a material adverse effect on its business, financial condition and results of operations. Losses from operational risk could damage the Issuer's capital position or reputational risk event could trigger a bank run, where a large number of depositors could withdraw their funds, which would, which would deteriorate the Issuer's liquidity position.

#### ***Risks associated with interest rates sensitivity***

Interest rate risk is the risk of loss or reduction of future net income following changes in interest rates, including the price risk connected to the sale of assets or closing of positions. In the normal course of business, the interest rate risk arises due to timing differences in the maturity (for fixed rate) and repricing (for floating rate) of the Issuer's assets, liabilities and off-balance sheet items.

Due to differences between the Issuer's borrowing and deposits interest rates, the Issuer may face considerable interest rate risk, as changes in interest rates, yield curves and credit margins can affect the interest rate margin realised between borrowing and deposits. Changes in interest rates can also affect the Issuer as such changes can have a disproportionate or unexpected impact on the return on interest-bearing assets or the cost of interest-bearing liabilities, or otherwise have a negative effect on the Issuer's financing costs. An increase in interest rates can also affect demand for housing loans and other loan products as customers incur increased loan costs.

It is difficult to anticipate changes in the market situation and to predict the impact that these changes could have. In order to reduce the volatility in net interest income, the Issuer limits structural interest rate risk (which occurs as a result of the imbalance between interest rate obligations and the re-pricing of assets and liabilities), with asset and liability management principles and interest rate risk management activities. A material change in interest rates and the Issuer's inability to maintain interest rate margins may result in lower net income and could have a material adverse effect on the business, financial condition and results of operations of the Issuer.

#### ***Risks associated with business development initiatives and changes to the Issuer's operating model***

The Issuer is constantly exploring ways to develop and streamline its operations, meet its customers' demands, stay up-to-date with market developments, make its operations more efficient and improve its financial performance and position. Business development is a constant process. To manage this risk, the Issuer has a project management structure in place, which aims to ensure the ongoing review of its project portfolio in order to effectively allocate the resources and intervene if needed.

With any business development initiatives and changes to the operating model, there is a risk that the initiative or change may, regardless of the Issuer's efforts, not bring the desired benefits. Moreover, there is a risk that such initiatives and changes may result in inefficiencies, stoppages or delays in the Issuer's operations, negatively affect the Issuer's customers' satisfaction, reputation and awareness of the Issuer's brand. The occurrence of any such effect could have a material adverse effect on the business, financial condition and results of operations of the Issuer (e.g., failure to timely update internet banking system potentially could lead to loss of customers, reputational damage and fines by the regulator if the accessibility of the system was compromised).

#### ***Risks associated with the market environment and macroeconomic conditions***

##### ***Risks associated with the general market environment and economic conditions in Lithuania***

The economy of Lithuania is small and open economy that is closely linked to the global economy and especially to the macroeconomic conditions in the Eurozone countries and Russia. Lithuania is member of the European Union and the North Atlantic Treaty Organisation. Any deterioration in the economic environment of Lithuania where the Issuer operates, or in the countries where its customers and

counterparties operate, could have a direct negative impact on the Issuer's strategy, its growth potential, its fees and commissions, and profit margins and, consequently, could have a material adverse effect on its business, financial condition and results of operations.

Should any negative development in the economy in Lithuania or in the financial markets generally occur, the demand for banking services may decrease and lead to a reduced net interest income from the banking business as well as reduced commissions from the asset management and real estate brokerage businesses. Weaker demand and any increase in unemployment may also lead to difficulties for the Issuer's customers in meeting their payment obligations, thereby causing increased disruptions in the repayments of loans, write-downs and loan losses. A rise in the level of interest rates may have the same effect. The market value of financial assets held by the Issuer may also be affected. Furthermore, investors' demand for returns may increase, thus increasing the Issuer's refinancing costs and hampering the Issuer's refinancing options.

***Risks associated with the geopolitical conditions impacting Lithuania***

Each of the Issuer's operating segments is affected by general geopolitical conditions. Political stability is one of the key supports for Lithuanian economy. Political uncertainty in regions which are important for the global and especially for the European Union economy can at large be expected to have a negative effect on the general economic situation and financial market conditions also in Lithuania.

Brexit and other political protectionist tendencies to reduce European Union co-operation may have negative effects on the economy of Lithuania and on the financial markets. Political instability in Russia, Belarus and potential further economic sanctions, tensions in relations with China could have a negative effect on Lithuanian economy or separate sectors or enterprises which have business dependencies on these countries.

Lithuania is dependent on foreign investment which may not continue to flow in at the current rate. As a result, the future economic development and market conditions may significantly worsen and amplify the impact of risk factors set out in this section.

In addition to economic and financial effects, Brexit and other political events, as well as protectionist tendencies to reduce European Union co-operation, may bring further political, legal and regulatory uncertainty. Such uncertainty and consequential market disruption may also cause investment decisions to be delayed, reduce job security, and damage consumer confidence.

Although the Issuer constantly monitors developments on both domestic and international markets, it is not possible to forecast the timing or extent of changes in the economic or political environment. Noteholders should be aware that the events described above could have an adverse impact on the interests of the Noteholders including the payment of interest and repayment of principal on the Notes.

***Risk associated with information security and risk of cybercrime attacks***

The Issuer's operations rely on the correct and secure processing and communication of large amounts of information, which is often of a confidential nature. As part of its business operations, the Issuer records personal and banking details that it receives from its customers. Significant costs may be incurred if information security risks, such as illegal access to or distortion of information, are realised. Costs may also be incurred by the Issuer in protecting itself against breaches of data protection rules and in solving problems that have been caused as a result of such breaches.

The Issuer is also subject to EU General Data Protection Regulation ("GDPR"). If any member of the Issuer or any of their third-party service providers fails to store or transmit customer information in a secure manner, or if any loss or wrongful processing of personal customer data were otherwise to occur, the Issuer could be subject to investigative and enforcement action by relevant regulatory authorities and could be subject to claims or complaints from the person to whom the data relates, or could face liability under data protection laws. Should some or all of these risks materialise, this may have an adverse effect on the business, financial condition and results of operations of the Issuer.

As for all major financial institutions, the Issuer's activities have been, and could continue to be, subject to an increasing risk of cyber-attacks, the nature of which is continually evolving. Digital transformation can make it a potential target for cybercrime attempts and that is primarily related to the Issuer's internet bank users and includes physical identity theft, unauthorised access to privileged and sensitive customer information, including internet bank credentials as well as payment and credit card information. The Issuer

also expects to face regulatory requirements going forward in relation to cybersecurity, such as GDPR or the European Banking Authority's (the "EBA") anticipated regulation on strong customer authentication.

The Issuer has continued to invest in building systems and defences to address threats from cyber-attacks. However, the Issuer could continue to experience security breaches or unexpected disruptions to its systems and services in the future. Such security breaches and unexpected disruptions could in turn result in liability towards the Issuer's customers and/or third parties and consequently have an adverse effect on the Issuer's business, reputation, financial condition and results of operations.

Solving such problems can cause interruptions or delays in the Issuer's customer service, which in turn could damage the Issuer's reputation, discourage customers from using the Issuer's services or cause customers to bring claims for compensation against the Issuer. Any of these situations could have a significant adverse effect on the Issuer's business operations, its performance or its financial position.

#### ***Risks associated with the reputation of Lithuania and of other Baltic countries***

Being a Lithuanian bank, the Issuer is impacted by the international reputation and perception of Lithuania and of the Baltics and how companies (especially financial institutions) from Lithuania and other Baltic countries are generally perceived in other regions.

In recent years, Baltic countries, and Baltic financial institutions specifically, have received substantial attention due to the emergence of several money laundering allegations. For instance, since 2018 allegations related to money laundering have been raised against several significant credit institutions in the Baltic states and, based on publicly available information, various proceedings have been initiated by authorities in Estonia and abroad to investigate such allegations.

Furthermore, in 2018 the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (the "MONEYVAL") in its Fifth Round Mutual Evaluation Report regarding Latvia identified that large financial flows passing through Latvia as a regional financial centre pose a significant threat of money laundering and terrorist financing.

On 22 January 2020, MONEYVAL issued the 1st Enhanced Follow-up Report on Latvia's AML/CFT measures which highlighted progress in addressing various deficiencies. MONEYVAL decided that Latvia will remain in enhanced follow-up and will continue to report back to MONEYVAL on further progress to strengthen its implementation of AML/CFT measures.

On 21 February 2020, the Financial Action Task Force (the "FATF"), which is an inter-governmental body having a significant impact on policy making, admitted the progress that Latvia made in setting up a strong and robust financial crime prevention system and concluded that Latvia will not be subject to enhanced surveillance. However, pursuant to MONEYVAL's earlier decision, Latvia will remain in enhanced follow-up and will continue to report back to MONEYVAL on further progress to strengthen its implementation of AML/CFT measures. Latvia is expected to report back at the first MONEYVAL plenary meeting of 2021.

In early 2019 MONEYVAL issued a similar evaluation report on Lithuania. This report highlighted some threats related to money laundering – including increased corruption, significant share of shadow economy, evidence of organised crime and widespread use of cash. No elevated risks related to financing terrorism were identified. Evaluation of Estonia by MONEYVAL is expected to begin in early 2021.

No allegations related to money laundering have been made against the Issuer (except for one case against the BoL, which is currently being contested in court – for more information please see *Legal Proceedings and Investigations*). However, allegations regarding also other Baltic financial institutions may still affect the Issuer, as far as these affect the reputation of the Baltics and Baltic financial institutions in general. This may pose the risk that the Issuer may not be able to raise funding from international markets or may only be able to raise funding on less favourable terms. There is also a risk that some of the Issuer's direct or indirect counterparties (e.g., correspondent banks) and/or customers may wish to terminate or limit the scope of their business relationships with Baltic financial institutions, including the Issuer, or subject Baltic financial institutions, including the Issuer, to more rigorous control. Furthermore, it is possible that the Issuer's business partners or public authorities (for example FATF and/or the European Commission) may apply mandatory enhanced due diligence measures against financial institutions established and/or operating in any or all of the Baltic countries, thus affecting business operations of the Issuer.

### ***Competition risk***

The Issuer is the fourth largest bank in Lithuania in terms of both loan portfolio and deposits. As a result, the Group faces a significant competition from other larger market players. In each of the business segments, the Group competes primarily on the basis of its service range, pricing, established client relationships, technical knowledge and the efficient handling of banking operations. If the Group is unable to continue provision of its services to existing clients, developing new services portfolios and attracting new clients, responding to client trends, increasing its operating efficiency and reducing its operating and overhead costs, it may not be able to successfully compete in the market. Should the Group fail to maintain its market position in the market and business segments, this could have a material adverse effect on the net assets, financial position and financial performance of the Group.

In addition to that, both established players and newcomers compete in the market. The Issuer primarily faces competition in its universal banking activities, where its competitors include large Scandinavian banking groups operating in retail, corporate and investment banking markets in Baltic markets (SEB, Swedbank), or large Baltic banking groups (Luminor, Citadele). In particular, taking into account the large investments made by other banks in new technologies, the Issuer faces increasing competition in internet and mobile banking.

High levels of competition in the banking industry could also lead to increased pricing pressure on the Issuer's products and services, which would have a material adverse effect on the business, financial condition and results of operations of the Issuer. In particular, increased competition for deposits may lead to a higher loans-to-deposit ratio and an increase of the Issuer's cost of funding.

Moreover, new entrants such as FinTech companies, providing online financial services, are also increasingly competing for customers and market share. The developing relationships between FinTech companies and traditional banks is a significant trend and may have a great impact on the existing market structure for banking services.

There is no guarantee that (i) the Issuer's strategies will be sufficiently competitive or that (ii) such strategies will meet customer needs and expectations in the future as competition increases and the availability of products and services grows on the international markets, or that they will otherwise be successful. It is also possible that the Issuer may not be able to put its strategies into practice and succeed in integrating the different services from its various business areas, thus creating synergy effects between them. Additionally, changes in business strategy entail risks of their own, including in relation to operational risks, risks of insufficient training of personnel and IT risks.

If the Issuer fails to respond to the competitive environment in its target markets by offering attractive and profitable product and service solutions, it may affect the Issuer's competitiveness, its market shares, its growth potential, its customer base and, consequently, could have a material adverse effect on its business, financial condition and results of operations.

### **Risks associated with the legal and regulatory environment**

#### ***Risks associated with abuse of the financial system***

The regulations applicable to the financial sector on the prevention of money laundering, corruption and the financing of terrorism as well as international sanctions have been and are subject to ongoing tightening. In global terms, the risk that banks may become the subject of or be exploited for the purposes of money laundering or the financing of terrorism has increased. The risk of future incidents involving money laundering or financing of terrorism is always on the agenda for financial institutions and fall under the scope of annual Enterprise Wide Risk Assessment procedure. Any breach of the rules that aim to prevent the illegal exploitation of the financial system or even the suspicion of such infringements could have grave legal consequences for the Issuer and its reputation, which, in turn, could have a significant adverse effect on the Issuer in terms of regulatory fines and reputational damage. Seeking to manage and mitigate such risks, the Issuer applies AML&CTF measures. Effectiveness of AML&CTF measures are under scope of regular control, internal audit and clear reporting lines (including escalation to Top Management).

Regardless of the risk mitigation measures that the Issuer is taking, there can be no assurance that the AML, CFT and sanctions measures of the Issuer are and have in the past been at all times sufficient and there will be no proceedings, investigations or allegations involving the Issuer.

The Issuer is committed to continuously applying sufficient enhancement and maintenance operations on supporting systems. However, there is a risk that the Issuer's screening and monitoring approach, supporting processes and systems may not fully prevent the execution or facilitation of transaction(s) which have exposure to money laundering, sanctions and/or terrorism financing offences.

The Issuer monitors transactions according to predefined scenarios and thresholds, however, there is a risk that the Issuer may not be able to detect all the patterns and occurrences in a customer's behaviour which indicate breaches of AML or sanctions laws on the part of the customer.

The Issuer has developed a regular reporting routine and has defined additional need-based escalation topics to Management containing both qualitative and quantitative components. Nevertheless, risks may arise where the Issuer has not sufficiently defined the content of reporting principles. The occurrence and realisation of the above-mentioned risks could have a severely negative impact on the Issuer, its financial standing, reputation and business due to the enforcement activities of state supervisory authorities and adverse public opinion. Seeking to mitigate such risks and to comply with AML&CTF requirements and best practices (both – local and international), the Issuer constantly increases resources dedicated to review, update, strengthen the scope, quality and effectiveness of AML&CTF measures (including supporting systems).

### ***Risks associated with regulatory requirements and the Issuer's legal obligations***

The Issuer's business operations are subject to a large number of laws and regulations concerning banking operations and financial services and the Issuer is subject to stringent, constantly increasing and changing regulation and supervision, which means that the Issuer may be subject to intervention from the regulatory authorities and there is no assurance that the Issuer will be found fully compliant with all applicable laws and regulations.

In recent years, the regulation of banking operations and the financial sector in general has undergone extensive changes in Lithuania, in the European Union and internationally. Regulatory changes are also foreseen for 2021 and 2022, both known and currently undetermined. The regulation applicable to banks and in the financial sector generally has been constantly tightening and the powers of the regulators have been widening since the economic crises of 2008-2009. These changes can have an impact on capital and liquidity requirements for banking operations, for example, and can lead to further costs and obligations for the Issuer. Changes may also be imposed on rules governing how the Issuer runs its business. New regulation may force the Issuer to reduce its level of risk, its volume of business and the lending ratio in some operations. New regulation also generally increases the administrative burden, resulting in increased costs and lower profitability.

Measures taken by the authorities or unfavourable decisions in disputes with the authorities could also result in fines or restrictions and limits being imposed on the Issuer's business operations and give cause for negative publicity. Breaches against competition laws can also result in severe monetary sanctions.

Any tightening of consumer protection laws or the interpretation thereof by courts or other competent authorities could result in lower profitability of certain of its products and services, which may impair its ability to offer certain products and services or to enforce certain clauses and thus have an adverse effect on the results of operations.

Likewise, limitations imposed by, and the cost of compliance with the rules imposed by MiFID II and related legislation may result in further limitations, increased cost and lower profitability of the Issuer's banking business involving financial instruments. This may have a negative impact on the ability of the Issuer to fulfil its obligations in relation to Notes issued under this Base Prospectus.

Furthermore, banking activities are largely dependent on contractual relationships. Customers and counterparties to agreements that any member of the Issuer has entered into may submit claims against the Issuer or its Subsidiaries that can lead to disputes and legal action. Such demands may, for example, concern liability towards customers with regard to the sale of unsuitable products or with regard to incorrect advice. If the Issuer or any of its Subsidiaries is deemed to have neglected its duties, it may be liable to pay damages.

Any legal action against any member of the Issuer can also have a negative impact on the Issuer's reputation, which in turn could have a material adverse effect on its business, financial condition and results of operations.

If any of the risks set out above were realised, this could have a significant adverse effect on the Issuer's business operations, its performance or its financial position.

### ***Risk associated with regulatory capital requirements***

The Issuer is subject to supervision by the European Central Bank (“**ECB**”) through the Single Supervisory Mechanism, which provides for minimum levels of regulatory capital, which are comparable with those of other significant banks in the European Union. If the Issuer were to fail to maintain its ratios, this may result in administrative actions or sanctions against it which may impact the Issuer's ability to fulfil its obligations under the Notes.

All banks are subject to capital, liquidity coverage and other requirements that banks must observe. These requirements serve as safeguards that help ensure safe and sound banking activities. Banks are subject to the following ratios and prudential requirements:

- **Capital or own fund requirements.** Banks must hold sufficient capital for covering unexpected losses and remaining solvent during a crisis period. Banks must satisfy the following Pillar 1 own funds requirements:
  - a Common Equity Tier 1 capital ratio of 4.5 per cent. This is the ratio between Tier 1 equity capital and risk weighted assets and off-balance sheet liabilities of the bank;
  - a Tier 1 capital ratio of 6 per cent. This is the ratio between Tier 1 capital and risk weighted assets and off-balance sheet liabilities of the bank;
  - a total capital ratio of 8 per cent. This is the ratio between the own funds and risk weighted assets and off-balance sheet liabilities of the bank;
  - a leverage ratio of 3 per cent. This is the ratio between Tier 1 capital and the total exposure measure of the bank.
- **SREP capital requirements** consist of two parts:
  - Pillar 2 requirement or P2R, which covers risks underestimated or not covered by Pillar 1. P2R is binding and breaches can result in regulatory sanctions. The Issuer is subject to a P2R requirement of 1.6%;
  - Pillar 2 guidance or P2G, which indicates to banks the adequate level of capital to be maintained in order to have sufficient capital as a buffer to withstand stressed situations. P2G is not legally binding, but the regulators expect banks to comply with this buffer.
- In addition to the capital requirements, banks must meet **additional capital buffer requirements**:
  - capital conservation buffer of 2.5 per cent. The purpose of this requirement is to obligate banks to accumulate additional capital for covering unexpected losses. It is uniform across all European Union banks;
  - institution's special countercyclical capital buffer requirement. The supervisory authorities of Member States may, at their own discretion, set the amount of a specific countercyclical capital buffer for a particular institution or a group of institutions, thereby mitigating the risk of unsustainable growth and securing the banking sector and the economy against a credit boom. Currently, a special countercyclical capital buffer requirement of 0 per cent is applied for positions in Lithuania;
  - other systemically important institutions (O-SII) buffer requirement. The purpose of this requirement is to obligate banks to accumulate additional capital to cover losses arising from the impact of the bank's financial difficulties on the European Union market or a particular domestic financial market. It is set on an individual basis – up to 2 per cent of risk weighted assets. For the Issuer, O-SII buffer currently is set at 0.5%, and it will increase to 1.0% as from 31 December 2021.
- **Liquidity requirements.** Banks must hold sufficient liquid assets to be able to cover net cash outflows under gravely stressed conditions within 30 days. The value of the liquidity coverage ratio (“**LCR**”) must not be below 100 per cent, i.e., a credit institution's reserves of liquid assets must not be lower than net cash outflows over 30 calendar days under gravely stressed conditions. Banks must have sufficient stable funding to meet the funding needs for a one-year period both under regular and stressed conditions. The value of the net stable funding ratio should be no lower than 100 per cent, i.e., the stable funding amount available for the credit institution should be no lower than the required stable funding amount over a one-year period.
- **The large exposure requirement.** Exposure to a client or a group of connected clients, i.e., loans granted, also any asset or off-balance-sheet asset share cannot exceed 25 per cent of the institutions CET1 capital, or EUR 150 million, whichever the higher, provided that the sum of exposure values.

The supervisory institutions may set other ratios without contradiction to the recommendations of the Basel Committee on Banking Supervision and European Union legislation.

Capital adequacy is the main indicator for assessment of solvency of credit institutions. Failure to maintain sufficient capital to absorb the losses from all the risks the Group is exposed to may lead to failure of the institution to meet its obligations to its creditors. As of the date of the Prospectus the Issuer is complying with all applicable capital requirements. Its CET1 ratio as of 30 June 2021 is 17.7% (30 June 2020 19.1%), i.e., higher than the required minimum level of 9.6%; overall capital adequacy ratio as of 30 June 2021 is 18.6% (30 June 2020 – 20.3%) – i.e., higher than required minimum level of 12.6%.

In response to COVID-19 situation, the ECB announced that it allows banks to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G), the capital conservation buffer (CCB), the BoL released the countercyclical capital buffer for Lithuania. The date from which these measures will be called off is not yet announced, but the Issuer seeks to maintain its capital ratios including these buffers.

The capital requirements adopted in Lithuania and in the European Union may change, whether as a result of further changes of the European Union or Lithuanian legislation, global standards or interpretation thereof.

The Issuer structures and plans its activities so that it would ensure compliance with regulatory requirements with sufficient buffers to cover the stressed conditions, but the realisation of a single risk factor or a combination of multiple risk factors beyond the Issuer's expectations could result in larger shock than expected and then lead to deterioration of either (or both) capital and liquidity position and failure to satisfy the regulatory requirements.

Any failure by the Issuer to satisfy the regulatory capital requirements, liquidity requirements and other requirements applied to the Issuer, and any further increases in such requirements, could result in regulatory intervention or sanctions or significant reputation harm, which may have material adverse effect on the Issuer's financial condition, results of operation and prospects. In addition to that, the Issuer may be able to raise such capital but not at commercially attractive terms and conditions, leading to weaker profitability.

## **Risks associated with the Notes**

### ***Modification and waivers***

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting, or as the case may be, did not sign the written resolution including those Noteholders who voted in a manner contrary to the majority.

Furthermore, the Conditions of the Notes provide that the Notes and the Conditions of the Notes may be amended without the consent of the Noteholders to correct a manifest error or to comply with any amendments, updates and/or modifications to any applicable legislation passed after the date hereof by or on behalf of the Republic of Lithuania or any political subdivision thereof or any authority therein or thereof having power to make such amendment, update and/or modification, which impacts the Issuer's obligations in relation to the Notes. The Issuer cannot foresee, as at the date of this Base Prospectus, what such changes may entail, however, any changes made will be binding on Noteholders.

### ***Credit risk of the Issuer***

An investment in the Notes is subject to credit risk, which means that the Issuer may fail to meet its obligations arising from the Notes duly and in a timely manner. The Issuer's ability to meet its obligations arising from the Notes and the ability of the holders of the Notes to receive payments arising from the Notes depends on the financial position and the results of operations of the Issuer, which are subject to other risks described in this Base Prospectus. The Notes are not bank deposits in the Issuer and are not insured by the state company "Deposit and Investment Insurance" (in Lithuanian: *Valstybės įmonė "Indėlių ir investicijų draudimas"*). Thus, in case of insolvency of the Issuer, the Noteholders would not receive any payments, related to Notes from this state company.



***No ownership rights, no guarantee that the shareholders' structure remains the same***

An investment into the Notes is an investment into debt instruments, which does not confer any legal or beneficial interest in the equity of the Issuer or any of the subsidiaries thereof or any voting rights or rights to receive dividends or other rights which may arise from equity instruments. The Notes represent an unsecured debt obligation of the Issuer, granting the Noteholders only such rights as set forth in the Conditions of Notes. The value of the Notes might be affected by the actions of the shareholder of the Issuer over which the investors do not have control.

In addition to that, taking into consideration that all the shares of the Issuer are introduced to trading on regulated market (Nasdaq Vilnius Main List), its shareholding structure may be subject to changes at any point, if any of its major shareholders divest all or a part of their equity stakes in the Issuer. Thus, prospective investors in the Notes should not rely on the existing shareholding structure of the Issuer.

***Treatment of Noteholders***

Article 87 of the Law on Banks of the Republic of Lithuania (the "Law on Banks") regulates the order (sequence) of satisfaction of claims of creditors of the Issuer in case the Issuer is being liquidated by reason of bankruptcy. Paragraph 9 of this Article of the currently valid Law on Banks establishes that the claims of shareholders of the Issuer holding a qualifying holding in the Issuer's authorised capital and/or voting rights (direct or indirect holding of the Issuer which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the Issuer), members of the Supervisory Council, members of the Issuer's Management Board and the CEO of the Issuer shall be satisfied ninth, i.e. the last.

Therefore, according to the currently valid Law on Banks, if a creditor of the Issuer is its shareholder holding a qualifying holding in the Issuer's authorised capital and/or voting rights, member of its Supervisory Council, member of its Management Board and/or the CEO of the Issuer, their claims, as those of a creditor, towards the Issuer will be satisfied ninth in the line of creditors, irrespective of the type of the claim as that of a creditor. Therefore, the persons meeting criteria set in paragraph 9 of Article 87 of the Law on Banks and being Noteholders, shall get a satisfaction of his/hers/its claims in the Issuer's bankruptcy process ninth (last) among all the creditors, after claims of all senior creditors shall be satisfied.

A draft of the amendment of the Law on Banks is currently under discussion, which could modify the indicated line of the Issuer's creditors. In case this amendment of the Law on Banks is adopted, shareholder of the Issuer holding a qualifying holding in the Issuer's authorised capital and/or voting rights, member of Supervisory Council, member of the Management Board and the CEO of the Issuer, would stand in the same creditors' line as the other Noteholders. However, it is not clear whether the amendment of the Law on Banks will be adopted and when it will be done (if at all).

***There is no active trading market for the Notes***

There can be no assurance that a liquid market for the Notes will be maintained. The investors may find it difficult to sell their Notes or to sell them at prices producing a return comparable to returns on similar investments in the secondary market. This is specifically relevant for the reason, that the minimum denomination of each Note will be €100,000. Thus, there would be not many investors, able to acquire the Notes on the secondary market.

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If a market does develop, it may not be very liquid. Therefore, no liquidity of any market in the Notes can be assured; nor the ability of the holders of the Notes to sell their Notes or the prices at which they would be able to sell their Notes.

If the Notes are traded after their initial issuance, they may be traded at a discount or at a premium to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. It is possible that the market for the Notes will be subject to disruptions or volatility. Any such disruption or volatility may have a negative effect on holders of either series of the Notes, regardless of the Issuer's prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although an application will be made for the Notes to be admitted to listing on Nasdaq Vilnius (and the management board of Nasdaq Vilnius has already adopted a decision on conditional admission of the Notes to trading on Nasdaq Vilnius) there can be no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

#### ***Exchange rates and exchange controls***

The Issuer will pay principal and interest on the Notes in Euro (the "**Specified Currency**"). This presents certain risks relating to currency conversions if a holder's of Notes financial activities is denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, holders of the Notes may receive less interest or principal than expected, or no interest or principal.

#### ***Interest rate risks***

An investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes. Particularly long-term fixed-rate Notes involve a high risk of a material decline in value if the market rate exceeds the rate paid in accordance with the fixed-rate Notes. On the other hand, holders of Notes that are subject to redemption at the option of the Issuer should not expect, in case of falling market rates, that the price would substantially exceed the redemption price. The yield to maturity on the Notes is affected by number of factors that cannot be predicted at the time of the investment.

#### ***The Notes may be redeemed prior to maturity***

Unless in the case of any particular Tranche of Notes the relevant Final Terms specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Lithuania or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions and subject to compliance with certain regulatory conditions and approval by the Competent Authority or Resolution Authority, as applicable (each as defined below).

The Issuer may be entitled to redeem in whole (but not in part) Restricted Senior Preferred Notes if an MREL Disqualification Event occurs.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable only at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Notes, subject to certain regulatory conditions and approvals, at times when prevailing interest rates may be relatively low. In such circumstances a holder of the Notes may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes and may only be able to do so at a significantly lower rate. This optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may, or is perceived to be able to, elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

#### ***There may be no rights of set-off or counterclaim***

Holders of Restricted Senior Preferred Notes shall not be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of such Notes. Therefore, such Noteholders will not be entitled (subject to applicable law) to set off the Issuer's obligations under such Notes against obligations owed by them to the Issuer.

*Certain benchmark rates may be discontinued or reformed in the future*

Various types of rates (including the Euro Interbank Offered Rate ("**EURIBOR**") and others) and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

Regulation (EU) 2016/1011, as amended (the "**Benchmarks Regulation**") on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds became applicable from 1 January 2018. The Benchmarks Regulation applies, subject to certain transitional provisions of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the European Union. The Benchmarks Regulation could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the Benchmarks Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

As an example of such benchmark reforms, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 and confirmed on 5 March 2021 that most LIBOR benchmark tenors would cease to be representative benchmarks from 31 December 2021 or (in the case of certain tenors of USD LIBOR only) from 30 June 2023 and that the publication of many LIBOR settings would cease after those dates. Such announcements indicate that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021.

On 21 September 2017, the ECB announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("€STR") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has been reformed in order to comply with the terms of the Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

The elimination of LIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions or result in adverse consequences to holders of any Notes linked to such benchmark. Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The "Terms and Conditions of the Notes" set out below provide for certain fallback arrangements in the event that a published benchmark (including any page on which such benchmark may be published (or any successor service)) becomes unavailable, including the possibility that the rate of interest could be determined by an independent adviser or the Issuer or set by a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark. However, any such adjustment may not be successful in eliminating economic prejudice or benefit and the Notes may still perform differently than they would if the original rate had remained in place. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for floating rate based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the

involvement of an independent adviser or the relevant Issuer, the relevant fallback provisions may not operate as intended at the relevant time.

In respect of Restricted Senior Preferred Notes, no Successor Rate, Alternative Rate or Adjustment Spread will be adopted, nor will any other amendment to the terms and conditions of any Series of Notes be made to effect the Benchmark Amendments, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice such Notes being MREL Eligible Liabilities (in each case for the purposes of, and in accordance with, the relevant Applicable Banking Regulations) or in the determination of the Issuer, the same could reasonably be expected to result in the Competent Authority and/or the Resolution Authority treating a future Interest Payment Date as the effective maturity of such Notes, rather than the relevant Maturity Date for the purposes of qualification as eligible liabilities and/or loss absorbing capacity of the Issuer.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under the Notes. Investors should consider these matters when making their investment decision with respect to the Notes and consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation, any of the international or national reforms and the possible application of the benchmarks replacement provisions on Notes in making any investment decision with respect to any Notes referencing a benchmark.

***The value of the Notes may be adversely affected by a negative change to an applicable Credit Rating***

Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

***Credit Rating may not reflect all risks***

One or more independent credit rating agencies may assign a credit rating to the issue of Notes. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this section, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. In addition, other rating agencies may assign unsolicited ratings to the Notes. In such circumstances there can be no assurance that the unsolicited rating(s) will not be lower than the comparable solicited ratings assigned to the Notes, which could adversely affect the market value and liquidity of the Notes.

In general, European Union regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended) subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-European Union credit rating agencies, unless the relevant credit ratings are endorsed by a European Union-registered credit rating agency or the relevant non-European Union rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). If the status of the rating agency rating the Notes changes, European Union regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in the European Union regulated investors selling the Notes which may impact the value of the Notes and any secondary market. The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

***The Issuer may be subject to statutory resolution***

On 6 May 2014, the European Union Council adopted the European Union directive establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") which has recently been amended by Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 as regards the loss-absorbing and

recapitalisation capacity of credit institutions and investment firms ("**BRRD II**"). The BRRD (as amended by BRRD II) sets out the necessary steps and powers to ensure that bank failures across the European Union are managed in a way which mitigates the risk of financial instability and minimises costs for taxpayers. The BRRD is designed to provide authorities with a harmonised set of tools and powers to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contemplates that powers will be granted to the designated resolution authorities including (but not limited to) the introduction of a statutory "**write-down and conversion power**" (exercisable in relation to Tier 1 capital instruments and Tier 2 instruments) and a 'bail-in and loss absorption' power (exercisable in relation to other securities that are not Tier 1 or Tier 2 capital instruments), which will give the designated resolution authority under Directive 2014/59/EU and Regulation (EU) No 806/2014, as amended (the "**Relevant Resolution Authority**"), the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the Notes of a failing financial institution and/or to convert certain debt claims (which could include the Notes into another security, including equity instruments of the surviving Issuer entity, if any. The Lithuanian legislation implementing the BRRD, the Law on Financial Sustainability of the Republic of Lithuania (the "**Law on Financial Sustainability**"), entered into force on 3 December 2015 and which was not yet amended in relation to the transposition of BRRD II. For more information on the implementation of the BRRD in Lithuania, see "*The Lithuanian resolution legislation implementing the BRRD Directive*" below.

As well as a "write-down and conversion power" and a "bail-in and loss absorption" power as described above, the powers granted to the Relevant Resolution Authority under the BRRD include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a "bridge bank" (a publicly controlled entity) and (iii) transfer assets of the relevant financial institution to an asset management vehicle to allow them to be managed over time. In addition, among the broader powers granted to the Relevant Resolution Authority under the BRRD, the BRRD provides powers to the Relevant Resolution Authority to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments.

The write-down and conversion power can be used to ensure that Tier 1 and Tier 2 Capital instruments and instruments qualifying as eligible liabilities fully absorb losses at the point of non-viability of an institution (or, if applicable, its group) and before any other resolution action is taken.

Pursuant to Condition 16 (*Acknowledgment of Bail-in and Loss Absorption Powers*), each Noteholder acknowledges and accepts that any liability of the Issuer arising under the Notes may be subject to the exercise of Bail-in and Loss Absorption Powers by the Relevant Resolution Authority. The exercise of any such power or any suggestion of such exercise could materially adversely affect the value of any Notes subject to the BRRD and could lead to the Noteholders losing some or all of their investment in the Notes. Prospective investors in the Notes should consult their own advisers as to the consequences of the implementation of the BRRD.

In addition to the BRRD, the European Union has adopted a directly applicable regulation governing the resolution of the most significant financial institutions in the Eurozone, i.e., a regulation establishing a Single Resolution Mechanism for them (806/2014, "**SRM Regulation**"). The SRM Regulation establishes a single resolution board (consisting of representatives from the ECB, the European Commission and the relevant national resolution authorities) (the "**Resolution Board**") having resolution powers over the entities that are subject to the SRM Regulation, thus replacing or exceeding the powers of the national resolution authorities. On 5 December 2019 the Issuer was informed that it was classified as significant entity directly supervised by the ECB as one of the three largest credit institutions in Lithuania and as such, the Issuer became subject to the SRM Regulation. The ECB directly supervises the Issuer as from 1 January 2020.

Under Article 5(1) of the SRM Regulation, the Resolution Board has been granted those responsibilities and powers granted to the member states' resolution authorities under the BRRD for those banks subject to direct supervision by the ECB. The SRM Regulation mirrors the BRRD and, to a large part, refers to the BRRD so that the Resolution Board is able to apply the same powers that would otherwise be available to

the relevant national resolution authority. These resolution powers include the sale of business tool, the bridge institution tool, the asset separation tool, the bail-in and loss absorption tool and the mandatory write-down and conversion power in respect of capital instruments. The use of one or more of these tools will be included in a resolution scheme to be adopted by the Resolution Board. National resolution authorities will remain responsible for the execution of the resolution scheme according to the instructions of the Resolution Board.

The Resolution Board is responsible for preparing and adopting a resolution plan for the entities subject to its powers, including the Issuer. It also determines, after consulting competent authorities including the ECB, the Minimum Requirement for own funds and Eligible Liabilities (the "MREL"), which the Issuer is expected to be required to meet at all times (the MREL requirements applicable to the Issuer as of 1 January 2024 and legally non-binding interim targets for 2022 and 2023 issued by the Resolution Board to the Issuer in April 2021 have been summarised in "*Description of the Issuer – MREL requirements applicable to the Issuer*"). The Resolution Board will also have the powers in relation to the early intervention as set forth in the SRM Regulation, including the power to require the Issuer to contact potential purchasers in order to prepare for resolution of the Issuer. The Resolution Board will have the authority to exercise the specific resolution powers under the SRM Regulation. These will be launched if the Resolution Board assesses that the following conditions are met: (i) the Issuer is failing or is likely to fail; (ii) having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures or supervisory action or the write-down or conversion of relevant capital instruments, taken in respect of the Issuer, would prevent its failure within a reasonable timeframe; and (iii) a resolution action is necessary in the public interest.

The exercise of any resolution powers by the Resolution Board or any powers pursuant to BRRD with respect to the Issuer or any suggestion of such exercise will likely materially adversely affect the price or value of an investment in Notes and/or the ability of the Issuer to satisfy its obligations under such Notes and could lead to the holders of the Notes losing some or all of their investment in the Notes.

#### ***The Lithuanian resolution legislation implementing the BRRD Directive***

The BRRD was implemented in Lithuania by the Law on Financial Sustainability. Under the Law on Financial Sustainability, the Relevant Resolution Authority is the BoL. The Law on Financial Sustainability provides for certain resolution measures, including the power to impose in certain circumstances a suspension of activities. Any suspension of activities can, to the extent determined by the BoL, result in the partial or complete suspension of the performance of agreements entered into by the Issuer. The Law on Financial Sustainability also grants the power to the BoL to take a number of resolution measures which may apply to the Issuer, including (i) a forced sale of the credit institution (sale of business), (ii) the establishment of a bridge institution bank or, (iii) the forced transfer of all or part of the assets, rights or obligations of the credit institution (asset separation) and (iv) the application of the general bail-in and loss absorption tool. In addition, the Law on Financial Sustainability sets forth that all credit institutions must at all times meet the MREL determined by the BoL for each credit institution.

The powers set out in the resolution legislation will impact how credit institutions are managed as well as, in certain circumstances, the rights of creditors. If the bail-in and loss absorption tool and the statutory write-down and conversion power become applicable to the Issuer, the Notes may be subject to write-down or conversion into equity on any application of the bail-in and loss absorption tool, which may result in Noteholders losing some or all of their investment. Subject to certain conditions, the terms of the obligations owed by the Issuer may also be varied by the Relevant Resolution Authority (e.g., as to maturity, interest and interest payment dates). The exercise of any power under the resolution legislation or any suggestion of such exercise could materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

***Any Notes issued under the Programme may be subjected in the future to the bail-in and loss absorption resolution tool by the Relevant Resolution Authority and to the mandatory burden sharing measures for the provision of precautionary capital support which may result into their write-down in full***

Under the Law on Financial Sustainability, powers have been granted to the Relevant Resolution Authority which include the bail-in and loss absorption tool through which a credit institution subjected to resolution may be recapitalised either by way of write-down or conversion of liabilities into ordinary shares. The bail-in and loss absorption tool may be imposed either as a sole resolution measure or in combination with the rest of the resolution tools that may be imposed by the Relevant Resolution Authority in case of the

resolution of a failing credit institution. Pursuant to Condition 16 (*Acknowledgment of Bail-in and Loss Absorption Powers*), each Holder of Restricted Senior Preferred Notes acknowledges and accepts that any liability of the Issuer arising under the Restricted Senior Preferred Notes may be subject to the exercise of Bail-in and Loss Absorption Powers by the Relevant Resolution Authority.

***Minimum denomination***

As the Notes have a denomination consisting of the minimum Specified Denomination of EUR 100,000 plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of EUR 100,000 that are not integral multiples of EUR 100,000. In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination may not trade such holdings on the regulated market and would need to purchase a principal amount of Notes which have a denomination consisting of the minimum Specified Denomination with the aim to be able to trade the whole holdings on the Regulated Market. Thus, Noteholders should be aware that Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade on the Regulated Market of Nasdaq Vilnius.

***Risks relating to the clearing and settlement in the Nasdaq CSD's book-entry system***

The Notes will be affiliated to the account-based system of the Lithuanian branch of Nasdaq CSD and no physical notes will be issued. Clearing and settlement relating to the Notes will be carried out within the Nasdaq CSD's book-entry system as well as payment of interest and repayment of the principal. Investors are therefore dependent on the functionality of the Nasdaq CSD's account-based system.

## INFORMATION INCORPORATED BY REFERENCE

The documents set out below that are incorporated by reference in this Base Prospectus are, where indicated, direct translations into English from the original languages of the documents. To the extent that there are any inconsistencies between the original language versions and the translations, the original language versions shall prevail. The information set out shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- the Group's and the Issuer's consolidated and separate financial statements for a 6-month period ended 30 June 2021, reviewed by the auditor, together with the consolidated half-yearly report and the independent auditor's report (they may be found at <https://attachment.news.eu.nasdaq.com/aa1186af8d1015b43c7feee99a7a1f567>);
- the Group's and the Issuer's audited consolidated and separate financial statements for the year ended 31 December 2020 together with the consolidated annual report and the independent auditor's report (they may be found at [https://nasdaqbaltic.com/market/upload/reports/sab/2020\\_ar\\_en\\_eur\\_con\\_ias.pdf](https://nasdaqbaltic.com/market/upload/reports/sab/2020_ar_en_eur_con_ias.pdf));
- the Group's and the Issuer's audited consolidated and separate financial statements for the year ended 31 December 2019 together with the consolidated annual report and the independent auditor's report (they may be found at [https://www.nasdaqbaltic.com/market/upload/reports/sab/2019\\_ar\\_en\\_eur\\_con\\_ias.pdf](https://www.nasdaqbaltic.com/market/upload/reports/sab/2019_ar_en_eur_con_ias.pdf));
- Articles of Association of the Issuer (they may be found at <https://sb.lt/en/url/10>).
- Alternative Performance Measures (AVR) <https://sb.lt/en/investors/financial-info/alternative-performance-measures>.

It is possible to get acquainted with the aforementioned documents on the website of the Issuer at [www.sb.lt](http://www.sb.lt), of Nasdaq at [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com) also on website of the Central Storage Facility of Lithuania at [www.crib.lt](http://www.crib.lt).

In addition to that, copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may also be inspected, free of charge, at Šiaulių bankas AB, Tilžės str. 149, Šiauliai, the Republic of Lithuania, and Šeimyniškių str. 1A, Vilnius, the Republic of Lithuania.

Any information contained in or incorporated by reference in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus and for the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on the website does not form part of this Base Prospectus. In particular, the independent auditor's reports mentioned above contain references to "Other Information". Such "Other Information" does not form a part of this Base Prospectus.



## FINAL TERMS

In this section the expression "**necessary information**" means, in relation to any Tranche of Notes, the information which is necessary to an investor for making an informed assessment of the assets and liabilities, financial position, profits and losses, financial position and prospects of the Issuer and of the rights attaching to the Notes and the reasons for the issuance and its impact on the Issuer. In relation to the Notes which may be issued under the Programme the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained in the relevant Final Terms.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus in order to obtain all relevant information. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in the relevant Final Terms.

Following the publication of this Base Prospectus, if required, a supplement may be prepared by the Issuer and approved by the BoL in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent introduction of any issue of Notes to trading on Regulated Market of Nasdaq Vilnius.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note issued under the Programme. In the case of any Tranche of Notes which are being admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Final Terms in respect of any Tranche of Notes may supplement, amend or replace any information in this Base Prospectus.*

### 1. Introduction

- (a) **Programme:** Akcinė bendrovė Šiaulių bankas (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to EUR 250,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) **Final Terms:** Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Final Terms**") which complete these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) **The Notes:** All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Notes will be Restricted Senior Preferred Notes only, as specified in the relevant Final Terms. Copies of the relevant Final Terms are available for viewing and copies may be obtained from Akcinė bendrovė Šiaulių bankas, at Tilžės str. 149, Šiauliai, Lithuania, and Šeimyniškių str. 1A, Vilnius, Lithuania.

### 2. Interpretation

- (a) **Definitions:** In these Conditions the following expressions have the following meanings:

"**Applicable Banking Regulations**" means at any time the laws, regulations, delegated or implementing acts, regulatory or implementing technical standards, rules, requirements, guidelines and policies relating to capital adequacy and/or minimum requirement for own funds and eligible liabilities and/or loss absorbing capacity then in effect in Lithuania including, without limitation to the generality of the foregoing, CRD, the SRM Regulation, BRRD, the Creditor Hierarchy Directive and those regulations, requirements, guidelines and policies relating to capital adequacy and/or minimum requirement for own funds and eligible liability and/or loss absorbing capacity and any other regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Competent Authority, the Resolution Authority or any other national or European Union authority from time to time, and then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer);

"**BRRD**" means Directive 2014/59/EU as the same may be amended or replaced from time to time, including without limitation, by the Creditor Hierarchy Directive and Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the Bank Recovery and Resolution Directive as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC;

"**Business Day**" means a TARGET Settlement Day;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Issuer, the Issuer Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and/or such other amount(s) as may be specified in the relevant Final Terms;

"**Competent Authority**" means any authority having primary responsibility for the prudential supervision of the Issuer at the relevant time. As at the date of this Base Prospectus, the Competent Authority is the ECB. However, the importance of the Bank and prudential requirements may change and the Competent Authority may be the BoL;

"**Conditions to Redemption**" means the Conditions to Redemption set out in Condition 6(h) (*Conditions to Redemption or Repurchase*) or as otherwise specified in the relevant Final Terms;

"**CRD**" means the legislative package consisting of the CRD Directive, the CRR and any CRD Implementing Measures;

"**CRD Directive**" means Directive 2013/36/EU, as the same may be amended or replaced from time to time, including without limitation as amended by Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019;

"**CRD Implementing Measures**" means any regulatory capital rules or regulations, or other requirements, which are applicable to the Issuer and which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Issuer (on a solo or consolidated basis, as the case may be) to the extent required by the CRD Directive or the CRR, including for the avoidance of doubt any regulatory technical standards released by the European Banking Authority (or any successor or replacement thereof);

"**Creditor Hierarchy Directive**" means Directive (EU) 2017/2399 or any equivalent legislation that supersedes or replaces it;

"**CRR**" means Regulation (EU) No 575/2013, as the same may be amended or replaced from time to time (including as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of May 20, 2019) or similar laws in Lithuania);

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

if "**Actual/Actual (ICMA)**" is so specified, means:

- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

- (ii) where the Calculation Period is longer than one Regular Period, the sum of:
  - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (iii) if "Actual/Actual (ISDA)" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iv) if "Actual/365 (Fixed)" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (v) if "Actual/360" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (vi) if "30/360" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30";

- (vii) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

(viii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30,

**provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

"**First Margin**" means the margin specified as such in the relevant Final Terms;

**"First Reset Date"** means the date specified in the relevant Final Terms;

**"First Reset Period"** means the period from (and including) the First Reset Date until the Maturity Date or date of any final redemption;

**"First Reset Rate of Interest"** means, in respect of the First Reset Period and subject to Condition 5(c) (*Reset Note Provisions*), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Margin;

**"Group"** means the Issuer and its consolidated Subsidiaries, taken as a whole;

**"Indebtedness"** means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**"Initial Rate of Interest"** means the initial rate of interest specified in the relevant Final Terms;

**"Interest Commencement Date"** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

**"Interest Payment Date"** means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms, as the same may be adjusted in accordance with the relevant Business Day Convention;

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"Issue Date"** has the meaning given in the relevant Final Terms;

**"Law on Banks"** means the Law on Banks of the Republic of Lithuania;

**"Mandatory Provision of Law"** means any amendments, updates and/or modifications to the ECBA or any other applicable legislation passed after the date hereof by or on behalf of the Republic of Lithuania or any political subdivision thereof or any authority therein or thereof having power to make such amendment, update and/or modification, which impacts the Issuer's obligations in relation to the Notes;

**"Material Subsidiary"** means:

- (a) on the basis of the most recent audited consolidated accounts of the Issuer, any Subsidiary whose total consolidated assets represent at least 10 per cent. of the total consolidated assets of the Issuer; or
- (b) whose total consolidated revenues represent at least 10 per cent. of the total consolidated revenues of the Issuer; or

- (c) any other Subsidiary to which is transferred either (A) all or substantially all of the assets of another Subsidiary which immediately prior to the transfer was a Material Subsidiary or (B) sufficient assets of the Issuer that such Subsidiary would have been a Material Subsidiary had the transfer occurred on or before the date of the most recent audited consolidated accounts of the Issuer, and

a report by the auditors to the Issuer that in their opinion a Subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Maximum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Mid-Market Swap Rate**" means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with (and converted if necessary to) a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date and (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market;

"**Mid-Market Swap Rate Quotation**" means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

"**Mid-Swap Rate**" means, in relation to a Reset Determination Date and subject to Condition 5(c) (*Reset Note Provisions*), either:

- (i) if Single Mid-Swap Rate is specified in the relevant Final Terms, the rate for swaps in the Specified Currency:
- (A) with a term equal to the relevant Reset Period; and
  - (B) commencing on the relevant Reset Date,
- which appears on the Relevant Screen Page; or
- (ii) if Mean Mid-Swap Rate is specified in the relevant Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:
- (A) with a term equal to the relevant Reset Period; and
  - (B) commencing on the relevant Reset Date,
- which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the Relevant Financial Centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent, **provided however that**, if there is no such rate appearing on the Relevant Screen Page for a term equal to the relevant Reset Period, then the Mid-Swap Rate shall be determined through the use of straight-line interpolation by reference to two rates, one of which shall be determined in accordance with the above provisions, but as if the relevant Reset Period were the period of time for which rates are available next shorter than the length of the actual Reset Period and the other of which shall be determined in accordance with the above provisions, but as if the relevant Reset Period were the period of time for which rates are available next longer than the length of the actual Reset Period;

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**MREL Disqualification Event**" means the whole or any part of the outstanding aggregate principal amount of the Notes at any time is not included in, ceases or (in the opinion of the Issuer) will cease to count towards the Issuer's or the Group's eligible liabilities and/or loss absorbing capacity (in each case for the purposes of, and in accordance with, the relevant Applicable Banking Regulations); **provided that** an MREL Disqualification Event shall not occur if such whole or part of the outstanding aggregate principal amount of the Notes is not included in, ceases or (in the opinion of the Issuer) will cease to count towards such eligible liabilities and/or loss absorbing capacity due to the remaining maturity of such Notes being less than the minimum period prescribed by the relevant Applicable Banking Regulations;

"**MREL Eligible Liabilities**" means "eligible liabilities" (or any equivalent or successor term) which are available to count towards the Issuer's and/or the Group's eligible liabilities and/or loss absorbing capacity;

"**Noteholder**" has the meaning given in Condition 3(b)(*Denomination, Title and Transfer - Title to Notes*);

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms;

"**Payment Business Day**" means a TARGET Settlement Day;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put) or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

"**Regular Period**" means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and



month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"**Relevant Date**" means, in relation to any payment the date on which the payment in question first becomes due;

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Bloomberg or Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Mid-Swap Rate;

"**Reset Date**" means the First Reset Date, as may be specified in the relevant Final Terms;

"**Reset Determination Date**" means: in respect of the First Reset Period, no later than the second Business Day prior to the First Reset Date, as specified in the relevant Final Terms;

"**Reset Determination Time**" means in relation to a Reset Determination Date, 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date or such other time as may be specified in the relevant Final Terms;

"**Reset Note**" means a Note on which interest is calculated at reset rates payable in arrear on a fixed date or dates in each year and/or at intervals of one, two, three, six or 12 months or at such other date or intervals as may be agreed between the Issuer and the relevant dealer(s) (as indicated in the relevant Final Terms);

"**Reset Period**" means the First Reset Period;

"**Resolution Authority**" means the resolution authority with the ability to exercise any Bail-in and Loss Absorption Powers in relation to the Issuer and/or the Group;

"**Specified Currency**" means Euro (EUR);

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

"**SRM Regulation**" means Regulation (EU) No 806/2014, as the same may be amended or replaced from time to time;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Tier 2 Capital**" means tier 2 capital for the purposes of the Applicable Banking Regulations;

"**Treaty**" means the Treaty of the Functioning of the European Union, as amended.

- (b) **Interpretation:** In these Conditions:
- (i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 8 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
  - (ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 8 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions; and
  - (iii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "**not applicable**" then such expression is not applicable to the Notes.

### 3. Denomination, Title, Issue Price, Transfer and Underwriting

- (a) **Denomination:** Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.
- (b) **Title to Notes:** The title to the Notes will pass to the relevant investors when the respective entries regarding the ownership of the Notes are made in their securities accounts.
- (c) **Issue Price:** The Notes may be issued at their nominal amount or at a discount or a premium to their nominal amount (the "**Issue Price**"). The Issue Price shall be determined by the Issuer and specified in the applicable Final Terms.

The yield of each Tranche set out in the applicable Final Terms will be calculated as of the relevant Issue Date on an annual basis using the relevant Issue Price. It is not an indication of future yield.

- (d) **Transfers of Notes:** The Notes are freely transferrable. Notes subscribed and paid for shall be entered to the respective book-entry securities accounts of the subscriber(s) on a date set out in the Final Terms in accordance with the Lithuanian legislation governing the book-entry system and book-entry accounts as well as the Nasdaq CSD Rules.
- (e) **No charge:** The transfer of a Note will be effected without charge by or on behalf of the Issuer. However, the investors may be obliged to cover expenses which are related to the opening of securities accounts with credit institutions or investment brokerage firms, as well as commissions which are charged by the credit institutions or investment brokerage firms in relation to the execution of the investor's purchase or selling orders of the Notes, the holding of the Notes or any other operations in relation to the Notes. The Issuer and or the Dealer will not compensate the Noteholders for any such expenses.
- (f) **Underwriting:** None of the Tranches of Notes will be underwritten.

### 4. Status of Restricted Senior Preferred Notes

- (a) The Restricted Senior Preferred Notes constitute senior, unsecured, unsubordinated, direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, except for the claims of the Noteholders which are also shareholders of the Issuer holding qualified holdings in the Issuer's authorised capital and/or voting rights (direct or indirect holding of the Issuer which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant

influence over the Issuer), members of the Supervisory Council, members of the Management Board and CEO of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

- (b) The Notes, acquired by the shareholders of the Issuer holding qualified holdings in the Issuer's authorised capital and/or voting rights, members of the Supervisory Council, members of the Management Board and CEO of the Issuer, will constitute a direct, unsecured, general and unconditional obligations of the Issuer which in case of bankruptcy or resolution of the Issuer will be satisfied only after all claims of other Issuer's creditors are satisfied. For more information, please see *Risk Factors, Treatment of Noteholders*.
- (c) No Noteholder of the Restricted Senior Preferred Notes shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of such Restricted Senior Preferred Notes. If any amounts owed by the Issuer to any Noteholder in connection with the Notes is discharged by set-off, such Noteholder shall, where permitted by applicable law, immediately pay an amount equal to the amount discharged to the Issuer (or, in the event of its winding-up, the liquidator of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount discharged on behalf and for the benefit of the Issuer (or the liquidator of the Issuer) and accordingly not deem any such discharge to have taken place.
- (d) The rights of Noteholders of Restricted Senior Preferred Notes shall be subject to any present or future Lithuanian laws or regulations relating to the insolvency, recovery and resolution of credit institutions and investment firms in Lithuania which are or will be applicable to the Restricted Senior Preferred Notes only as a result of the operation of such laws or regulations.

## 5. Fixed Rate Note Provisions

- (a) **Application:** This Condition 5(*Fixed Rate Note Provisions*) is applicable to all Notes issued under these Conditions as specified in the relevant Final Terms.
- (b) **Accrual of interest:** The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 7 (*Payments to the Noteholders*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (as well after as before judgment) until the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder.
- (c) **Reset Note Provisions**

This Condition 5(c) is always applicable to the Notes. Such Notes shall bear interest on their outstanding principal amount:

- (i) from (and including) the Interest Commencement Date specified in the relevant Final Terms until (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest; and
- (ii) from (and including) the First Reset Date until the Maturity Date at the rate per annum equal to the First Reset Rate of Interest,

payable, in each case, in arrear on the Interest Payment Date(s) so specified in the relevant Final Terms (subject to adjustment as described in Condition 5(a)) and on the Maturity Date. The Rate of Interest shall be determined by the Calculation Agent, in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined.

If on any Reset Determination Date, the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its Mid-Market

Swap Rate Quotation as at approximately 12 (noon) in the Relevant Financial Centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations or the First Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.

## 6. Redemption and Purchase

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 7 (*Payments to the Noteholders*).
- (b) **Redemption for tax reasons:** The Notes may be redeemed at the option of the Issuer, subject to Condition 6(h) (*Conditions to Redemption or Repurchase*), in whole, but not in part at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant final terms (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) (i) a Withholding Tax Event occurs; or
- (ii) where "Tax Event" is specified as being applicable in the relevant Final Term, a Tax Event occurs;

and

- (B) both a Tax Certificate and a Tax Opinion have been delivered to the Issuing Agent by the Issuer.

However, where the Issuer would be obliged to pay additional amounts, no such notice of redemption shall be given earlier than: (i) where the Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant final terms) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or (ii) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant final terms) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Upon the expiry of any such notice as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(b).

- (C) For the purpose of this Condition 6(b):

**"Change in Tax Law"** means any:

- (i) amendment to, clarification of, or change in, the laws or regulations of any Taxing Jurisdiction; or

- (ii) governmental action in the Taxing Jurisdiction;
- (iii) amendment to, clarification of, or change in, the official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any interpretation, decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in the Taxing Jurisdiction, irrespective of the manner in which such amendment, change, action, pronouncement, interpretation or decision is made known;

(D) **"Relevant Jurisdiction"** means the jurisdiction in which the Issuer is incorporated at the relevant time;

(E) **"Tax Certificate"** means a certificate signed by the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred;

**"Tax Event"** shall occur if, as a result of any Change in Tax Law of the Taxing Jurisdiction, which becomes effective or is announced on or after the Issue Date of the first Tranche of the relevant Series of Notes:

- (i) the Issuer is, or will be, subject to additional taxes, duties or other governmental charges with respect to such Notes as the case may be; or
- (ii) the Issuer is not, or will not, be entitled to claim a deduction in respect of payments in respect of such Notes as the case may be in computing its taxation liabilities (or the value of such deduction would be materially reduced);

**"Taxing Jurisdiction"** means the Relevant Jurisdiction or any political subdivision thereof or any authority or agency therein or thereof having power to tax or any other jurisdiction or any political subdivision thereof or any authority or agency therein or thereof, having power to tax in which the Issuer is treated as having a permanent establishment, under the income tax laws of such jurisdiction;

(F) **"Tax Opinion"** means an opinion of independent legal advisers (experienced in such matters and of recognised standing) in the relevant Taxing Jurisdiction stating that the circumstances constituting the Tax Event or Withholding Tax Event (as the case may be) are prevailing; and

(G) **"Withholding Tax Event"** shall occur if the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any Change in Tax Law, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

(c) ***Redemption at the option of the Issuer:*** If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer, subject to Condition 6(h) (*Conditions to Redemption or Repurchase*), in whole, but not in part on the Interest Payment Date falling on the Reset Date, at their outstanding aggregate principal amount together with interest (accrued to but excluding the date of redemption), on any Optional Redemption Date (Call) on the Issuer's giving not less than 30 (thirty)

nor more than 60 (sixty) days' notice to the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption).

- (d) **Redemption at the option of Noteholders:** No redemption at the option of Noteholders is permitted for Restricted Senior Preferred Notes.
- (e) **Early Redemption of Restricted Senior Preferred Notes as a result of an MREL Disqualification Event:** Upon the occurrence of an MREL Disqualification Event (subject to Condition 6(h) (*Conditions to Redemption or Repurchase*)), the Issuer may, at its option having given not less than 30 (thirty days') nor more than 60 (sixty) days' notice to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable and delivery thereof shall oblige the Issuer to make the redemption therein specified), redeem all (but not some only) of the Notes at their outstanding aggregate principal amount together with interest (accrued to but excluding the date of redemption, subject to these Conditions).
- (f) **No other redemption:** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs 6(a) (*Scheduled redemption*) to 6(e) (*Early Redemption of Restricted Senior Preferred Notes as a result of an MREL Disqualification Event*) above.
- (g) **Purchase:** The Issuer, or any of its Subsidiaries, may at any time purchase Notes in the open market or otherwise and at any price, **provided that** any such purchases will be made in accordance with the Applicable Banking Regulations and subject to the prior approval of or permission from the Competent Authority and/or the Resolution Authority (in each such case to the extent such approval is then required under the Applicable Banking Regulations). Such Notes may be held, resold or surrendered by the purchaser through the Issuer for cancellation. Notes held by or for the account of the Issuer or any of its Subsidiaries for their own account will not carry the right to vote at the Noteholders' Meetings or within Written Procedures and will not be taken into account in determining how many Notes are outstanding for the purposes of these Terms and Conditions of the Notes.

Any refusal by the Competent Authority and/or the Resolution Authority (if required) to grant its approval or permission as described above will not constitute an event of default under the relevant Notes.

- (h) **Conditions to Redemption or Repurchase:** Other than in the case of a redemption at maturity in accordance with Condition 6(a) (*Scheduled redemption*), the Issuer may redeem or repurchase relevant Restricted Senior Preferred Notes (and give notice thereof to the Noteholders) only if such redemption or repurchase is in accordance with the Applicable Banking Regulations (if applicable) and it has been granted the permission of the Resolution Authority (if required under the Applicable Banking Regulations)

Any refusal by the Resolution Authority (if required) to grant its approval or permission as described above will not constitute an event of default under the relevant Notes.

## 7. Payments to the Noteholders

- (a) **Payments:** Payments of amounts (whether principal, interest or otherwise, including on the final redemption) due on the Notes will be made to the Noteholders thereof, as appearing in Nasdaq CSD on the Business Day preceding the due date for such payment (the "**Record Date**"). Payment of amounts due on the final redemption of the Notes will be made simultaneously with deletion of the Notes. The Noteholders shall not be required to provide any requests to redeem the Notes, as upon Maturity Date of the Notes, the nominal value thereof with the cumulative interest accrued shall be transferred to the accounts indicated by the Noteholders without separate requests/requirements of the Noteholders. As of that moment the Issuer shall be deemed to have fully executed the obligations, related to the Notes and their redemption, disregarding the fact, whether the Noteholder actually accepts the funds or not. In case requisites of the account of the Noteholder changes, he/she/it shall have an obligation to promptly inform the Company thereof.

- (b) **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments by the Issuer. However, the investors may be obliged to cover commissions and/or other expenses, which are charged by the credit institutions or investment brokerage firms in relation to such payments. The Issuer and/or the Dealer will not compensate the Noteholders for any such expenses.
- (c) **Payments on Business Days:** If the due date for payment of the final redemption amount of the Notes is not a Business Day, the Noteholder thereof will not be entitled to payment thereof until the next following Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with the Terms and Conditions.
- (d) **Partial payments:** If a partial payment is made in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Nasdaq CSD.

## 8. Taxation

**Gross up:** All interest payments in the case of Restricted Senior Preferred Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Lithuania or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, in respect of interest, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note.

In that event, in respect of interest, the Issuer shall pay such additional amounts as will result held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of it having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note.

- (a) **Taxing jurisdiction:** If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Lithuania, references in these Conditions to the Republic of Lithuania shall be construed as references to the Republic of Lithuania and/or such other jurisdiction.

## 9. Events of Default

This Condition 9 is applicable in relation to any Series of Restricted Senior Preferred Notes.

- (a) If any of the following events occur:
  - (i) **Non-payment:** the Issuer fails to pay any amount of principal or other redemption amount due in respect of the Notes for more than ten business days or fails to pay any amount of interest in respect of the Notes for more than ten business days; or
  - (ii) **Winding-up, etc.:** if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms previously approved by the Noteholders' Meeting or within Written Procedure,

the Holder of any Note may:

- (x) (in the case of 9(a)(i)above) institute proceedings for the winding-up or dissolution of the Issuer, in each case, in Lithuania and not elsewhere, and prove or claim in the winding-up or dissolution of the Issuer; and/or
- (y) (in the case of 9(a)(ii)above) prove or claim in the winding up or dissolution of the Issuer, whether in Lithuania or elsewhere and instituted by the Issuer itself or by a third party,

but (in either case) the Holder of such Note may claim payment in respect of the Note only in the winding up or dissolution of the Issuer.

- (b) In any of the events or circumstances described in Condition 9(a)(ii)(*Winding-up, etc.*) above, the Holder of any Note may, by notice to the Issuer, declare such Note to be due and payable, and such Note shall accordingly become due and payable at its outstanding principal amount together with accrued interest to the date of payment but subject to such Holder only being able to claim payment in respect of the Note in the winding up or dissolution of the Issuer.
- (c) The Holder of any Note may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes (other than, without prejudice to Conditions 9(a)and 9(b) and any obligation for the payment of any principal or interest in respect of the Notes) **provided that** the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it, except with the prior approval of the Competent Authority and/or the Resolution Authority (in either case, if such approval is then required under the Applicable Banking Regulations).
- (d) No remedy against the Issuer, other than as provided in Conditions 9(a), 9(b)and 9(c)above, shall be available to the Holders of Notes, whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations or undertakings with respect to the Notes.

## 10. Noteholders' Meeting and Procedure in Writing

*Important note:* Following Article 3(2) of the Law on the Protection of Interests of Owners of Bonds issued by Public and Private Companies of the Republic of Lithuania (in Lithuanian – *Lietuvos Respublikos akcinių bendrovių ir uždarytųjų akcinių bendrovių obligacijų savininkų interesų gynimo įstatymas*) and taking into consideration that the offering of Notes under this Base Prospectus will always comply with the requirements, established in Article 1(4) (a), (c) and (d), the indicated Lithuanian law shall not be applicable to the Notes, issued under this Base Prospectus, including without limitation the requirement to appoint a trustee of noteholders, provisions, related to initiation, convocation and holding noteholders meetings, etc. Accordingly, the Meetings of Noteholders and respective provisions in connection therewith, as described in this Base Prospectus below, do not meet the requirements of and are not regulated by the Law on the Protection of Interests of Owners of Bonds issued by Public and Private Companies of the Republic of Lithuania (in Lithuanian - *Lietuvos Respublikos akcinių bendrovių ir uždarytųjų akcinių bendrovių obligacijų savininkų interesų gynimo įstatymas*).

- (a) **General provisions:** The decisions of the Noteholders (including decisions on amendments to these Terms and Conditions Notes or the Final Terms of the relevant Series or granting of consent or waiver) shall be passed at a meeting of the Noteholders (the "**Noteholders' Meeting**") or in writing without convening the Noteholders' Meeting (the "**Written Procedure**") at the choice of the Issuer.

The Issuer shall have a right to convene the Noteholders' Meeting or instigate the Written Procedure at any time and shall do so following a written request from the Noteholders who, on the day of the request, represent not less than 1/10 (one-tenth) of the aggregate



principal amount of the outstanding Notes or of the aggregate principal amount of the outstanding Notes of the relevant Series (as applicable) (excluding the Issuer and its Subsidiaries).

In case convening of the Noteholders' Meeting or instigation of the Written Procedure is requested by the Noteholders, the Issuer shall be obliged to convene the Noteholders' Meeting or instigate the Written Procedure within 1 (one) month after receipt of the respective Noteholders' written request.

Only those who were registered as the Noteholders by the end of the 6<sup>th</sup> (sixth) Business Day prior to convening the Noteholders' Meeting or instigation of the Written Procedure or proxies authorised by such Noteholders, may exercise their voting rights at the Noteholders' Meeting or in the Written Procedure.

If the Issuer and/or its Subsidiaries are the Noteholders, their principal amount of the Notes will be excluded when a quorum is calculated.

- (b) **Quorum:** Quorum at the Noteholders' Meeting or in respect of the Written Procedure only exists if (i) at least 2 (two) or more persons representing at least 50 (fifty) per cent or (ii) one Noteholder holding 100 (one hundred) per cent of the principal amount of the Series of Notes outstanding are present in the meeting or provide replies in the Procedure in Writing.

If quorum does not exist at the Noteholders' Meeting or in respect of the Written Procedure, the Issuer can convene an adjourned Noteholders' Meeting or instigate a second Written Procedure, as the case may be, on a date no earlier than fourteen (14) days and no later than 28 (twenty-eight) days after the original meeting at a place to be determined by the Issuer.

The adjourned Noteholders' meeting constitutes a quorum, if (i) at least 2 (two) or more persons representing at least 10 (ten) per cent or (ii) one Noteholder holding 100 (one hundred) per cent of the principal amount of the Series of Notes outstanding are present in the meeting or provide replies in the Procedure in Writing.

The notice of the adjourned meeting or, in the Procedure in Writing, information regarding the extended time for replies, must be given in the same manner as the notice of the original meeting or the Procedure in Writing. The notice must also include the requirements for a constitution of a quorum.

The voting rights of the Noteholders will be determined on the basis of the principal amount of the Notes held.

- (c) **Noteholders decisions:** A Noteholders' Meeting or a Procedure in Writing may, at the request of the Issuer, make decisions that are binding on the Noteholders on:
- (i) any amendments to the terms and conditions of the relevant Series of Notes, and
  - (ii) a temporary waiver regarding the terms and conditions of the relevant Series of Notes.

The consent of Noteholders representing at least 75 (seventy-five) per cent of the aggregate principal amount of the outstanding Notes attending the Noteholders' Meeting or participating in the Written Procedure will be required to make any amendments to the terms and conditions of the relevant Series of Notes, including:

- (iii) change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes; or

- (iv) change Clause 4 (*Status of Restricted Senior Preferred Notes*), Clause 9 (*Events of Default*) or Clause 15 (*Governing Law and Jurisdiction*); or
- (v) change the quorum requirements of the Noteholders' Meeting or Procedure in Writing; and/or
- (vi) change the majority required for the decisions of the Noteholders' Meeting or Procedure in Writing.

Consent of simple majority (more than 50 (fifty) per cent) of all Noteholders or the Noteholders of the respective Series (as applicable) attending the Noteholders' Meeting or participating in the Written Procedure is required for a temporary waiver regarding the terms and conditions of the relevant Series of Notes.

Notes held by or for the account of the Issuer or any of its subsidiaries for their own account will not carry the right to vote at the Noteholders' Meetings and will not be taken into account in determining how many Notes are outstanding for the purposes of these Conditions of the Base Prospectus.

The Noteholders' Meeting and the Procedure in Writing can authorise a named person to take any necessary actions to enforce the decisions of the Noteholders' Meeting or the Procedure in Writing.

A matter decided at the Noteholders' Meeting or the Procedure in Writing is binding on all Noteholders of the relevant Series of Notes, irrespective of whether they were present at the Noteholders' Meeting or participated in the Procedure in Writing. Decisions made at the Noteholders' Meeting or in the Procedure in Writing are deemed to have been received by the Noteholders of the relevant Series at the time (i) they have been entered in the issue account maintained by Nasdaq CSD, or (ii) notified to the Noteholders in accordance with Condition 12 (*Notices*), provided that a failure to do so shall not invalidate any decision made or voting result achieved. In addition, the Noteholders are obliged to notify subsequent transferees of the Notes of the resolutions of the Noteholders' meeting and the Procedure in Writing.

A notice to Nasdaq CSD must be given on (i) the convening of a Noteholders' Meeting or the request for a Procedure in Writing, and (ii) on their resolutions made in accordance with Nasdaq CSD Rules.

All expenses in relation to the convening and holding the Noteholders' Meeting or a Written Procedure shall be covered by the Issuer.

- (d) **Meetings of Noteholders:** If a decision of the Noteholders is intended to be passed at the Noteholders' Meeting, then a respective notice of the Noteholders' Meeting shall be provided to the Noteholders in accordance with Clause 12 (*Notices*) no later than 10 (ten) Business Days prior to the meeting. Furthermore, the notice shall specify the time, place and agenda of the meeting, as well as any action required on the part of the Noteholders that will attend the meeting. No matters other than those referred to in the notice may be resolved at the Noteholders' Meeting.

The Noteholders' Meeting shall be held in Vilnius, Lithuania, and its chairman shall be the Issuer's representative appointed by the Issuer.

The Noteholders' Meeting shall be organised by the chairman of the Noteholders' Meeting.

The Noteholders' Meeting shall be held in English with translation into Lithuanian, unless the Noteholders present in the respective Noteholders' Meeting unanimously decide that the respective Noteholders' Meeting shall be held only in Lithuanian or English.

Representatives of the Issuer and persons authorised to act for the Issuer may attend and speak at the Noteholders' Meeting.

Minutes of the Noteholders' Meeting shall be kept, recording the day and time of the meeting, attendees, their votes represented, matters discussed, results of voting, and resolutions which were adopted. The minutes shall be signed by the keeper of the minutes, which shall be appointed by the Noteholders' Meeting. The minutes shall be attested by the chairman of the Noteholders' Meeting, if the chairman is not the keeper of the minutes, as well as by one of the persons appointed by the Noteholders' Meeting to attest the minutes. The minutes from the relevant Noteholders' Meeting shall at the request of a Noteholder be sent to it by the Issuer.

- (e) **Written Procedure:** If a decision of the Noteholders is intended to be passed by the Written Procedure, then a respective communication of the Written Procedure shall be provided to the Noteholders in accordance with Clause 12 (*Notices*). Communication to the Noteholders shall include:
- (i) each request for a decision by the Noteholders;
  - (ii) a description of the reasons for each request;
  - (iii) a specification of the Business Day on which a person must be registered as a Noteholder in order to be entitled to exercise voting rights;
  - (iv) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote "yes" or "no" for each request), as well as a form of a power of attorney;
  - (v) the stipulated time period within which the Noteholder must reply to the request (such time period to last at least 10 (ten) Business Days from the communication pursuant to paragraph (i) above) and a manner of a reply; and
  - (vi) a statement that if the Noteholder does not reply to the request in the stipulated time period, then it shall be deemed that the Noteholder has voted against each request.

When the requisite majority consents have been received in a Written Procedure, the relevant decision shall be deemed to be adopted even if the time period for replies in the Written Procedure has not yet expired.

- (f) **Minor modification:** The Notes and these Conditions may be amended by the Issuer without the consent of the Noteholders to correct a manifest error or is to comply with Mandatory Provision of Law. In addition, the Issuer shall have a right to amend the technical procedures relating to the Notes in respect of payments or other similar matters without the consent of the Noteholders, if such amendments are not prejudicial to the interests of the Noteholders.

## 11. Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

## 12. Notices

Noteholders shall be advised of matters relating to the Notes by a notice published in English and Lithuanian on the Issuer's website at [www.sb.lt](http://www.sb.lt) as well as on [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com) and in Central Regulated Information Base ([www.crib.lt](http://www.crib.lt)). Any such notice shall be deemed to have been received by the Noteholders when published in the manner specified in this Section.

## 13. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), all percentages resulting from such calculations will

be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.).

#### 14. Substitution and Variation

If at any time an MREL Disqualification Event, Withholding Tax Event or Tax Event occurs, or to ensure the effectiveness or enforceability of Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*), the Issuer may, subject to the Applicable Banking Regulations (without any requirement for the consent or approval of the Noteholders), and having given not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Noteholders (which notice shall be irrevocable), at any time either:

- (a) substitute all (but not some only) of the Restricted Senior Preferred Notes for new Restricted Senior Preferred Notes, which are Qualifying Securities; or
- (b) vary the terms of the Restricted Senior Preferred Notes so that they remain or, as appropriate, become, Qualifying Securities,

**provided that**, in each case:

- (i) such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities; and
- (ii) such variation or substitution would not itself directly lead to a downgrade in any /of the credit ratings of the Restricted Senior Preferred Notes as assigned to such Restricted Senior Preferred Notes by any Rating Agency immediately prior to such variation or substitution (unless any such downgrade is solely attributable to the effectiveness and enforceability of Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*)); and
- (iii) such variation or substitution is not materially less favourable to holders (unless any such prejudice is solely attributable to the effectiveness and enforceability of Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*)).

For the avoidance of doubt, any such substitution or variation shall not be deemed to be a modification or amendment for the purposes of Condition 10 (*Noteholders' Meeting and Procedure in Writing*).

Any substitution or variation in accordance with this Condition 14 is subject to the Issuer obtaining prior written consent of the Competent Authority and/or the Resolution Authority (in each such case to the extent such approval is then required under the Applicable Banking Regulations) and complying with the rules of any competent authority, stock exchange and/or quotation system by or on which the Notes are, for the time being, listed, traded and/or quoted.

For the purpose of this Condition 14 a variation or substitution shall be "**materially less favourable to holders**" if such varied or substituted securities do not:

- (i) include a ranking at least equal to that of the Restricted Senior Preferred Notes pursuant to Condition 4 (*Status of Restricted Senior Preferred Notes*), as applicable;
- (ii) have the same interest rate and the same interest payment dates as those from time to time applying to the Restricted Senior Preferred Notes;
- (iii) have equivalent redemption rights as the Restricted Senior Preferred Notes;
- (iv) have the same currency of payment, maturity, denomination and original aggregate outstanding nominal amount as the Restricted Senior Preferred Notes prior to such variation or substitution;
- (v) preserve any existing rights under the Restricted Senior Preferred Notes to any accrued interest which has not been paid in respect of the period from (and

including) the interest payment date last preceding the date of substitution or variation; or

- (vi) have a listing on a recognised stock exchange if the Restricted Senior Preferred Notes were listed immediately prior to such variation or substitution; and

"**Qualifying Securities**" means securities issued directly or indirectly by the Issuer that contain terms which at such time result in such securities being eligible to qualify towards the Issuer's eligible liabilities and/or loss absorbing capacity, in each case for the purposes of, and in accordance with, the relevant Applicable Banking Regulations to at least the same extent as the Notes prior to the relevant MREL Disqualification Event or Withholding Tax Event.

#### 15. **Governing Law and Jurisdiction**

- (a) **Governing law:** The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by Lithuanian law.
- (b) **Courts of the Republic of Lithuania:** The courts of the Republic of Lithuania have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes).
- (c) **Appropriate forum:** The Issuer agrees that the courts of the Republic of Lithuania are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) **Rights of the Noteholders to take proceedings outside the Republic of Lithuania:** Notwithstanding Condition 15(b) (*Courts of the Republic of Lithuania*), any Noteholder may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

#### 16. **Acknowledgement of Bail-in and Loss Absorption Powers**

Notwithstanding and to the exclusion of any other term of the Notes or any other agreements, arrangements or understanding between the Issuer and any Holder (which, for the purposes of this Condition 16, includes each holder of a beneficial interest in the Notes), by its acquisition of the Notes, each Noteholder acknowledges and accepts that any liability arising under the Notes may be subject to the exercise of such Bail-in and Loss Absorption Powers as may be exercised by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

- (a) the effect of the exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in some or any of the following, or a combination thereof:
  - (i) the reduction of all, or a portion, of the Relevant Amounts in respect of the Notes;
  - (ii) the conversion of all, or a portion, of the Relevant Amounts in respect of the Notes into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the Noteholder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Notes;
  - (iii) the cancellation of the Notes or the Relevant Amounts in respect of the Notes; and
  - (iv) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period; and

- (b) the variation of the terms of the Notes, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority.

**"Bail-in and Loss Absorption Powers"** means any loss absorption, write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, the SRM Regulation, or any laws, regulations, rules or requirements in effect in the Republic of Lithuania, relating to (i) the transposition of the BRRD and (ii) the instruments, rules and standards created thereunder, as applicable, pursuant to which any obligation of the Issuer (or any affiliate of the Issuer) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Issuer or any other person (or suspended for a temporary period).

**"Relevant Amounts"** means the outstanding principal amount of the Notes, together with any accrued but unpaid interest and additional amounts due on the Notes. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority.

**"Relevant Resolution Authority"** means the resolution authority with the ability to exercise any Bail-in and Loss Absorption Powers in relation to the Issuer and/or the Group.

## FORM OF FINAL TERMS OF THE NOTES

**PROHIBITION OF SALES TO EEA OR UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation" for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

**MIFID II product governance / Professional investors and Eligible counterparties only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II") MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

Final Terms dated [•]

### AKCINĖ BENDROVĖ ŠIAULIŲ BANKAS

Issue of [Aggregate Nominal Amount of Tranche] Restricted Senior Preferred Notes

EUR 250,000,000

Euro Medium Term Note Programme

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Base Prospectus dated [•] [and the supplemental Base Prospectus dated [date]] which [together] constitute[s] a base prospectus (the "Base Prospectus") for the purposes of the Prospectus Regulation. [This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all relevant information.]

The Base Prospectus is available for viewing on the website of AB Nasdaq Vilnius Stock Exchange ("Nasdaq Vilnius") (<https://nasdaqbaltic.com/>) and is also available at Akcinė bendrovė Šiaulių bankas website <https://sb.lt/> as well as at the website of the Central Regulated Information Base [www.crib.lt](http://www.crib.lt). Copies may also be obtained from the registered office of Akcinė bendrovė Šiaulių bankas, as well as from its office at the address Šeimyniškių str. 1A, Vilnius, the Republic of Lithuania.

The expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.]*

1.	(i)	Issuer:	[•]
2.	[(i)]	Series Number:	[•]

	[(ii) Tranche Number:	[•]]
3.	Specified Currency:	Euro (EUR)
4.	Aggregate Nominal Amount:	[•]
	[(i) [Series]:	[•]]
	[(ii) Tranche:	[•]]
5.	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
6.	Specified Denominations:	<p>[•] [and integral multiples of [•] in excess thereof up to and including [•]. No notes in definitive form will be issued with a denomination above [•]]</p> <p><i>(If Notes are to be issued which have denominations consisting of a minimum Specified Denomination and higher integral multiples of another smaller amount, the following sample wording should be used (as adjusted for the relevant Specified Currency and the actual Specified Denominations):</i></p> <p>EUR100,000 and integral multiples of EUR1,000 in excess thereof up to and including EUR199,000. No Notes in definitive form will be issued with a denomination in excess of EUR199,000).</p>
7.	(i) Issue Date:	[•]
	(ii) Interest Commencement Date:	[•]/[Issue Date]
8.	Maturity Date:	[•]
9.	Interest Basis:	[In respect of the period from (and including) the Interest Commencement Date to (but excluding) the Maturity Date:]
		Reset Notes
		<i>(see paragraph 14 below)</i>
10.	Redemption/Payment Basis:	[Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.]
11.	Change of Interest or Redemption/Payment Basis:	[Specify the date when any fixed rate change occurs or refer to paragraphs 14, 17 and 18 below and identify there]/[Not Applicable]
12.	Put/Call Options:	[Investor Put]
		[Issuer Call]
		<i>(See paragraph 20/21/22 below)</i>



13.	(i)	Status of the Notes:	Restricted Senior Preferred Notes
	(ii)	Date Board approval for issuance of Notes obtained:	[[•] and [•], respectively]/[Not Applicable]
<b>PROVISIONS RELATING TO INTEREST PAYABLE</b>			
14.	<b>Reset Note Provisions</b>		Applicable
	(i)	Initial Rate of Interest:	The Initial Rate of Interest is [•] per cent. per annum payable in arrear on each Interest Payment Date.
	(ii)	First Margin:	[±][•] per cent. per annum
	(iii)	Interest Payment Date(s):	[•] and [•] in each year up to and including the Maturity Date [[in each case,] subject to adjustment in accordance with paragraph 20(xv)]
	(iv)	Reset Date:	[•] [subject to adjustment in accordance with paragraph 20(xv)]
	(v)	Relevant Screen Page:	[•]
	(vi)	Mid-Swap Rate:	[Single Mid-Swap Rate] / [Mean Mid-Swap Rate]
	(vii)	Mid-Swap Maturity:	[•]
	(viii)	Reference Banks:	[•]
	(ix)	Day Count Fraction:	[30/360] / [Actual]/[Actual (ICMA)]
	(x)	Reset Determination Date:	[•] / [The provisions in the Conditions apply]
	(xi)	Reset Determination Time:	[•]
	(xii)	Business Day Convention:	[Following Business Day Convention] / [Modified Following Business Day Convention] / [Modified Business Day Convention] / [Preceding Business Day Convention] / [No Adjustment]
	(xiii)	Relevant Financial Centre:	[•]
	(xiv)	Party responsible for determination:	[The Issuing Agent/the Issuer/other]
	(xv)	Other terms relating to Reset Notes:	Not Applicable / [•]
<b>PROVISIONS RELATING TO REDEMPTION</b>			
15.	<b>Call Option</b>		[Applicable]/[Not Applicable]
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Note:	[[•] per Nominal Amount]

	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[•] per Nominal Amount
	(b) Maximum Redemption Amount	[•] per Nominal Amount
	(iv) Notice period:	[•]
	(v) Early redemption following a Tax Event:	[Applicable]/[Not Applicable]
	(vi) Early redemption following an MREL Disqualification Event	[Applicable]/[Not Applicable]
16.	<b>Put Option</b>	Not Applicable
17.	<b>Final Redemption Amount of each Note</b>	[•] per Nominal Amount
18.	<b>Early Redemption Amount</b>	
	Early Redemption Amount(s) per Nominal Amount payable on redemption for taxation reasons or on event of default or other early redemption:	[•]/[Not Applicable]
<b>GENERAL PROVISIONS APPLICABLE TO THE NOTES</b>		
19.	<b>Form of Notes:</b>	The Notes shall be issued in non-material registered form. According to the Law on Markets in Financial Instruments of the Republic of Lithuania the book-entry and accounting of the dematerialized securities in the Republic of Lithuania, which will be admitted to trading on the Regulated Market (Nasdaq Vilnius), shall be made by Nasdaq CSD. Entity to be in charge of keeping the records will be the Issuer. The Notes shall be valid from the date of their registration until the date of their redemption. No physical certificates will be issued to the Investors. Principal and interest accrued will be credited to the Noteholders' accounts through Nasdaq CSD.
20.	<b>Substitution and Variation pursuant to Condition 14:</b>	[Applicable following a [MREL Disqualification Event / Withholding Tax Event / Tax Event]] / [Not Applicable]

Signed on behalf of *[name of the Issuer]*:

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

1.	<b>LISTING AND ADMISSION TO TRADING</b>	
	(i) Admission to Trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market on the Bond List of Nasdaq Vilnius with effect from [•.] / [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market on the Bond List of Nasdaq Vilnius with effect from [•].]
	(ii) Estimate of total expenses related to admission to trading:	[•]
2.	<b>RATINGS</b>	
		[The Notes to be issued [have been/are expected] to be rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:
	Ratings:	[Moody's Investors Service: [•]]
		[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA/ the UK and registered under Regulation (EC)No 1060/2009, as amended (the " <b>CRA Regulation</b> ").]
3.	<b>INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER</b>	
	<p><i>(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below:)</i></p> <p>[Save for any fees payable to the [Manager/Dealer], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Manager/Dealer] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and [its] affiliates in the ordinary course of business. <i>(Amend as appropriate if there are other interests)</i>]</p> <p><i>[(When adding any other description, consideration should be given as to whether such matters described constitute "<b>significant new factors</b>" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation.)]</i></p>	
4.	<b>[Fixed Rate Notes / Reset Notes only – YIELD</b>	
	Indication of yield:	[•]
		[The yield is calculated at the Issue Date on the basis of the Issue Price, if the Issuer were to pay interest on each Interest Payment Date up to and including the Reset Date and were to redeem the Notes on the Reset Date. It is not an indication of future yield.]
5.	<b>OPERATIONAL INFORMATION</b>	
	ISIN:	[•]
	Common Code:	[•]
	[FISN:	[[See/[include code], as updated as set out on] the website of the Association of National Numbering Agencies

		(ANNA) or alternatively sourced from the responsible Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
	[CFI Code:	[[See/[ <i>include code</i> ], as updated as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
	Delivery:	Delivery [against/free] of payment
6.	<b>DISTRIBUTION</b>	
	(i) Method of Distribution:	[Syndicated/Non-syndicated]
	(ii) If syndicated:	
	(A) Names of Dealers	[Not Applicable/ <i>give names</i> ]
	(B) Stabilisation Manager(s), if any:	[Not Applicable/ <i>give names</i> ]
	(iii) If non-syndicated, name of Dealer:	[Not Applicable/ <i>give names</i> ]
	(iv) U.S. Selling Restrictions:	[Reg S Compliance Category [2];
	(v) Prohibition of Sales to EEA and UK Retail Investors:	Applicable
	(vi) Relevant Benchmarks	[EURIBOR] is provided by administrator [ <i>legal name, repeat as necessary</i> ]. As at the date hereof, administrator [ <i>legal name</i> ] [ <i>appears/does not appear</i> ] [ <i>repeat as necessary</i> ] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation]/[As far as the Issuer is aware, as at the date hereof, [EURIBOR] does not fall within the scope of the Benchmarks Regulation]/[Not Applicable]

## HISTORICAL FINANCIAL INFORMATION OF THE ISSUER

The following table is a summary of the Issuer's financial performance and key performance indicators for the financial years ended 31 December 2020, 31 December 2019 as well as for a 6-month period ended 30 June 2021. The information set out in the table below has been extracted (without any material adjustment) from and is qualified by reference to and should be read in conjunction with the Issuer's audited financial statements for the years ended 31 December 2020, 31 December 2019 as well as for a 6-month period ended 30 June 2021, which are incorporated by reference to this Base Prospectus and form an integral part hereof (please see Section *Information incorporated by reference*). The Issuer's audited annual and semi-annual financial statements are prepared according to International Financial Reporting Standards (IFRS).

### Consolidated Statements of Comprehensive Income of the Group for a 6-month period ended 30 June 2021 as well as years ended 31 December 2020 and 31 December 2019

#### CONDENSED INCOME STATEMENT

EUR thousand	30 June 2021	30 June 2020	31 December 2020	31 December 2019
Continuing operations				
Interest revenue calculated using the effective interest method	39,341	38,466	78,502	73,401
Other similar income	4,024	3,817	7,527	7,223
Interest expense and similar charges	(5,372)	(4,844)	(10,321)	(8,212)
<b>Net interest income</b>	<b>37,993</b>	<b>37,439</b>	<b>75,708</b>	<b>72,412</b>
Fee and commission income	11,799	10,988	22,613	22,791
Fee and commission expense	(3,370)	(3,308)	(6,568)	(6,077)
<b>Net fee and commission income</b>	<b>8,429</b>	<b>7,680</b>	<b>16,045</b>	<b>16,714</b>
Net gain from trading activities	6,177	3,294	11,589	15,013
Net gain (loss) from changes in fair value of subordinated loan	—	—	—	—
Net gain (loss) from derecognition of financial assets	316	952	1,265	2,442
Net gain (loss) from disposal of tangible assets	3,546	457	376	3,462
Revenue related to insurance activities	3,861	3,490	7,225	6,962
Other operating income	385	435	774	1,498
Salaries and related expenses	(12,843)	(10,684)	(23,470)	(22,842)
Depreciation and amortization expenses	(2,234)	(1,989)	(4,106)	(3,595)
Expenses related to insurance activities	(3,630)	(696)	(5,448)	(8,764)
Other operating expenses	(6,950)	(6,404)	(15,177)	(15,158)

EUR thousand	30 June 2021	30 June 2020	31 December 2020	31 December 2019
<b>Operating profit before impairment losses</b>	<b>35,050</b>	<b>33,974</b>	<b>64,781</b>	<b>68,144</b>
Allowance for impairment losses on loans and finance lease receivables	(941)	(8,282)	(11,973)	(8,392)
Allowance for impairment losses on investments in subsidiaries	—	—	—	—
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	—	—	—	—
<b>Profit from continuing operations before income tax</b>	<b>34,109</b>	<b>25,692</b>	<b>52,808</b>	<b>59,752</b>
Income tax expense	(5,858)	(4,808)	(9,887)	(8,230)
<b>Net profit from continuing operations for the period</b>	<b>28,251</b>	<b>20,884</b>	<b>42,921</b>	<b>51,522</b>
Profit (loss) from discontinued operations, net of tax	(365)	—	121	—
<b>Net profit for the period</b>	<b>27,886</b>	<b>20,884</b>	<b>43,042</b>	<b>51,522</b>
<b>Net profit attributable to:</b>				
Owners of the Bank	27,886	20,884	43,042	51,522
From continuing operations	28,251	20,884	42,921	51,522
From discontinued operations	(365)	—	121	—
Non-controlling interest	—	—	—	—
Basic earnings per share (in EUR per share) attributable to owners of the Bank	0.05	0.03	0.07	0.09
Diluted earnings per share (in EUR per share) attributable to owners of the Bank	0.05	0.03	0.07	0.09
<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
<b>Net profit for the period</b>	<b>27,886</b>	<b>20,884</b>	<b>43,042</b>	<b>51,522</b>
<b>Other comprehensive income (loss):</b>				
Items that may be subsequently reclassified to profit or loss:				
Gain from revaluation of financial assets	(684)	36	446	600

EUR thousand	30 June 2021	30 June 2020	31 December 2020	31 December 2019
Deferred income tax on gain (loss) from revaluation of financial assets	137	46	(49)	(130)
Items that may not be subsequently reclassified to profit or loss:				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	—	—	—	13
<b>Other comprehensive income (loss), net of deferred tax</b>	<b>(547)</b>	<b>82</b>	<b>397</b>	<b>483</b>
<b>Total comprehensive income for the year</b>	<b>27,339</b>	<b>20,966</b>	<b>43,439</b>	<b>52,005</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Bank	27,339	20,966	43,439	52,005
Non-controlling interest	—	—	—	—

*Consolidated Statements of Financial Position of the Issuer as of 30 June 2021 as well as 31 December 2020 and 31 December 2019*

EUR thousand	30 June 2021	30 June 2020	31 December 2020	31 December 2019
<b>ASSETS</b>				
Cash and cash equivalents	476,564	265,286	432,584	184,917
Securities in the trading book	44,530	33,698	37,068	40,427
Due from other banks	1,019	450	1,598	280
Derivative financial instruments	1,640	684	445	986
Loans to customers	1,733,397	1,606,532	1,605,663	1,514,578
Finance lease receivables	177,006	148,664	155,457	157,597
Investment securities at fair value	54,665	41,240	34,342	14,059
Investment securities at amortized cost	680,986	637,490	709,454	545,849
Investments in subsidiaries and associates	—	—	—	—
Intangible assets	5,311	4,135	5,729	4,288
Property, plant and equipment	16,638	17,597	16,484	12,216
Investment property	2,270	5,992	5,552	7,570

<b>EUR thousand</b>	<b>30 June 2021</b>	<b>30 June 2020</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Current income tax prepayment	1,146	40	48	44
Deferred income tax asset	1,078	2,172	2,078	1,419
Assets held for sale	838	998	7,547	1,004
Other assets	18,299	35,605	14,796	22,952
<b>Total assets</b>	<b>3,215,387</b>	<b>2,800,583</b>	<b>3,028,845</b>	<b>2,508,186</b>
<b>LIABILITIES</b>				
Due to other banks and financial institutions	244,038	211,515	227,823	74,395
Derivative financial instruments	194	2,339	3,840	945
Due to customers	2,484,854	2,167,251	2,347,427	2,033,649
Special and lending funds	10,268	2,793	5,749	7,060
Debt securities in issue	20,637	20,637	20,027	20,044
Current income tax liabilities	292	1,520	1,092	1,579
Deferred income tax liabilities	1,373	1,132	1,251	917
Liabilities related to insurance activities	38,575	32,704	36,275	33,497
Liabilities related to assets classified as held for sale	93	-	98	-
Other liabilities	34,787	28,099	30,197	25,196
<b>Total liabilities</b>	<b>2,835,111</b>	<b>2,467,990</b>	<b>2,673,779</b>	<b>2,197,382</b>
<b>EQUITY</b>				
Share capital	174,211	174,211	174,211	174,211
Share premium	3,428	3,428	3,428	3,428
Reserve capital	756	756	756	756
Statutory reserve	21,893	14,427	14,427	14,468
Accumulated other comprehensive income	(159)	73	388	(9)
Reserve for acquisition of own shares	10,000	10,000	10,000	10,000
Other equity	3,534	2,359	2,359	1,536
Retained earnings	166,613	127,339	149,497	106,414
Non-controlling interest	—	—	—	—
<b>Total equity</b>	<b>380,276</b>	<b>332,593</b>	<b>355,066</b>	<b>310,804</b>



EUR thousand	30 June 2021	30 June 2020	31 December 2020	31 December 2019
<b>Total liabilities and equity</b>	<b>3,215,387</b>	<b>2,800,583</b>	<b>3,028,845</b>	<b>2,508,186</b>

*The Group's statement of changes in equity*

EUR thousand	Share capital	Share premium	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total
<b>1 January 2019</b>	<b>174,211</b>	<b>3,428</b>	<b>756</b>	<b>(492)</b>	<b>10,369</b>	—	—	<b>86,412</b>	<b>274,684</b>
Transfer to statutory reserve	—	—	—	—	4,099	—	—	(4,099)	—
Transfer to reserve for acquisition of own shares	—	—	—	—	—	10,000	—	(10,000)	—
Acquisition of own shares	—	—	—	—	—	(618)	—	—	(618)
Share-based payment	—	—	—	—	—	618	1,536	—	2,154
Payment of dividends	—	—	—	—	—	—	—	(17,421)	(17,421)
Total comprehensive income:	—	—	—	483	—	—	—	51,522	52,005
Net profit	—	—	—	—	—	—	—	51,522	51,522
Other comprehensive income	—	—	—	483	—	—	—	—	483
<b>31 December 2019</b>	<b>174,211</b>	<b>3,428</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>
Transfer to statutory reserve	—	—	—	—	(41)	—	—	41	—
Acquisition of own shares	—	—	—	—	—	(320)	—	—	(320)
Share-based payment	—	—	—	—	—	320	823	—	1,143
Total comprehensive income:	—	—	—	397	—	—	—	43,042	43,439
Other comprehensive income	—	—	—	397	—	—	—	43,042	43,042
<b>31 December 2020</b>	<b>174,211</b>	<b>3,428</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>

EUR thousand	Notes	Share capital	Share premium	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total	Non-controlling interest	Total equity
	<b>Attributable to the Issuer's shareholders</b>											
<b>1 January 2020</b>		<b>174,211</b>	<b>3,428</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>310,804</b>
Transfer to/from statutory reserve		-	-	-	-	(41)	-	-	41	-	-	-

<i>EUR thousand</i>	<i>Notes</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Reserve capital</i>	<i>Financial instruments revaluation reserve</i>	<i>Statutory reserve</i>	<i>Reserve for acquisition of own shares</i>	<i>Other equity</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Non-controlling interest</i>	<i>Total equity</i>
	<b>Attributable to the Issuer's shareholders</b>											
<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>		-	-	-	82	-	-	-	20,884	20,966	-	20,966
<b>30 June 2020</b>		<b>174,211</b>	<b>3,428</b>	<b>756</b>	<b>73</b>	<b>14,427</b>	<b>10,000</b>	<b>2,359</b>	<b>127,339</b>	<b>332,593</b>	-	<b>332,593</b>
<i>Total comprehensive income</i>		-	-	-	315	-	-	-	22,158	22,473	-	22,473
<b>31 December 2020</b>		<b>174,211</b>	<b>3,428</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>355,066</b>
<i>Transfer to statutory reserve</i>		-	-	-	-	7,466	-	-	(7,466)	-	-	-
<i>Share-based payment</i>	6	-	-	-	-	-	-	1,175	-	1,175	-	1,175
<i>Payment of dividends</i>	6	-	-	-	-	-	-	-	(3,304)	(3,304)	-	(3,304)
<i>Total comprehensive income</i>		-	-	-	(547)	-	-	-	27,886	27,339	-	27,339
<b>30 June 2021</b>		<b>174,211</b>	<b>3,428</b>	<b>756</b>	<b>(159)</b>	<b>21,893</b>	<b>10,000</b>	<b>3,534</b>	<b>166,613</b>	<b>380,276</b>	-	<b>380,276</b>

## KEY FINANCIAL RATIOS AND ALTERNATIVE PERFORMANCE MEASURES OF THE ISSUER

This document includes certain data which the Issuer considers to constitute alternative performance measures (APMs) for the purposes of the European Securities Markets Authority (ESMA) Guidelines on Alternative Performance Measures. These include Average equity, Return on equity, Average assets, Return on assets, Average interest earning assets, Net interest margin, Cost/Income ratio, Credit Impairment ratio, Loans to customers, Deposits from customers, Loans/Deposits ratio. Gross impaired loans vs Gross Loans (NPL ratio).

These APMs are not defined by, or presented in accordance with, IFRS. The APMs are unaudited and are not measurements of the Issuer's operating performance under IFRS and should not be considered as alternatives to any measures of performance under IFRS or as measures of the Issuer's liquidity.

The Issuer believes that the below measures provide useful information to investors for the purposes of evaluating the financial condition and results of operations of the Issuer, the quality of its assets and the fundamentals of its business. However, the Issuer's use and method of calculation of APMs may vary from other companies' use and calculation of such measures.

It should be noted that APMs are calculated for a 6-month period ended 30 June 2021 as well as years ended 31 December 2020 and 31 December 2019 for the Group.

	30 June 2021	30 June 2020	31 December 2020	31 December 2019
Net profit, EUR million	27.9	20.9	43.0	51.5
Average total assets, EUR million	3,086.1	2,582.8	2,828.8	2,416.2
Unaudited return on average assets (ROAA), %	1.8	1.6	1.5	2.1
Average total equity, EUR million	361.3	315.6	338.3	292.8
Unaudited return on average equity (ROAE), %	15.4	13.2	12.7	17.6
Unaudited cost to income ratio, %	42.3	36.8	42.7	42.5
Unaudited cost to income ratio (adjusted due to the impact of the SB draudimas clients' portfolio), %	40.4	39.0	42.9	40.8
Unaudited price to book (P/BV) value ratio	1.0	0.7	0.8	1.0
Unaudited price/Earnings (P/E) indicator of the Group	7.2	5.9	7.0	5.9
Dividends to net profit, %	n/a	n/a	7.7	–
Dividend yield, %	n/a	n/a	1.1	–
Loan to deposit ratio, %	76.9	81.0	75.0	82.2

## Description of Issuer's alternative performance measures

Performance measure	Formula and components used for the calculation:	Interpretation
Return on average assets (ROAA), %	<p>Net profit for the year / Average total assets*100</p> <p>Net profit for the year – presented in the income statement*;</p> <p>Average total assets – calculated as an average of the total assets (presented in statement of financial position) for the last four quarters.</p> <p><i>* Note: Net profit is converted to annual by multiplying it by a coefficient according to the financial reporting period, i.e., net profit for Q1 is multiplied by 4, net profit for H1 is multiplied by 2, profit for three quarters multiplied by 4/3</i></p>	<p>The ratio shows the percentage return the Issuer earns from assets. The higher the ratio, the more efficient use of assets</p>
Return on average equity (ROAE), %	<p>Net profit for the year / Average total equity*100</p> <p>Net profit for the year – presented in the income statement*;</p> <p>Average total equity – calculated as an average of the total equity (presented in statement of financial position) for the last four quarters.</p> <p><i>*Note: Net profit is converted to annual by multiplying it by a coefficient according to the financial reporting period, i.e., net profit for Q1 is multiplied by 4, net profit for H1 is multiplied by 2, profit for three quarters multiplied by 4/3.</i></p>	<p>The ratio shows the percentage return the Issuer earns from equity. Higher ROAE ratio is considered as better</p>
Cost to income ratio, %	<p>Operating costs / Operating income*100*(-1)</p> <p>Operating costs (which is a total of income statement lines):</p> <ul style="list-style-type: none"> <li>+ Salaries and related expenses;</li> <li>+ Depreciation and amortization expenses;</li> <li>+ Expenses related to insurance activities;</li> <li>+ Other operating expenses.</li> </ul> <p>Operating income (which is a total of income statement lines):</p> <ul style="list-style-type: none"> <li>+ Net interest income;</li> <li>+ Net fee and commission income;</li> <li>+ Net gain from trading activities;</li> <li>+ Net gain (loss) from derecognition of financial assets;</li> <li>+ Net gain (loss) from disposal of tangible assets;</li> <li>+ Revenue related to insurance activities;</li> <li>+ Other operating income.</li> </ul>	<p>The ratio indicates the amount of cost used to earn one euro of income. Lower cost to income ratio is considered as better</p>
Cost to income ratio (adjusted due to the impact of the	<p>Operating costs (adjusted due to the impact of the SB draudimas clients' portfolio) /</p> <p>Operating income (adjusted due to the impact</p>	<p>The indicator shows the cost spent per euro of income, eliminating the</p>

Performance measure	Formula and components used for the calculation:	Interpretation
SB draudimas clients' portfolio), of the SB draudimas clients' portfolio)*100*(-1) %	<p>Operating costs (which is a total of income statement lines):</p> <ul style="list-style-type: none"> <li>+ Salaries and related expenses;</li> <li>+ Depreciation and amortization expenses;</li> <li>+ Expenses related to insurance activities;</li> <li>+ Other operating expenses;</li> <li>- Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts {presented in the notes of financial statements}</li> </ul> <p>Operating income (which is a total of income statement lines):</p> <ul style="list-style-type: none"> <li>+ Net interest income;</li> <li>+ Net fee and commission income;</li> <li>+ Net gain from trading activities;</li> <li>+ Net gain (loss) from derecognition of financial assets;</li> <li>+ Net gain (loss) from disposal of tangible assets;</li> <li>+ Revenue related to insurance activities;</li> <li>+ Other operating income;</li> <li>- Investment result of the insurance company assets under unit-linked contracts {presented in the notes of financial statements}</li> </ul> <p><i>* Note: ratio is calculated from 2020-03</i></p>	<p>impact of SB draudimas customer portfolio on both the cost and income side. A lower value of the indicator shows the efficiency / ability of the company to generate higher income. The influence of SB draudimas customer portfolio is eliminated because in aggregate it is always zero: the investment result of the assets under unit-linked contracts is identical, only with the opposite sign reflected on the cost side as part of the change in technical insurance provisions. Adding identical amounts to income / expenses, depending on the direction of market changes, significantly distorts the values of the cost-income ratio, this elimination allows better comparison of them in the time entry</p>
Price to book (P/BV) value ratio	<p>Share price / Book value per share</p> <p>Share price – presented on Nasdaq Vilnius stock exchange;</p> <p>Book value per share – calculated as ratio between total equity of the Bank (statement of financial position) and number of shares (annual report).</p>	<p>The ratio indicates the price investors pay for one euro of total equity</p>
Price/Earnings (P/E) indicator of the Group	<p>Share price / Earnings per share</p> <p>Share last price – presented on Nasdaq Vilnius stock exchange;</p> <p>Earnings per share – presented in the income statement.</p> <p><i>* Note: Share price is converted to annual by multiplying it by a coefficient according to the financial reporting period, i.e., share price for Q1 is multiplied by 4, share price for H1 is multiplied by 2, share price for three quarters multiplied by 4/3.</i></p>	<p>The price-earnings ratio indicates the price investors pay for one euro of the Issuer's earnings</p>
Dividends to net profit, %	<p>Amount of dividends per share / Earnings per share*100;</p> <p>Amount of dividends paid per share –</p>	<p>The ratio indicates the share of Issuer's earnings that is</p>

Performance measure	Formula and components used for the calculation:	Interpretation
	<p>presented in explanatory notes to the financial statements; Earnings per share – presented in the income statement.</p> <p><i>* Note: Earnings per share in the financial statements are rounded to 2 decimal places (i.e., 2020-12-31 0.07). The exact number (0.0716) used in the calculations.</i></p>	distributed in a form of dividends
Dividend yield, %	<p>Amount of dividends per share / Share price*100; Amount of dividends paid per share – presented in explanatory notes to the financial statements; Share price – presented on Nasdaq Vilnius stock exchange.</p>	The ratio indicates level of return that is generated from dividends
Loan to deposit ratio, %	<p>Loans / Deposit; Loans – Sum of amounts of loans granted to customers and receivables from Financial Lease (presented in the statement of financial position); Deposits – Amounts due to customers (presented in the statement of financial position).</p>	The indicator compares issued loans to accepted deposits, showing the Issuer's liquidity. A higher value of the indicator indicates that the Issuer is in a higher risk area

The Issuer does not publish performance measures related to future reporting periods in its regulated information disclosures.

## **USE OF PROCEEDS**

The net proceeds of the issue of each Series of Notes will be used for the general banking and other corporate purposes of the Issuer, including but not limited to meet mandatory minimum requirement on equity and eligible liabilities for the Issuer at the consolidated level.

## DESCRIPTION OF THE ISSUER

### Background of the Issuer

The Issuer is the consistently growing financial institution in Lithuanian market, paying special attention to business financing and consumer financing solutions. The Issuer serves its clients in 57 client service units in 37 cities and towns throughout Lithuania.

The Issuer was registered as a public company in the Enterprise Register of the Republic of Lithuania on 4 February 1992. The Issuer is licensed by the Bank of Lithuania to perform all banking operations provided for in the Law on Banks and the Articles of Association of the Bank. The Group of the Issuer also includes Subsidiaries, which operate in the fields of leasing, life insurance and real estate.

As of 1 January 2020, the ECB has included the Issuer in the list of the directly supervised banks operating in the euro area member states. The Issuer became the third largest credit market participant registered in Lithuania and, therefore, the ECB granted the Issuer the status of a significant Lithuanian financial institution.

Successful activities of the Issuer have been positively evaluated by such business and finance magazines as “The Banker” (The Bank of the year in 2019), “Global Finance” (the best Bank in Lithuania in 2021). According to the results of the DIVE Lietuva mystery shopper survey, the Issuer has been selected as the best customer service bank in Lithuania for two years in a row in 2018 – 2019 and took the third place in 2020 – it was affected by certain difficulties encountered by the Issuer when it was necessary to re-program customer service in the conditions of COVID-19.

All the shares of the Issuer are listed and traded on a Regulated Market on Nasdaq Vilnius Main List. In addition to that, its subordinated bonds with a total nominal value of EUR 20,000,000 (ISIN LT0000404287), qualifying as Tier 2 capital are listed and traded on Nasdaq Vilnius Bond List.

Dividend payment history of the Issuer for the last 5 years:

Dividends for the financial year	Percentage of nominal value	Dividends per share, EUR	Total dividends, EUR
2020	1.90	0.0055	3,303,994
2019	0	0	0
2018	10.00	0.029	17,421,064
2017	1.72	0.005	2,264,938
2016	1.72	0.005	1,887,442

The Issuer is also an active broker on the Nasdaq Baltic market, which is a member of all three stock exchanges – Vilnius, Riga and Tallinn and a participant in the Central Depository Nasdaq CSD, SE (the merged central securities depository of Lithuania, Latvia, Estonia and Iceland, “**Nasdaq CSD**”).

### Information about the Issuer

**Table 1: Key information about the Issuer**

Legal and commercial name of the Issuer	Akcinė bendrovė Šiaulių bankas and Šiaulių bankas AB respectively
Legal form of the Issuer	Public limited liability company
Place of registration of the Issuer (registered office)	Tilžės str. 149, Šiauliai, Lithuania
Corporate ID code of the Issuer	112025254
LEI	549300TK038P6EV4YU51
Legislation under which the Issuer operates	The laws of the Republic of Lithuanian
Date of incorporation of the Issuer	4 February 1992



Operating period	Indefinite
Telephone number	+370 41 595 607
E-mail	<a href="mailto:info@sb.lt">info@sb.lt</a>
Website	<a href="http://www.sb.lt">www.sb.lt</a> The information on the website does not form part of the Prospectus, unless certain information is incorporated by reference into the Prospectus (please see Section <i>Information Incorporated by Reference</i> )

## Business Overview

The Issuer 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 in investing and trading in securities, as well as performs other activities set forth in the Law on Banks and the Articles of Association.

The key area of the Issuer's activities is focused on lending to small and medium-sized business (SME). The Issuer is granting credits to SMEs under the JEREMIE<sup>1</sup> facility (risk sharing credits as well as credits with the portfolio guarantee), under innovative business facility InnovFin<sup>2</sup>, and similar other facilities. The Issuer provides loans to SMEs funded by the European Regional Development Funds (risk-sharing loans as well as portfolio guarantees). The Issuer is actively participating in multi-apartment renovation projects, financing energy saving facilities in Lithuania and currently is a renovation financing leader in Lithuania.

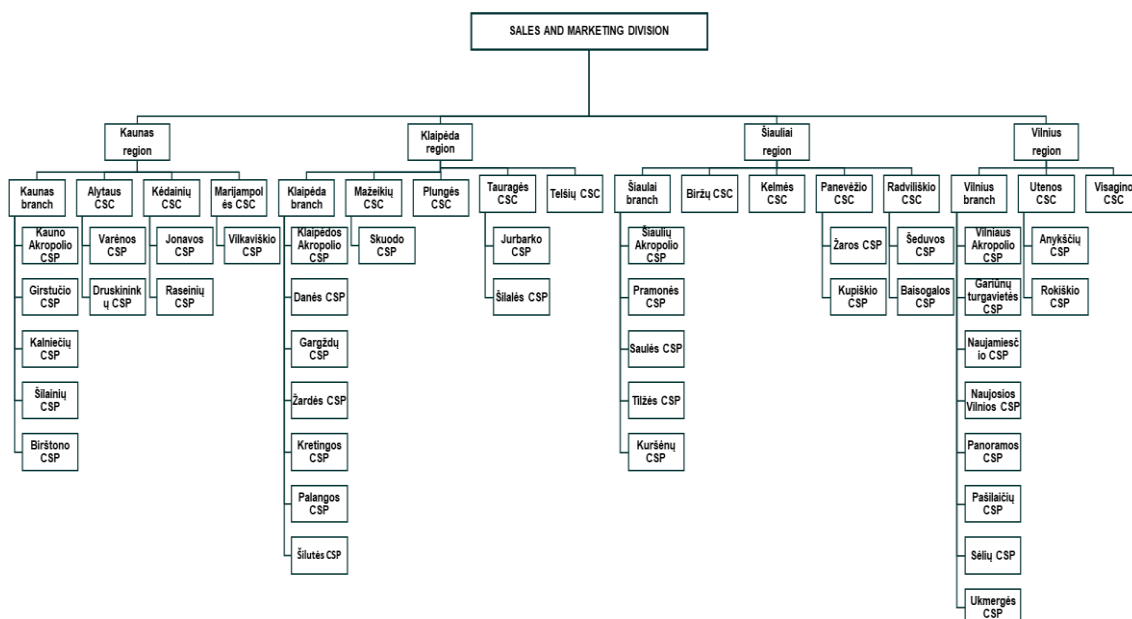
Strong partnership and close cooperation relate the Issuer with Lithuanian (INVEGA, VIPA) and international financial institutions such as European Investment Bank (EIB), Council of Europe Development Bank (CEB), Northern Investment Bank (NIB), European Investment Fund (EIF) and others.

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<sup>1</sup> JEREMIE is a joint initiative set up in 2007 by the European Commission (Directorate-General for Regional and Urban Policy) in co-operation with the European Investment Bank Group and other financial institutions to enhance cohesion across the European Union. The JEREMIE instrument was set up to deploy part of the European Union Structural Funds allocated to the regional and national Managing Authorities through new risk finance initiatives for SMEs.

<sup>2</sup> The InnovFin – European Union Finance for Innovators programme, which was launched in 2014 by the European Commission and the EIB Group, with the purpose to offer a new generation of financial instruments and advisory services to help innovative firms access finance more easily across European Union and beyond.

**Figure 1. Regions and customer service network of the Issuer**



CSC – Customer Service Center  
 CSP – Customer Service Point

Source: the Issuer

As of 30 June 2021, the Issuer had 59 customer service outlets (30 June 2020: 59 outlets). As of 30 June 2021, the Issuer had 756 employees (30 June 2020: 745).

The Issuer currently has 10% of sector’s retail deposit market share. 95% of deposit portfolio – from Lithuanian residents. Term deposits comprise 45% of total deposit portfolio. Average maturity – 19 months.

### Issuer’s rating

In February 2021, the international rating agency Moody’s Investor Services affirmed Issuer’s previous long-term deposit rating Baa2 and changed its outlook to positive from stable. The Issuer was also affirmed with a short-term rating of P-2.

### Strategy of the Issuer

Taking into account the significantly changed business and regulatory environment, a Strategic Business Plan of the Issuer for the period 2021-2023 was prepared at the end of 2020 and approved in January 2021. The Bank continue to pursue to be the best provider of financing solutions in Lithuanian market. The Bank aims to become the main financial partner for companies which have ambitions to grow: to penetrate new markets, develop innovative ideas, increase business volumes and invest. The Bank will continue to work for its customers, and at the same time for the well-being of its country. Having common roots with Lithuanian population, the Bank is unique and stands out in a competitive environment.

The Strategic plan sets out specific measures to strengthen actions in the Bank’s priority areas:

- i. optimizing the efficiency of network operations by developing digital sales and self-service channels;
- ii. development of a shared customer base and product integration at the group level;

- iii. implementation of the highest standard governance practices;
- iv. strengthening the financing products portfolio (focusing on financing of business, consumer, and multi-apartment modernization projects).

The implementation of the planned measures will help to ensure the sustainable and profitable operation of the Group, increase its market share and meet expectations of its investors. KPIs for the 2021:

AREA	KEY PERFORMANCE INDICATORS	2021
OPERATIONAL EFFICIENCY	ROE	>12.2%
	COST / INCOME	<44.7%
RISK MANAGEMENT	CAPITAL ADEQUACY RATIO (CAR)	>15.5%
	COST OF RISK (COR)	0.6%

AREA	OTHER RELEVANT INDICATORS	2021
FINANCING PRODUCTS MARKET SHARE	CORPORATE FINANCING	~16%
	CONSUMER FINANCING	~13%
	MORTGAGE	~4%

#### Issuer's competitive position

The Issuer is the third largest bank in Lithuania in terms of both loan portfolio and deposits, it serves both private and corporate clients. The key area of the Bank's activities is focused on lending to small and medium-sized business (SME). The Bank is actively participating in multi-apartment renovation projects, financing energy saving facilities in Lithuania and currently is a renovation financing leader in Lithuania.

**Figure 2. Key ratios of the banking sector in Lithuania**

As of 31 March 2021	Total capital adequacy ratio	Large exposure ratio	Liquidity coverage ratio	Return on Assets (RoA), %	Return on Equity (RoE), %	Loans and advances, mEUR	Deposits, mEUR
Šiaulių bankas AB	19.65	10.76	294.18	1.66	14.17	1,830	2,526
Swedbank AB	30.45	8.03	459.32	0.49	7.18	6,117	12,794
SEB bankas AB	21.51	19.02	638.01	1.04	12.25	5,892	8,854
Medicinos bankas UAB	20.20	16.61	494.48	0.96	9.57	214	324

Source: Statistics compiled and published by the LB (it contains data of financial groups – i.e. regulatory scope of consolidation)

#### Information on the Issuer's performance results

The main performance results of the Group's activities in 2020:

- the Group earned EUR 43.0 million of net profit in year 2020;
- the assets grew by 21% and exceeded EUR 3 billion. The loan portfolio increased by 5% and reached EUR 1.76 billion;

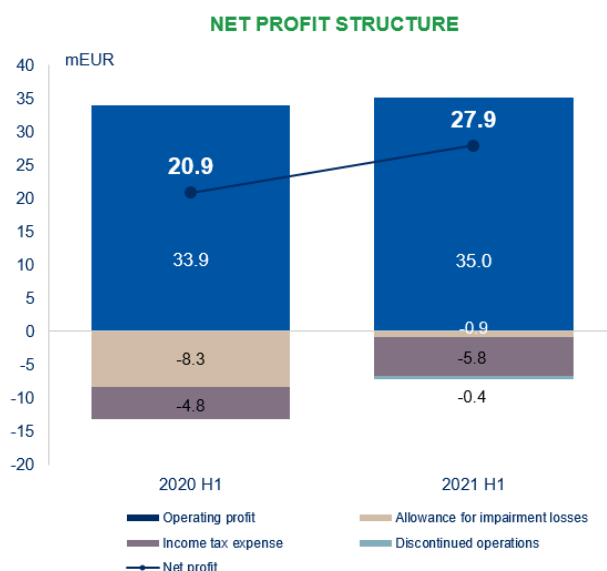
- the Issuer became an active and significant participant of mortgage market – the portfolio increased almost 3 times and reached EUR 297 million;
- the deposit portfolio grew by 15% and reached EUR 2.35 billion.

While overcoming COVID-19 challenges, the Group managed to provide all services to customers, offered support solutions to residents and businesses impacted by COVID-19.

In H1 of 2021:

- The Group earned EUR 27.9 million of net profit;
- The volume of financing for both business and private clients is growing – new credit agreements with the total amount exceeding EUR 600 million have been signed since the beginning of the year, and the loan portfolio has grown by 8%, up to EUR 1.91 billion;
- Becoming an increasingly important player in the housing loan market – a record amount of new credit agreements was signed through the Issuer in the Q2 of 2021;
- The ECB’s comprehensive assessment results were issued – the capital base of the Issuer is sufficient.

**Figure 3. Net Profit earned by the Group, EUR million**



Source: the Issuer

In H1 of 2021, the Group earned EUR 27.9 million of net profit (34% more than a year ago, when the profit amounted to EUR 20.9 million). Profit for Q2 was EUR 15.5 million and increased by 24% compared to the profit of EUR 12.5 million for the same period a year ago.

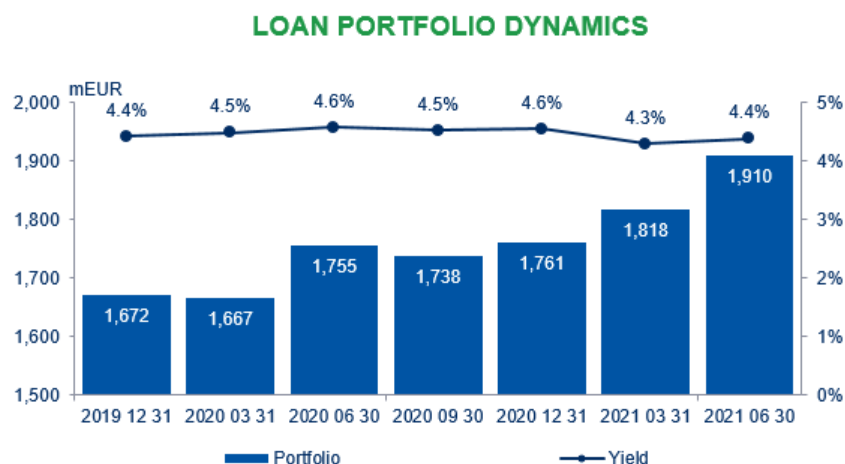
The operating revenue grew in H1 of 2021, compared to the same period of 2020 – net interest income increased by 1% and reached EUR 38.0 million, net fee and commission income increased by 10% and reached EUR 8.4 million.

Provisions for possible impairment losses amounted to EUR 8.3 million in H1 of 2021. As the adverse economic forecast scenario did not materialise, the ECB’s comprehensive assessment process has been successfully completed, the majority of loans deferred due to COVID-19 reached deferral period expiration and no signs of significant deterioration of the loan portfolio were observed, provisions for possible impairment losses of EUR 0.9 million were made in the H1 of 2021. At the end of this period, the cost of risk ratio (CoR) was 0.2% (1.0% at the end of the H1 of 2020).

At the end of H1 of 2021, the cost-to-income ratio of the Group (excluding the impact from the investment result of the SB Draudimas GD UAB assets under unit-linked contracts) was 40.4% (39.0% in the corresponding period of the previous year) and the return on equity was 15.4% (13.2% in the corresponding period of the year 2020). Capital and liquidity positions remain sound and prudential regulations are met with the solid buffers – the liquidity coverage ratio (LCR) is 234% and the capital adequacy ratio (CAR) is 18.6%.

### *Business and Private Clients Financing*

**Figure 4. Loan portfolio in EUR million and yields**



*Source: the Issuer*

As of 30 June 2021, loans to customers and leasing portfolio of the Group totalled EUR 1.91 billion (as at the end of 2020 as well as on 30 June 2020 having been EUR 1.76 billion).

In the course of 2020, uncertainty over COVID-19 reduced lending. Although the loan portfolio of the Group increased by 5%, after excluding the unplanned acquisition of Danske’s loan portfolio in May 2020, the loan portfolio remained at the level of the end of 2019 and did not reach the planned level for 2020. Net interest income increased by 5% compared to year 2019 and amounted to EUR 75.7 million.

During the first quarantine (March-May 2020), some customers faced reduced cash flow. In order to mitigate the situation of customers facing difficulties in the context of COVID-19, the Issuer has signed moratoriums on the suspension of credit liabilities. In addition, borrowers had access to various state aid instruments. This allowed borrowers to meet their obligations on time and resulted in a relatively small deterioration in the quality of the Issuer’s loan portfolio.

Over the year 2020 the Issuer’s increased its loan market (Lithuanian) share by 0.8 percentage points to 8.5%<sup>3</sup>.

The Issuer is active in financing energy efficiency projects. In the first half of the year, multi-apartment modernisation agreements worth EUR 60 million (113% more than the last year) were signed; in total, the Bank has already signed renovation agreements for EUR 640 million. The Issuer continues working to set up a EUR 200 million renovation fund with the European Investment Bank (EIB) with the purpose of attracting private and international investors, and thus encouraging them to invest in multi-apartment building modernisation projects through the fund. The fund’s launch date is planned in second half of 2021. The demand for financing energy-efficient projects continues to grow, the Issuer has already signed agreements for more than EUR 640 million.

<sup>3</sup> Source: the BoL.

H1 of 2021 was a record high in terms of residential mortgage loan sales. EUR 96 million of the new credit agreements were signed (132% compared to H1 of 2020). The number of applications submitted by customers continues to grow. It allows to expect that high sales volumes will remain in the coming months. The mortgage loan portfolio on 30 June 2021 reached EUR 367 million (being EUR 247 as of 30 June 2020).

In H1 of 2021 with the further increase in economic certainty and the ease of quarantine restrictions, both private and business clients were actively financed. New credit agreements worth over EUR 600 million were signed in H1, i.e., 140% more than in the same period last year. The total loan and leasing portfolio of the Group increased by 5% (EUR 93 million) during the quarter and grew by 8% (EUR 149 million) since the beginning of the year (up to EUR 1.91 billion).

Almost three times more business financing loans (worth EUR 351 million) were signed compared to H1 of 2020. The strong growth in the volume of new agreements observed for several quarters in a row will contribute to higher interest income in the upcoming quarters. The business financing portfolio grew by 3% (EUR 36 million) during Q2 and 6% (EUR 66 million) since the beginning of the year and reached EUR 1.12 billion.

In terms of sales volumes, both Q2 and H1 of 2021 were again at a record high in the residential mortgage loan sector. New credit agreements worth EUR 96 million (132% more than in H1 of 2020) were signed. The number of applications continues to grow (Q2 35% more compared to Q1), which gives reasonable hope that sales volumes will remain stable. The mortgage loan portfolio increased by 12% (EUR 40 million) in Q2 and by 24% (EUR 70 million) in H1 of 2021 and reached EUR 367 million.

Fewer restrictions on customer service in the physical places and increased volumes of consumer credits issued have contributed to the growth of the consumer financing portfolio; over the quarter, the portfolio grew by 3% and reached EUR 161 million. In H1 of the year, consumer financing agreements worth EUR 59 million were signed.

The demand for the financing of energy-efficient projects remains high – in H1 of 2021, multi-apartment modernisation agreements worth EUR 60 million (113% more than in H1 of 2020) were signed; in total, the Issuer has already signed renovation agreements for EUR 640 million. The Issuer has received more interest than expected from investors wishing to contribute funds to the new EUR 200 million multi-apartment house renovation fund. It is planned to complete negotiations with investors and establish the fund at the end of 2021 or the beginning of the next year.

Active consumer financing was influenced by declined consumption needs due to the COVID-19. In order to provide high-quality and fast financing to customers remotely, SB Lizingas UAB has successfully refocused to the fully automated process of issuing consumer loans on-line.

### ***Daily Banking***

The customer activity in using the Issuer's services have been affected by the second quarantine due to COVID-19 that took place mainly in Q4 2020 – Q1 2021. In Q4 of 2020 net fee and commission income decreased by 7% to EUR 4.0 million, compared to Q3.

Over 21 thousand of new private customers and over 2 thousand of new business customers have started using the Issuer's services in 2020. The service plans portfolio increased by 14% for private customers, and by 2% for business customers (49% of private and 55% of business customers, respectively, have already subscribed to service plans).

The number of users in e-channels exceeded 190 thousand, number of logins to the e-channels increased by 26% during the year 2020, and, in December 2020, for the first time, there were over 1 million logins to the e-channels. All in all, the customer stream for the remote service has increased twice since the beginning of the pandemic.

The number of payment cards during the year 2020 increased by 9% (to up to 174 thousand), compared to the end of the year 2019. The number of operations and turnover increased by 23% and 21%, respectively, compared to the year 2019. Customer service units are subject to early registration of clients for the visit. Customers wishing to keep their distance are served remotely. Only 7 out of 59 customer service units, which locate in the biggest Lithuanian cities, were closed during second quarantine (which took part from 2020 Q3 till 2021 Q2).

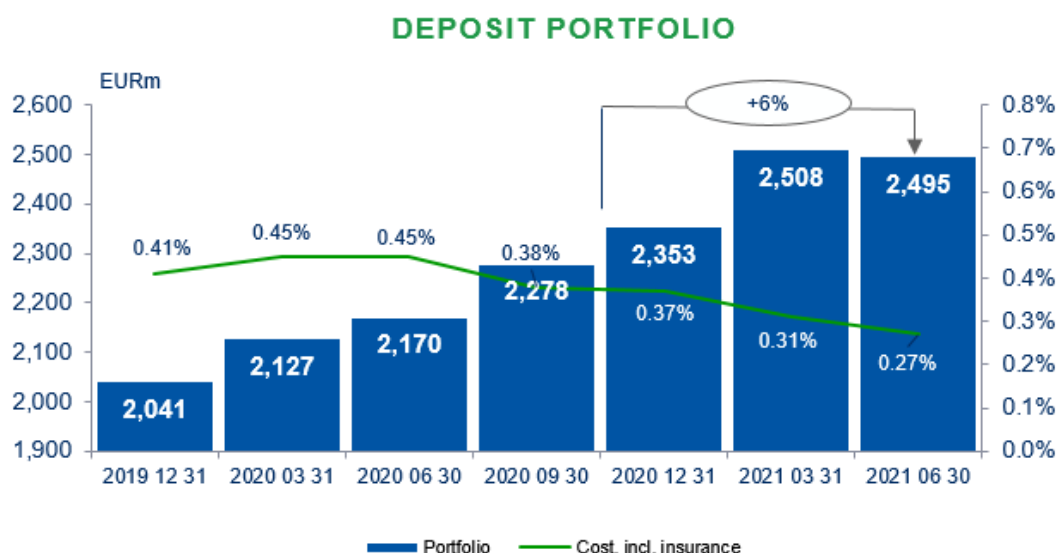
In H1 of 2021 fewer quarantine restrictions have led to higher consumption and increased customer activity with net fee and commission income growing up to EUR 8.4 million or by 10% compared to H1 of 2020. Over the second quarter, the number and turnover of payments by card grew by more than 20%; the number and turnover of cash payments – by more than 10%. The number of payment cards and customers remained similar. However, the number of customers who subscribed to service plans and, therefore, generate stable commission income grew steadily (+2%) over the quarter and exceeded 167 thousand.

More and more customers are using the updated digital channels of the Bank, the total number of users of which increased by 5% during the H1 of 2021 and reached 200 thousand. The volume of incoming calls and remote requests remains steadily higher since the beginning of the pandemic, and the number of customers identified by remote means continues to grow.

Almost all customer service units that were temporarily closed have been gradually re-opened (57 at the end of H1 of 2021). The volume of customer visits and the number of transactions they perform remain at a similar level as a year ago. One of the main obstacles to provide services in the customer service units is the limitation of area per customer, which makes it impossible to increase the number of customers served.

### *Saving and Investing*

**Figure 5. Deposit portfolio in EUR million and deposit costs dynamics**



*Source: the Issuer*

Although funds are often kept in current accounts due to low interest rates, a long-term trend shows that this does not lead to deposit instability and that their amount was growing during 2020. According to a study by the BoL, the lack of financial literacy and the lack of investment traditions in the country mean that the most popular means of saving the population remains an account with a bank or credit union (70% of saving households). The second most popular measure is pension funds and life insurance (34% and 31% of saving households, respectively). The trends of the last few years show a decrease in cash savings (from 60% to 40% of households), as well as a lower popularity of time deposits and a slightly higher interest in real estate investments (the BoL, 2020).

The loan-to-deposit ratio stood at 75% at the end of the year 2020 (82% at the end of the year 2019). While having high liquidity buffers and in order to lower funding costs, the Issuer reduced interest rates on term deposits.

The Issuer’s deposit portfolio has amounted to EUR 2.35 billion at the end of 2020. The demand deposits increased by 32%, or EUR 353 million, during the year 2020, while the term deposits decreased by EUR 40 million.

Over the year 2020 the Issuer's deposit market share decreased by 0.7 percentage points to 7.2%<sup>4</sup>.

In H1 of 2021 the deposit portfolio has increased by 6% (EUR 142 million) and amounted to EUR 2.5 billion at the end of June. Demand deposits, which make up most of the portfolio, increased by 11% or EUR 164 million, while the term deposit portfolio decreased by EUR 22 million (-2%).

Interest in the Issuer's investment services is growing – fee and commission income from investment-related services reached EUR 1.6 million in H1 of 2021 (76% more compared to the H1 of 2020).

The Issuer focuses on the more efficient cost of funding management. Access to new sources of funding is also being expanded, with a deposit service to be offered in the Austrian, Spanish, Dutch and French markets. With the Issuer maintaining a strong capital position, ensuring sustainable profitability and successfully managing asset risk and risk appetite, Moody's affirmed its long-term credit rating at Baa2 in March 2021, changing its outlook from stable to positive.

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

In the course of the year 2020, uncertainty over COVID-19 reduced lending volumes. In order to alleviate the situation of distressed customers in the context of COVID-19, the Issuer, together with other Lithuanian credit institutions, announced a moratorium on loan deferrals, during which loan repayment deferrals were made from April 20 to 30 September 2020 for both businesses and individuals. In January 2021, the Issuer, together with other Lithuanian credit institutions, agreed to extend the moratoriums on temporary deferral of credit liabilities to private and business customers affected by COVID-19 until 31 March 2021.

As of 31 December 2020, the provision for COVID-19 loans in the Issuer's loan portfolio amounted to EUR 213 million (699 customers), of which EUR 80 million was for customers subject to the moratorium. The largest part of deferred payments consists of a provision for legal entities – EUR 202 million (or 405 customers), the rest – individuals – EUR 10.7 million (267 customers). COVID-19 hardest hit the manufacturing (11% of the deferred payment portfolio), wholesale and retail trade (13% of the deferred payment portfolio) and real estate (35% of the deferred payment portfolio) sectors. As a result of the COVID-19 housing loans in deferred payments portfolio amount to EUR 8.1 million (3.8% of the deferred payments portfolio), of which EUR 3.9 million to customers subject to the moratorium. Only one customer applied for a deferral of payment at the end of the year.

During Q4 of year 2020, a deferral period applied to EUR 161 million of corporate loans deferred due to COVID-19 had expired. As of 31 December, only 8% of them have applied for additional restructuring. EUR 41 million of corporate loans, deferred due to COVID-19, had not reached the end of deferral period by the end of year 2020. An increase of loans payment delays, affected by COVID-19, is not expected, however, there is still uncertainty due to COVID-19, so it is difficult to predict future tendencies.

The moratorium on assistance to private customers undertakes to allow all private customers to defer their mortgage payments for up to one year and leasing and consumer loans for up to six months, without changing the terms of the agreement or interest. Under the moratorium for corporate customers, the Issuer undertook to defer loan payments to companies for up to 6 months without changing agreement terms and interest (the moratorium applies to business loans totalling up to EUR 5 million per group of companies which have not had significant payment delays in the last one year).

An agreement has also been signed with the state-owned financial institution INVEGA on the financing of soft loans for the businesses most affected by COVID-19. Since the start of quarantine, the Issuer has provided loans of EUR 46.5 million to more than 500 companies under state business support programs.

#### **MREL requirements applicable to the Issuer**

In April 2021, the Issuer received its MREL requirement, entailing the following MREL requirements that shall be met by 1 January 2024:

- the minimum requirement for own funds and eligible liabilities of the resolution entity with which the Issuer shall comply is 19.91% of total risk exposure (MREL-TREA) and 6.94% of leverage ratio exposure (MREL-LRE);

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<sup>4</sup> Source: the BoL.



- subordinated instruments shall comprise 13.50% of total risk exposure (MREL-TREA, subordinated) and 5.79% of leverage ratio exposures (MREL-LRE, subordinated).

The Issuer has received intermediate targets to ensure a linear build-up of own funds and eligible liabilities towards the requirements. For 1 January 2022, such targets comprise MREL-TREA of 15.43% and MREL-LRE of 6.94%, subordinated MREL-TREA of 13.50% and subordinated MREL-LRE of 5.79%.

Combined buffer requirement (CBR) has to be included on top of MREL-TREA and MREL-TREA, subordinated requirements.

The Issuer's MREL targets can be summarised as follows:

	<b>01.01.2022</b> <i>(intermediate target)</i>	<b>01.01.2024</b> <i>(requirement)</i>
MREL-TREA	15.43% + CBR	19.91% + CBR
MREL-LRE	6.94%	6.94%
MREL-TREA, subordinated	13.50% + CBR	13.50% + CBR
MREL-LRE, subordinated	5.79%	5.79%

CBR applicable to the Issuer as of 30 June 2021 is 3.0% and consists of Capital conservation buffer of 2.5% and O-SII buffer of 0.5%. Countercyclical buffer for Lithuania was nil. Components of the CBR may be changed by the decision of institutions that are responsible for setting the buffers. The Issuer is aware that O-SII buffer applicable to the Issuer will increase to 1.0% from 31 December 2021.

As of 30 June 2021, Issuer's MREL-TREA was 18.77%, MREL-TREA, subordinated was 18.62%, MREL-LRE 10.67%, MREL-LRE, subordinated 10.58%.

### ***Capital management of the Issuer***

The capital of the Issuer and its Subsidiaries in the prudential scope of calculation is calculated and allocated for the risk coverage following the capital requirements regulation and directive – CRR/CRD and local legal acts. The Issuer's objectives when managing own funds are as follows:

- to comply with the own funds requirements set by the European Parliament and the Council of the European Union as well as the internal target capital requirements;
- to safeguard the Issuer's and the Group's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders;
- to support the development of the Group's business with the help of the strong capital base.

Capital adequacy assessment is performed on a quarterly basis in accordance with the Information guidelines in respect of risk management and capital adequacy disclosure (Pillar3) report.

During the six-month period ended 30 June 2021 and the years ended 31 December 2020 and 31 December 2019, the Issuer complied with capital requirements to which it was subject.

The capitalisation of the Issuer is sufficient to ensure financial stability and provide the capital needed to deliver the business strategy. As of 30 June 2021, the total consolidated Capital Ratio of the Issuer, was 18.6% (20.3% as of 30 June 2020 on the consolidated level of the Group).

In its Capital Adequacy calculations, the Issuer uses the standardised method to calculate risk weighted exposure amounts for Credit and Market risk. Risk weighted exposure amounts for operational risk are calculated using the Basic Indicator Approach method.

## Capital Ratios

Position	30 June 2021	30 June 2020
CET 1 Ratio	17.7%	19.1%
T1 Capital Ratio	17.7%	19.1%
Total Capital Ratio	18.6%	20.3%

## Risk Exposure

### Composition of Risk Exposure Amount (REA)

	30 June 2021	30 June 2020
	<i>Thousand EUR</i>	
Credit Risk	1,853,033	1,510,774
Market Risk	21,732	14,144
Credit valuation adjustment	100	400
Operational Risk	184,598	161,637

### Risk Exposure

	30 June 2021	30 June 2020
	<i>Thousand EUR</i>	
<b>TOTAL RISK EXPOSURE AMOUNT</b>	<b>2,059,463</b>	<b>1,686,955</b>
<b>RISK-WEIGHTED EXPOSURE AMOUNTS FOR COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES</b>	<b>1,853,033</b>	<b>1,510,774</b>
Standardised approach (SA)	1,853,033	1,510,774
Central governments or central banks	10,920	18,912
Regional governments or local authorities	30	12
Public sector entities	9,847	5,335
Institutions	39,458	32,986
Corporations	417,296	296,067
Retail	434,465	349,771
Secured by mortgages on immovable property	640,506	561,075
Exposures in default	88,682	26,468

	30 June 2021	30 June 2020
	<i>Thousand EUR</i>	
Items associated with particularly high risk	59,275	126,512
Collective investments undertakings (CIU)	54,354	4,584
Equity	29,965	33,006
Other items	68,236	56,047
<b>Total risk exposure amount for position, foreign exchange and commodities risks</b>	<b>21,732</b>	<b>14,144</b>
<b>Total risk exposure amount for operational risk (OpR)</b>	<b>184,598</b>	<b>161,637</b>
<b>Total risk exposure amount for credit valuation adjustment</b>	<b>100</b>	<b>400</b>

### General Risk Management Principles

The risk management of the Issuer is described in section “Financial Risk Management” of the consolidated financial statements of the Group for the year ended 31 December 2020 (pages 28-77), incorporated into this Base Prospectus by reference.

### Major shareholders of the Issuer

On the day of this Base Prospectus the authorised capital of the Company is EUR 174,210,616.27 and is divided into 600,726,263 ordinary registered shares with a nominal value of EUR 0.29 each. All the shares issued by the Company entitle equal voting rights to their holders.

In the table below the information is provided on shareholders of the Issuer on the date of this Base Prospectus.

**Table 2. Shareholders of the Issuer, holding more than 5% of shares and votes of the Issuer as of the date hereof**

No	Shareholder	Number of owned shares and votes directly	Percentage owned directly, %	Votes, held by other persons, acting in concert, %	Total, %
1.	EBRD	156,308,983	26.02	–	26.02
2.	Invalda INVL AB	32,949,246	5.48	0.66 <sup>5</sup>	6.14
3	Algirdas Butkus	14,404,509	2.40	2.88 <sup>6</sup>	5.28
4	Gintaras Kateiva	31,628,103	5.27	0.02 <sup>7</sup>	5.29

*Source: the Issuer*

However, taking into consideration that all the shares of the Issuer are introduced to trading on regulated market (Nasdaq Vilnius Main List), its shareholding structure may be subject to changes at any point, if

<sup>5</sup> Votes, held by its subsidiary INVL Asset Management UAB.

<sup>6</sup> Votes, held by the controlled entities: prekybos namai “Aiva” UAB – 2.00%, Mintaka UAB – 0.88%.

<sup>7</sup> Votes, held by the spouse Vilinda Kateivienė.

any of its major shareholders divest all or a part of their equity stakes in the Issuer (please also see risk factor *No ownership rights, no guarantee that the shareholders' structure remains the same*).

**Table 3. Managers of the Issuer and their controlled companies, holding shares and votes in the Issuer as of the date hereof**

No	Manager	Position	Number of owned shares and votes directly	Percentage owned directly, %	Number of owned shares and votes non-directly	Controlled companies	Total, %
1.	Gintaras Kateiva	Member of Supervisory Council	31,628,103	5.27	121,072	–	5.29
2.	Algirdas Butkus	Chairman of the Board	14,404,509	2.40	17,289,094	Prekybos namai Aiva UAB – 2.00  Mintaka UAB – 0.88	5.28
3.	Arvydas Salda	Chairman of Supervisory Council	9,693,799	1.61	–	–	1.61
4.	Martynas Česnavičius	Member of Supervisory Council	–	–	2,108,160	Pro Finance UAB – 0.35	0.35
5.	Vytautas Sinius	Member of the Board	1,227,190	0.20	–	–	0.20
6.	Donatas Savickas	Member of the Board	634,752	0.11	–	–	0.11
7.	Mindaugas Rudys	Member of the Board	201,136	0.03	–	–	0.03
8.	Daiva Šorienė	Member of the Board	49,540	0.01	–	–	0.01
9.	Iлона Baranauskienė	Member of the Board	52,894	0.01	–	–	0.01
10.	Algimantas Gaulia	Member of the Board	16,980	0.003	–	–	0.003

Source: the Issuer

Apart from the information, indicated in this Section, the Issuer has no information about any other possible control over the Issuer, as well as the arrangements, the operation of which may at a subsequent date result in a change in control of the issuer. Disregarding this, as it was indicated in the notification on material event of the Issuer, dated 12 April 2021<sup>8</sup>, on this date, as part of the annual variable remuneration for 2020, employees of the Issuer were granted an option right to receive 2,272,571 shares free of charge on 12 April 2024. The Issuer also confirmed proportional part (one third) of the number of shares granted for the

<sup>8</sup> <https://view.news.eu.nasdaq.com/view?id=bad0511548aab213b7652d9e17bb91c1d&lang=en>.

employee's performance in 2019 and 2018 to be received after execution of options: 830,437 shares on 14 April 2023 and 930,696 shares on 15 April 2022.

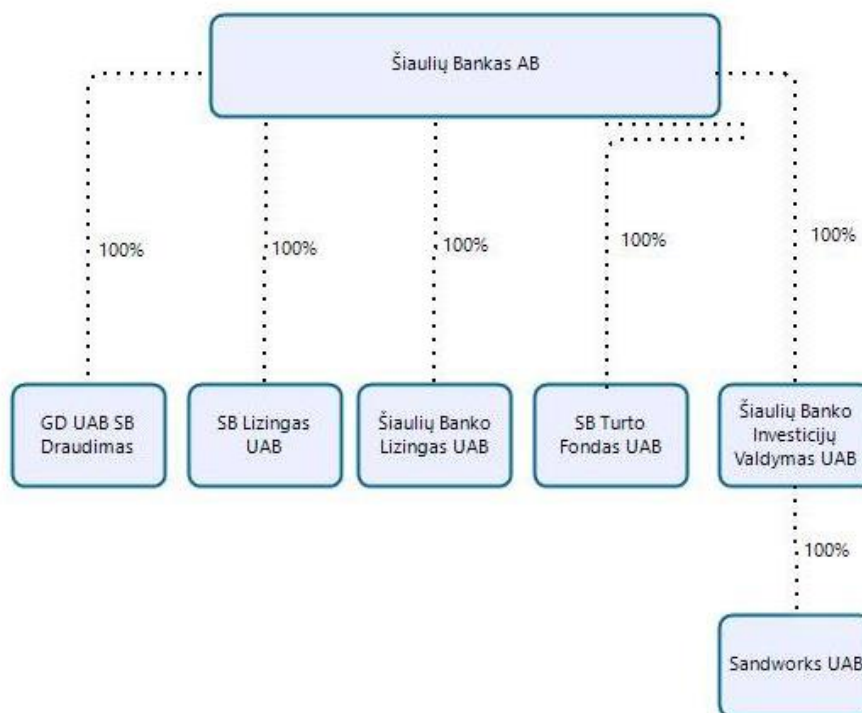
Thus, execution of these Share option rights will change the structure of shareholders of the Issuer insignificantly.

As indicated above, certain members of the Management Board and Supervisory Council are also shareholders of the Issuer. Thus, it is possible that these shareholders may favour any of their own interests rather than those of the Issuer.

Apart from the above, the Issuer is not aware of any potential conflict of interests between any duties to the Issuer of the members of the Management Board or the Supervisory Council (as defined in Section *Supervisory and Management Bodies*) of the Issuer as well as private interests or other duties of these persons.

### The Corporate organizational structure of the Issuer and its Group

**Figure 6. Corporate structure of the Issuer and its Subsidiaries as of the date of the Base Prospectus**



*Source: the Issuer*

The Issuer does not belong to the group of companies as it is described in the applicable Lithuanian laws, i.e., the Issuer is not controlled by any persons, as it is indicated in the Law on Companies of the Republic of Lithuania – none of shareholders of the Issuer has shares thereof, entitling to more than 1/2 of votes in the General Meeting.

The Issuer together with the Subsidiaries form a group of companies, as indicated below. The Issuer is not dependent upon other Subsidiaries within the Group.

## **Supervisory and Management Bodies**

The Issuer has a two-tier management system consisting of Supervisory Council, Management Board and CEO (Head of Administration), who together with the Management Board is responsible for the management of the Issuer. Business address of all the indicated bodies of the Issuer is Tilžės str. 149, Šiauliai, Lithuania.

Only people who have the necessary expertise, skills, experience, education and professional qualifications and an impeccable business reputation may be elected or appointed as a CEO, members of the Management Board or the Supervisory Council.

The Supervisory Council is a collegial supervisory body, which is responsible for supervising the activities of the Issuer and its management bodies, the appointment and removal of the members of the Management Board, submitting its comments and proposals to the General Meeting on the Issuer's operating strategy, sets of financial statements, drafts of profit/loss appropriation, the reports of the Issuer, the activities of the Management Board and the CEO, submitting proposals to revoke decisions of the Management Board or the CEO, etc.

The Management Board is a collegial management body, which is responsible for the strategic management of the Issuer, the appointment and removal of the CEO, calling the General Meetings, adoption of other corporate decisions which are economically feasible for the Issuer, etc.

The CEO is single person managing body of the Issuer who is responsible for the day-to-day management of the Issuer and enjoys the exclusive right of representing the Issuer vis-à-vis third parties.

In addition, the day-to-day management of the Issuer is carried out through Divisions, the heads of which currently are also the members of the Management Board (except for the IT Division), and which are responsible for the day-to-day organization of the work of the Division and the proper implementation of the functions and objectives assigned to it. The CEO and the Heads of Divisions have employment relations with the Issuer which are of unlimited duration.

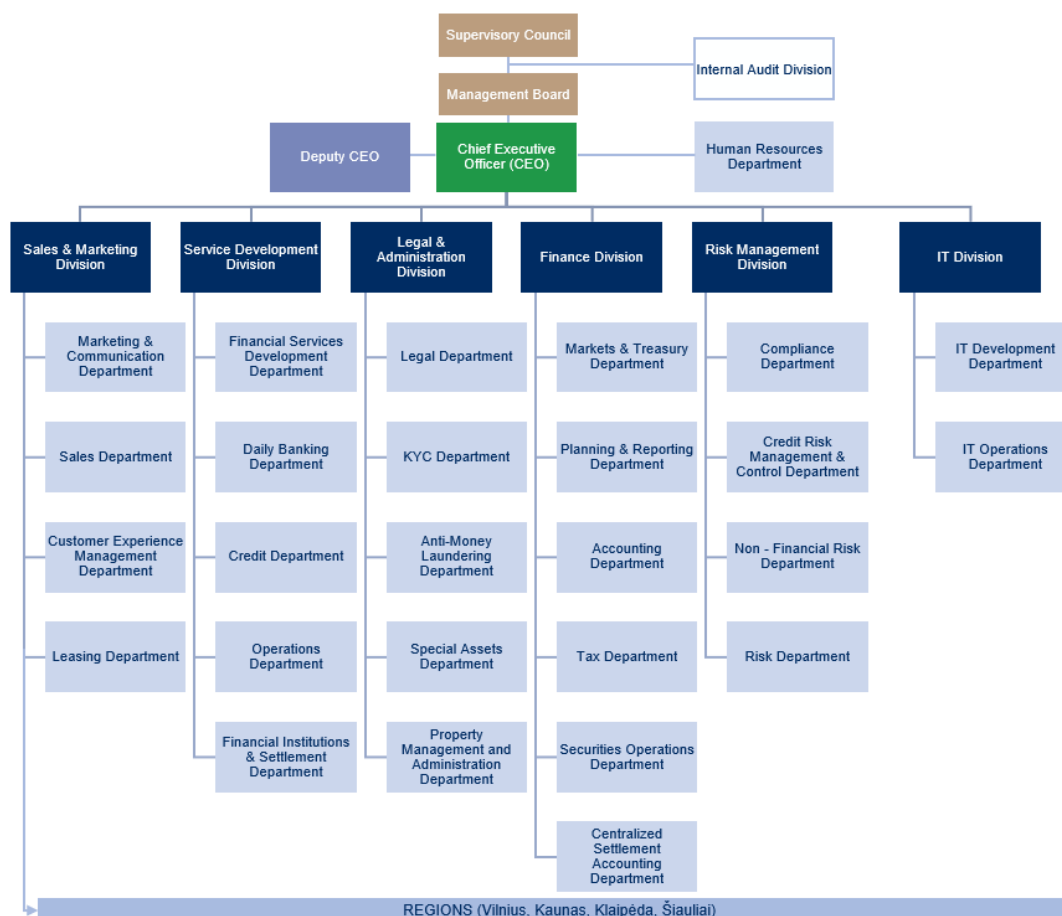
### ***Compliance with the Corporate Governance Regime***

The Issuer does not follow some of the requirements of the Nasdaq Vilnius Corporate Governance Code to its full extent. However, the Issuer aims and puts efforts to improve its compliance with this code to as to better meet the expectations of its investors. Detailed information on the compliance of the Issuer with this corporate governance regime is provided in the annex to the Annual Report for the year 2020 of the Issuer. The statements included therein are valid as at the date of this Base Prospectus.

### ***Internal Management Structure of the Issuer***

Detailed management system of the Issuer is provided in the Figure 7 below.

**Figure 7. Management system of the Issuer**



**Organizational structure**

The Issuer and the Group constantly strive to work efficiently, respond flexibly to changes and needs in the external environment, to implement the Issuer’s strategic directions of activities so that the organizational structure meets business needs as much as possible, ensures optimal organization of activities, process efficiency and employee competence.

In 2020 – 2021, in order to make the Issuer’s operations more efficient, ensure faster products digitization and their development, be closer to the customer, optimize general functions, provide more effective assistance to customers and employees of the Bank, ensure compliance with regulatory and market changes, apply new project management methods, develop competencies in individual areas, the following structural changes were implemented in particular divisions of the Issuer:

1. merging day-to-day and digital services units to ensure faster digitization and development of products and be closer to the customer, optimize common functions, concentrate product and digital channel system change management in one place, provide more effective support to customers and Issuer employees, plan more efficiently and ensure compliance with regulatory and market changes, apply new project management methods, develop competencies in individual areas and specialize in solving certain issues by concentrating the competencies of product owners and specialists (the Digital Channel Development Department was merged with the Everyday Products Department and was created new Daily Banking Department);
2. taking into account the Issuer’s strategic priorities, striving to streamline the Issuer’s operations, the Issuer’s supervisory authority changed since 2020, constantly growing and tightening legal and regulatory requirements for institutions operating in the financial sector, the Issuer has a separate credit risk management (it is performed by Credit Department – as I line of defence) and control function (it is performed by Credit Risk Management and Control Department – as II line of defence);

3. in order to increase the efficiency of the Issuer’s activities in the field of money laundering prevention, compliance and prevention functions have been separated into separate divisions. In order to strengthen the area of compliance, ensure the rotation of employees performing functions, systematic monitoring of compliance in the Issuer, enabling timely and accurate identification of weaknesses and taking of risk mitigation measures, compliance function was concentrated, areas of activity not covered by the practice in the surplus and non-compliance function were transferred to other divisions of the Issuer;
4. in order to strengthen and streamline the Issuer’s customer service, a customer experience management unit was established. The contact centre has been renamed into the Remote Customer Service Centre, linking the name of the department to the functions performed remotely for customers;
5. in line with good governance practices and in order to separate finance and risk management, recent changes to the organizational structure have been made by splitting former Finance and Risk Management Division into Finance Division and Risk Management Division, with the abolition of Accounting and Taxation Division and incorporation its departments into Finance Division.

### *Supervisory Council*

**Table 4. Members of the Supervisory Council**

Name, surname	Position within the Issuer	Beginning of term	End of term
Arvydas Salda	Chairman of the Supervisory Council	31.03.2020	
Gintaras Kateiva	Member of the Supervisory Council	31.03.2020	
Ramunė Vilija Zabulienė	Member of the Supervisory Council (independent)	31.03.2020	
Darius Šulnis	Member of the Supervisory Council	31.03.2020	Until 31.03.2024, in any case not later than until the ordinary General Meeting in 2024
Martynas Česnavičius	Member of the Supervisory Council (independent)	31.03.2020	
Miha Košak	Member of the Supervisory Council (independent)	31.03.2020	
Adriano Arietti	Member of the Supervisory Council (independent)	03.06.2020	
Susan Gail Buyske	Member of the Supervisory Council (independent)	31.07.2020	

*Source: the Issuer*

The Supervisory Council is elected by the General Meeting. All the members of the Supervisory Council must be assessed by the ECB before they can be elected to the position. According to the Law on Companies of the Republic of Lithuania and Articles of Association of the Issuer the tenure of the Supervisory Council is 4 years and may not last longer than until the ordinary General Meeting convened in the last year of the tenure of the Supervisory Council. There is no limitation on the number of terms of office a member of the Supervisory Council may serve.

The Supervisory Council elects its chairperson from among its members. The chairperson manages work of the Supervisory Council, convenes its meetings and performs other functions, provided for in the rules of procedure of the Supervisory Council.

Each member of the Supervisory Council has one vote. If number of the voices “for” is equal with “against”, the chairperson’s vote is decisive. If there is no chairperson or he/she does not participate in the resolution adoption and there are equal votes, the resolution is deemed non-adopted.



**Arvydas Salda** (born in 1955) is an experienced professional in consulting and financial sector and has 19 years of experience of business strategy development and implementation control and risk management. Education – in 1978 graduated from the Vilnius University, where he gained Applied Mathematics qualification. From 2002 till 2004 he was the Director of Šiaulių banko turto fondas UAB, from 2004 till 2017 he worked as a Consultant in AB “Eglės” sanatorija. Since 1991 he serves as a member of the Supervisory Council, and since 1999 as the Chairman of the Supervisory Council. In addition to that, Arvydas Salda currently also serves as a consultant of Šiaulių Banko Turto Fondas UAB and a Board member at Klaipėdos LEZ Valdymo Bendrovė UAB.

**Gintaras Kateiva** (born in 1965) has more than 25 years of experience of holding managerial positions. His strengths lie in strategic management, financial planning. Education – in 1989 graduated from the Vilnius state pedagogical institute, where he gained Pedagogue qualification. From 1993 till 2015 he was the General Manager of Litagra UAB. Since 2008 he serves as a member of the Supervisory Council. In addition to that, Gintaras Kateiva currently also serves as a Chairman of the Board of Litagra UAB and Director of Litagros Mažmena UAB.

**Ramunė Vilija Zabulienė** (born in 1962) has about 20 years of experience in financial sector, particularly in the activities of accounting and international relations area. She is an expert in ensuring and controlling the effectiveness of internal audit, Bank’s internal quality control and risk management systems. Education – in 1985 graduated from the Vilnius University where she gained Engineer – Economist qualification. From 2002 till 2011 she was the Deputy Chairman of the Board of the BoL and from 2014 till 2016 she served as an adviser to the Minister of Culture of the Republic of Lithuania. Ramunė Vilija Zabulienė acts as an independent member of the Supervisory Council since 2012. In addition to that, she currently serves as a Director of ArsDomina VšĮ.

**Darius Šulnis** (born in 1971) has more than 20 years of experience in various financial and real estate industries. His strengths lie in strategic management, consulting and supervisory and control functions in organizations, coordination of compliance with the legal acts, regulating the Issuer’s activities. Education – in 1993 graduated from the Vilnius University, where he gained a Master’s in Economics. In 2013 he also graduated from the Duke University – The Fuqua School of Business, where he gained a Master’s in Business Administration. He has held different positions in INVL Asset Management IPAS (Latvia), INVL Atklatais Pensiju Fonds AB (Latvia), LP Grupė UAB (former name Litagra), INVL Asset Management UAB, Invalda INVL Investments UAB, bank Finasta AB, MP Pension Funds Baltic UAB, INVL Baltic Farmland AB, INVL Technology AB, INVL Baltic Real Estate AB and in many other companies.

He currently serves as a President and member of the Board of Invalda INVL AB, Chairman of the Board of INVL Asset Management UAB, member of the Board of INVL Baltic Farmland AB and member of the Board of Litagra UAB. He is also a member of the Supervisory Council since 2016.

**Martynas Česnavičius** (born in 1972) is an experienced professional in consulting and has 15 years of experience of business strategy development financial control. Education – in 1995 graduated from the Vilnius University where he gained Economist qualification. He has held different positions in Laisvas Nepriklausomas Kanalas UAB, Kitron ASA, Litagra UAB, Atradimų Studija UAB, Malsena Plius UAB, Snaigė AB, Sanitas AB, TEO LT AB and in other companies.

Martynas Česnavičius currently serves as a Consultant of Pro Finance UAB, member of the Boards of companies managed by KJK management S.A. investment fund (KJK Investments S.à r.l. (Luxembourg); KJK Fund III Management S.à r.l. (Luxembourg); KJK Investicije (Slovenia); KJK Investicije 2 d.o.o. (Slovenia); KJK Investicije 3 d.o.o. (Slovenia); KJK Investicije 4 d.o.o. (Slovenia); KJK Investicije 5 d.o.o. (Slovenia); KJK Investicije 7 d.o.o. (Slovenia); KJK Investicije 8 d.o.o. (Slovenia); Kovinoplastika d.d. (Slovenia); Leader 96 Eood (Bulgaria)), Director of Investment management and member of the Board of D investicijų valdymas UAB, member of the Board of Amber Trust II S.C.A. (Luxembourg); Amber Trust management (Luxembourg); Rigas dzirnavnieks (Latvia); Balti Veski (Estonia); Baltic Mill AB. Martynas Česnavičius serves as a member of the Supervisory Council since 2016, he acts as an independent member of the Supervisory Council since 2020.

**Miha Košak** (born in 1968) has 30 years of experience in corporate finance, investment and corporate banking, and corporate governance. Education – in 1989 graduated from the London School of Economics, where he gained a Bachelor of Science in Economics. In 1991 he also graduated from the University of Exeter, where he gained MA in the Economics of the European Community and in 1998 from the SDA

Bocconi, where he gained a Master of Business Administration. Since 1991, he has held senior roles at VTB Capital plc, UBS Investment Bank, Citigroup Global Markets, UBS AG, Credit Suisse First Boston, Barclays de Zoete Wedd, in London, Milan and Zürich. He has also been the Supervisory Board member of Abanka dd, Gorenje Group and NLB d.d. Miha Košak currently consults and executes independent activities as: member of the Advisory Board of Fraport Slovenia (largest Slovenian International Airport); Trustee of the British Slovene Society; member of the Board of the British-Slovenian Chamber of Commerce; member of the Advisory Council of Emona Capital LLP; member of the Strategic Board of Elan Inventa d.o.o. He serves as a member of the Supervisory Council of the Issuer since 2017.

**Adriano Arietti** (born in 1948). Education – in 1972 graduated from the University of Turin where he gained Master's in Law with Honours and specialization in Economics.

He has more than 40 years of professional experience in international banking. For the last decade he has been providing consultancy for institutional clients and was the member of the Boards of Directors and Supervisory Boards of banks operating in transitional economies and has served as an independent member of the Board in Banque Centrale Populaire (Morocco), ATF Bank (Kazakhstan), Privredna banka (Croatia). He has also chaired various banks' committees: Strategy, Risk Management, Remuneration, Nomination, and Audit.

From 1998 till 2009 Adriano Arietti was working at the Headquarters in Milan of Banca IntesaBCI, later of Intesa Sanpaolo SpA as Head of the Foreign Banks Division and Corporate Finance and M&A. He was in charge of development and submission to the Boards of Banca IntesaBCI and Intesa Sanpaolo SpA of strategy to develop a multinational bank network in Central-Eastern Europe, with the execution of M&A transactions, amongst which the notable acquisitions of Privredna Banka (Croatia), Delta Banka (Serbia, current name Banca Intesa Beograd) and VUB Banka (Slovakia).

For more than twenty years, A. Arietti has worked in various foreign branches and subsidiaries of Banca Commerciale Italiana (BCI). In this context, he spent five years as a Deputy CEO of BCI Suisse Zurich, BCI's Swiss subsidiary providing private banking services to clients worldwide, and as Vice President of the Investment Committee responsible for supervision of treasury operations, and the Geneva and Lugano branches.

Previously he has also worked for twelve years in New York in various positions encompassing commercial and investment banking. Currently he serves as a member of the Board of Directors of Banque Centrale Populaire (BCP) (Morocco).

**Susan Gail Buyske** (born in 1954). Education – Bachelor of Arts degree in Russian language from Middlebury College (USA), a Master of Public Administration degree in international relations (the Woodrow Wilson School, Princeton University (USA), Phd in political science.

Susan Gail Buyske currently serves as a non-executive director of SA Advans SICAR Holding company for microfinance institutions in Africa and Asia, also non-executive director and Chair of Risk Committee of First Ukrainian International Bank, Universal bank in Ukraine.

Gail Buyske is a financial sector development consultant and non-executive director with a great experience on banks' boards of directors like Swedbank AB, OJSC "URSA Bank", JSC "Kazkommertsbank", and others.

Prior to consulting practice, Gail Buyske was successfully working in the field of international banking services at the European Bank for Reconstruction and Development (three years) and was holding a senior position at the Chase Manhattan Bank, USA.

### ***Management Board***

The Management Board is responsible for the strategic management of the Issuer, the appointment and removal of the CEO, calling the General Meetings, adoption of other corporate decisions which are economically feasible for the Issuer, provision of the Issuer financial services as required by law, etc. The Nomination Committee evaluates the candidates for the members of the Management Board and after the evaluation, proposes the candidates for the members of the Management Board and recommends them to the Supervisory Council for consideration.

**Table 5. Members of the Management Board**

Name, surname	Position within the Issuer	Beginning of term	End of term
Algirdas Butkus	Chairman of the Management Board	31.03.2020	
Vytautas Sinius	Member of the Management Board, CEO	31.03.2020	
Donatas Savickas	Member of the Management Board, Head of Finance Division	31.03.2020	Until
Daiva Šorienė	Member of the Management Board, Head of Sales and Marketing Division	31.03.2020	31.03.2024, in any case not later than until the ordinary General Meeting in 2024
Mindaugas Rudys	Member of the Management Board, Head of Business Development Division	31.03.2020	
Ilna Baranauskienė	Member of the Management Board, Head of Legal and Administration Division	31.03.2020	
Algimantas Gaulia	Member of the Management Board, Head of Risk Management Division	31.07.2021	

*Source: the Issuer*

According to the Law on Companies of the Republic of Lithuania and the Articles of Association of the Issuer, the tenure of the Management Board is 4 years and may not last longer than until the ordinary General Meeting convened in the last year of the tenure of the Management Board. There is no limitation on the number of terms of office a member of the Management Board may serve. The Management Board elects its chairperson from among its members. The chairperson manages work of the Management Board, convenes its meetings and performs other functions, provided for in the work regulation of the Management Board.

At voting each member of the Management Board has one vote. If number of the voices “for” is equal with “against”, the chairperson’s vote is decisive. If there is no chairperson or he/she does not participate in the resolution adoption and there are equal votes, the resolution is deemed non-adopted.

**Algirdas Butkus** (born in 1951). Education – in 1975 graduated from the Kaunas Polytechnic Institute where he gained Engineer – Economist qualification. Since 1999 he serves as a Chairman of the Board and from 1991 till 1999, he was the Chairman of the Supervisory Council. Since 2011 Algirdas Butkus is also a Deputy Chief Executive Officer of the Issuer.

**Vytautas Sinius** (born in 1976). Education – in 2002 graduated from the Vilnius University, where he gained a Bachelor’s in Economics. In 2009 he also graduated from the Vytautas Magnus University, where he gained a Master’s in Management and Business Administration. From 2006 till 2010 he was the Executive Vice President, Head of Retail Banking of SEB bankas AB. Since 2014 he is a Deputy Chairman of the Board (he serves in the Management Board since 2011) and Chief Executive Officer of the Issuer.

**Donatas Savickas** (born in 1969). Education – in 1993 graduated from the Vilnius University, where he gained an economist-analyst qualification. In 2009 he also graduated from the Vytautas Magnus University, where he gained a Master’s in Management and Business Administration. Since 1995 he is a Deputy Chairman of the Board. He also is a Deputy Chief Executive Officer (since 2005) and Head of the Finance Division of the Issuer.

**Daiva Šorienė** (born in 1966). Education – in 1989 graduated from the Vilnius University, where she gained a Master’s in Economics. In 2007 she also graduated from the BMI, where she gained Executive Master of Business Administration and in 2007 from the Vytautas Magnus University, where she gained a Master’s in Business Management. From 1998 she occupies many positions at the Issuer (Deputy Chairman of the Board, Head of Business and Retail Banking, Head of Šiauliai region, Head of Business

Development division, Head of Sales and Marketing Division). She is also a Deputy Chief Executive Officer of the Issuer since 2014.

**Mindaugas Rudys** (born in 1982). Education – in 2007 graduated from the Vilnius University, where he gained a Bachelor's in International Economics. In 2014 he also graduated from Mykolas Romeris University, where he gained Master's in Economics and in 2015 from Baltic Management Institute, he gained Executive Master's in Business Administration. He is a member of the Board since 2020 and the Head of Business Development Division of the Issuer since 2018.

**Iona Baranauskienė** (born in 1975). Education – in 1997 graduated from the Kaunas University of Technology, where she gained a Bachelor's in Business Administration. In 2005 she also graduated from the Šiauliai University, where she gained Master's in Economics. From 2007 till 2013 she was the General Manager of SLEZVB UAB. She serves as a member of the Board since 2014 and Head of Legal and Administration Division of the Issuer since 2018.

**Algimantas Gaulia** (born in 1980). Education – in 2002 graduated from the Kaunas University of Technology, where he gained a Bachelor's in Economics also in 2004, he gained Master's in Economics (graduated with honours). From 2013 till 2015 he was Deputy Head of Accounting and Reporting division, from 2015 till 2021 – Director of Risk Management and Reporting department. He serves as a member of the Management Board and Head of Risk Management division of the Issuer since 2021.

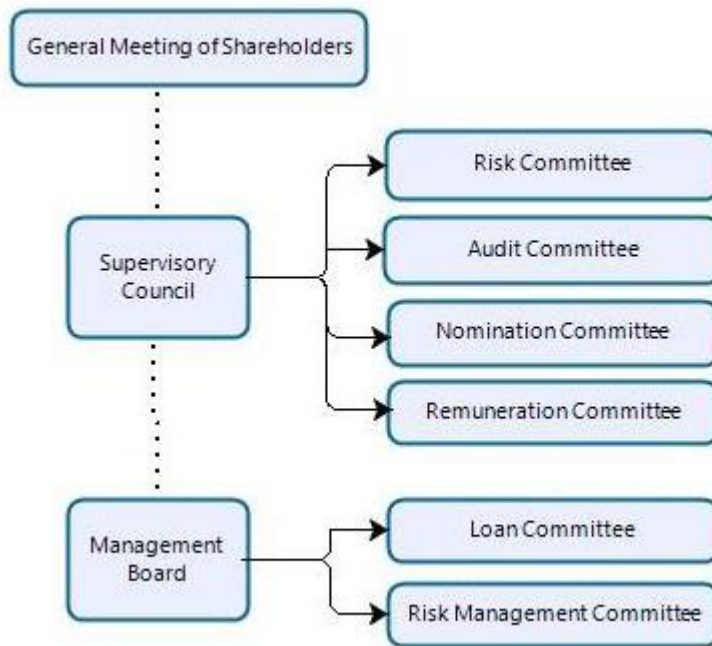
#### ***Other decision-making bodies of the Issuer***

The Issuer is committed to ensuring maximum alignment of internal processes and routines to provide qualitative day to day support to local and group-wide functions across its organisation.

To ensure and support such commitment, specialised committees of the Supervisory Council and the Management Board support the management bodies of the Issuer in specific areas. Such committees have been established in all cases when the Issuer is obliged by applicable regulatory enactments to establish the respective committees. The management bodies of the Issuer also establish committees when doing so increases efficiency and facilitates a deeper focus in specific areas- or is otherwise necessary or desirable to help the management bodies carry out their responsibilities effectively. Each committee has a documented mandate, including the scope of its responsibilities, defined by the legal acts of the Republic of Lithuania, legal acts of the BoL as well as regulations of certain committees approved by the Management Board or Supervisory Council of the Issuer. Establishment of committees does not release the management bodies of the Issuer from collectively fulfilling their respective duties and responsibilities in any way.

An overview of the committees established by the Management Board and Supervisory Council is described in the Articles of the Association of the Issuer and is also provided in the following figure:

**Figure 8. Committees formed in the Issuer**



The role and purpose of the committees is described below.

#### ***Committees under authority of the Supervisory Council***

The main purpose of the Committees of the Supervisory Council is to assist the Supervisory Council in specific areas and to assist in the development and implementation of a sound internal governance system for the Bank.

#### ***The Risk Committee***

The Risk Committee advises the Supervisory Council of the Issuer on the overall current and future risk acceptable to the Issuer and strategy and assist in overseeing the implementation of the strategy at the Issuer, verifies whether prices of liabilities and assets offered to clients take fully into account the Issuer's business model and risk strategy and also carries out other functions provided for in its regulations.

The Risk Committee consists of at least three members selected from amongst the members of the Supervisory Council. The majority of the members of the Risk Committee shall be composed of and the Risk Committee shall be chaired by independent members of the Supervisory Council. Members of the Risk Committee must have sufficient experience and knowledge of risk management and control practices, and specifically of the risk strategy of the Issuer and of supervising its implementation.

Members of the Risk Committee are Miha Košak (Chairman), Adriano Arietti (Deputy Chair), Darius Šulnis and Ramunė Vilija Zabulienė. Meetings of the Risk Committee are held at least four times per year.

#### ***The Audit Committee***

The Audit Committee addresses the matters related to improving the internal control system of the Issuer, monitors and discusses the process of preparation of the financial statement, the efficiency of the Issuer's internal control, risk management and internal audit systems, the processes of the audit and internal audit performance on regular basis and performs other functions foreseen by the legal acts of the supervisory authority and regulations of the Audit Committee. The Audit Committee acts as the Audit Committee of

the Issuer and all the public-interest entities of the Group. Following the laws and legal acts of the supervisory authority the composition, competences and arrangement of activities of the Audit Committee are formed and controlled by the Supervisory Council.

The Audit Committee consists of at least three members selected from amongst the Supervisory Council members. The majority of the members of the Audit Committee shall be composed of and the Audit Committee shall be chaired by independent members of the Supervisory Council. Current members of the Audit Committee are Ramunė Vilija Zabulienė (Chairwomen), Martynas Česnavičius and Susan Gail Buyske. Meetings of the Audit Committee are held at least at least three times per year.

#### ***The Nomination Committee***

The Nomination Committee nominates candidates to fill management body vacancies and recommends, for the approval of the management bodies of the Issuer or for approval of the General Meeting, evaluates the balance of skills, knowledge and experience of the management body of the Issuer, submits comments and findings related to the matter, assesses the structure, size, composition, operating results of the Issuer's bodies and carries out other functions provided for in its regulations.

The Nomination Committee consists of at least three members selected from amongst the Supervisory Council members. The majority of the members of the Nomination Committee shall be composed of and the Nomination Committee shall be chaired by independent members of the Supervisory Council. Current members of the Nomination Committee are Supervisory Council members: Martynas Česnavičius (Chairman), Darius Šulnis and Miha Košak. Meetings of the Nomination Committee are held at least three times per year.

#### ***The Remuneration Committee***

The main responsibilities of the Remuneration Committee are to competently and independently assess variable remuneration policies, practices and ensure that the remuneration system takes into account all risks, performance, capital and liquidity and is consistent with sound and effective risk management and the Issuer's business strategy, objectives, long-term operational interests of continuing operations, also to supervise the variable remuneration of senior executives responsible for risk management and compliance, drafts variable remuneration decisions and performs other functions set forth in its regulations.

The Remuneration Committee consists of at least three members selected from amongst the Supervisory Council members. The majority of the members of the Remuneration Committee shall be composed of and the Remuneration Committee shall be chaired by independent members of the Supervisory Council. Current members of the Remuneration Committee are Martynas Česnavičius (Chairman), Gintaras Kateiva and Ramunė Vilija Zabulienė. Meetings of the Remuneration Committee are held at least three times per year.

#### ***Committees under authority of the Management Board***

##### ***The Loan Committee***

Main function of Loan Committees is approval of credit granting, amendment, review or restructuring decisions within its powers and limits set by internal credit granting procedures with a special view to ensuring that the requested loan or proposed amendment is in line with the respective risk appetite limits set in Risk Appetite Statement and credit risk management principles and requirements set in internal credit risk management procedures.

The Management Board appoints members of the Loan Committee. Ordinary Meetings of the Loan Committee are held weekly.

##### ***The Risk Management Committee***

The Risk Management Committee performs functions related to the organization, coordination and control of the Issuer's risk management system, determines and controls risk measurement indicators corresponding to the risk appetite acceptable to the Issuer, monitors and assesses specific types of risk, mitigation actions and makes decisions in accordance with the Issuer's approved risk management policy and risk tolerance / appetite, as well as performs other functions provided for in its regulations.

The Management Board appoints the members of the Risk Management Committee. The committee meets at least once a month.

### **Supervision of the Issuer**

Since 1 January 2020 the Issuer is considered significant for the purpose of relevant regulatory enactments and, therefore, it is under the direct supervision of the ECB, acting within the Single Supervisory Mechanism. Ongoing supervision of the Issuer being carried out by a dedicated Joint Supervisory Team comprising staff of the ECB and the BoL. In addition, certain Subsidiaries of the Issuer, namely, SB Lizingas UAB and SB draudimas UAB GD, are under the supervision of the BoL as well.

All banks which become (or are likely to become) subject to direct ECB supervision are required among other to undergo a comprehensive assessment, consisting of a stress test and an asset quality review (AQR). The comprehensive assessment also determines whether the bank's capital base needs to be strengthened.

On 12 July 2021 the ECB announced the results of a comprehensive assessment of the Issuer. The asset quality review exercise provides the ECB with a point-in-time assessment of the carrying values of the Issuer's assets on a particular date (31 December 2019). The AQR was carried out on the basis of the ECB's latest version of the AQR methodology, which was published in June 2018.

The AQR was complemented by a stress test exercise, which looked at how the Issuer's capital positions would evolve under a baseline scenario and an adverse scenario over the three-year period from 2020 to 2022. The scenarios have been updated considering projections made around mid-2020, covering the consequences of the COVID-19 that started in the Q1 of 2020, which led to significant uncertainties about future economic developments at the time of the projections.

The comprehensive assessment revealed that the Issuer did not face any capital shortfall, i.e., the capital did not fall below the relevant limits set during the stress test and asset quality review.

The asset quality review revealed areas for improvement in loan classification (staging and provisioning). The Issuer – without waiting for the final findings of the process, already in 2020 had restructured its credit risk assessment system, establishing updated unlikeliness-to-pay, early warning, watch list and enhanced forbearance processes, reviewing staging and provisioning system aligned with new enhancements. Mentioned review of credit risk assessment system and Bank prudent attitude towards higher risk exposures resulted on the one hand in certain increase in the level of non-performing loans and provisions, while on the other, along with implemented segregation of duties, enhanced reporting and strengthened internal control in credit risk area, it let to build adequate basis for credit risk management and control framework satisfying regulatory requirements.

### **Legal Proceedings and Investigations**

Within the framework of the normal business operations, the Issuer faces claims in civil lawsuits and disputes, most of which involve relatively limited amounts. As at the date of this Base Prospectus, none of the current disputes may have, or have had a significant adverse effect on the Issuer or its financial position.

Disregarding the above, however, the Issuer notes the following legal proceedings and investigations, which may not have and has not had a significant adverse effect on the Issuer or its financial position:

#### **1. Dispute with the BoL, whereby the penalty of EUR 880 thousand was imposed by the BoL.**

As it was indicated in the notification on material events of the Issuer, dated 30 December 2019, the BoL carried out a scheduled inspection of the Issuer on credit risk management and compliance with requirements of anti-money laundering and counter terrorist financing (AMLCTF). After examining the inspection report, the Board of the BoL passed a resolution which obligated the Issuer to eliminate breaches of legislation and deficiencies identified by the BoL and imposed a penalty of EUR 880 thousand for the breaches and deficiencies in the field of AMLCTF.

Most of the breaches and deficiencies identified by the BoL had been eliminated by the Issuer before the inspection findings were discussed by the Board of the BoL. In addition to that, the Issuer has not detected any cases where breaches and deficiencies identified in the BoL inspection report would have been used for money laundering and terrorist financing purposes. Thus, the Issuer has decided to contest the above

resolution of the Board of the BoL and, for this purpose, has filed a complaint with the Vilnius Regional Administrative Court.

Following the ruling dated 12 January 2021, the Vilnius Regional Administrative Court rejected the appeal of the Issuer regarding the legality of the decision of the BoL, which imposed sanctions on the Issuer. After assessing the arguments of the court of first instance, the Issuer seeks a more thorough examination of the dispute, therefore it filed an appeal with the Supreme Administrative Court of Lithuania, requesting to annul the decision of the court of first instance.

The Issuer may not evaluate, what decision the court will take in this case. However, the fine imposed by the BoL will not adversely affect the sustainable business continuity of the Issuer. The fine imposed was accounted in the Issuer's financial results of year 2019.

## **2. The court investigation (1<sup>st</sup> instance) in criminal case in which three employees of the Bank are charged**

The court investigates the circumstances of EUR 7.5 million credit issued to company "Nidos pušynas" and its use, performed by Vladimir Romanov (owner of the bankrupted Ūkio bankas) and his associates. The actions taken by current CEO Vytautas Sinius, who chaired the Loan Committee in 2012 and other two Issuer's employees (who took the positions of Head of Šiauliai Branch and Director of Treasury Department in 2012) are being investigated regarding issue of the credit in the aforementioned credit granting process. Neither financial, nor any other claims have been expressed with regard to the Issuer in this lawsuit.

At the moment, the credit agreement has expired, the collateral has been realized, the company "Nidos pušynas" has been liquidated. The outcome of this case will have no impact on the results of the Issuer's performance.

The ongoing process does not affect the continuity of the Issuer's performance and its daily operations. The Issuer meets all the requirements and standards set out for the Issuer's activities and the obligations assumed with regard to the clients are and will be fulfilled. The Issuer has informed the BoL and the investors publicly via the material event notifications about the ongoing investigation. The Issuer may not evaluate, what decision the court will take in this case. Hearings at the 1<sup>st</sup> instance court are taking place currently (in the years 2020-2021).

## **3. The claim of EUR 518 thousand against the Issuer**

A legal entity brought an action against the Issuer following which a plaintiff claimed for EUR 518 thousand as the unpaid payment under the guarantee, issued by the Issuer. The plaintiff alleges that the Issuer wrongly refused to pay the Contract Performance Guarantee to the plaintiff. The 1<sup>st</sup> instance court rejected the claim on 21 December 2020. However, the court's decision was appealed by the plaintiff on 18 January 2021. The Issuer does not agree with the claim – the guarantee was not paid because the claim received did not meet the terms of the guarantee – and filed a response to the appeal court on 9 February 2021 asking the court to dismiss the appeal.

The outcome of this case will have no impact on the results of the Issuer's performance, continuity and its daily operations.

## **4. The claim of EUR 455 thousand against the Issuer**

A legal entity (current status: bankrupted) brought an action on 8 June 2020 against the Issuer, following which a plaintiff claims to recognise operating lease agreements, concluded in 2015 and currently expired, as the sham transaction and to deem it as the financial leasing agreement. The plaintiff claims of restitution in favour of it for approx. EUR 200 thousand of the cost of covering the value of the assets and approx. EUR 250 thousand on the costs of improving the value of the transferred assets.

The Issuer does not agree with the claim and the reasoned response to the claim, asking for the dismissal of the action was filed by the Issuer on 2 August 2021. However, the outcome of this case will have no impact on the results of the Issuer's performance, continuity and its daily operations.



## **Anti-Money Laundering and Combating the Financing of Terrorism Activities**

The Issuer has a continuous focus on anti-money laundering (“**AML**”) as well as combating the financing of terrorism (“**CFT**”) and international sanctions and the implementation of AML, CFT and sanctions measures. To ensure compliance, the Issuer has developed and implemented a comprehensive set of measures to identify, manage and control its risks. The risk has been addressed by trying to ensure that internal control functions (i.e., applying the model of three levels of defence, enhanced measures in case of high-risk customers, etc.) are as effective as possible, by engaging in a proactive dialogue with correspondent banks to match their risk appetite and systematic co-operation with the investigation authorities.

To mitigate related risks of not detecting prohibited persons, organisations and entities, the Issuer focuses on compliance with applicable sanctions laws and guidelines, recommendations and standards issued by local regulatory and supervisory authorities and relevant international organisations, as well as those issued by local Banking Associations and Financial Crime Investigation Service.

The Issuer evaluates on an ongoing basis its customer base for revaluation of AML/CFT risk level with regard to each customer. In accordance with the AML/CFT risk level assigned to them, customer data is revaluated at least once in every three years or on an annual basis (i.e., for high-risk customers). Customer specific risk is updated to reflect the change of defined risk factors on an ongoing basis. In addition, the internal customer risk scoring system is being evaluated on a regular basis by the internal compliance function. Risk may materialise due to the inaccurate risk scoring of a customer based on insufficient data.

The Issuer monitors transactions according to predefined scenarios and thresholds that are based on legislative requirements, international standards, industry guidance and internal assessment of risks posed by customers, products, services, channels and geographies, including frequency and volumes of transactions, also external and emerging threats. The scenarios and thresholds are reviewed at least once year and on ad-hoc basis. In addition, staff are able to raise any concerns or suspicions through an internal reporting process.

## **Core business and target customer segments**

### ***Core Business Activities***

The aim of the Bank is to be the financing products leader in Lithuanian market. While pursuing it the Bank focuses on four key lending areas – corporate financing, consumer financing, housing mortgage financing and multi-apartment building modernization financing.

In order to support the core business areas, the Bank also provides daily banking and saving & investing services.

The Bank’s target customers and their use of services:

- Private: remaining 40+-year-old residents of major cities and regional centres with archetypes: “Thrifty”, “Following the Leaders”, who care about the quality of life of their loved ones.
- Meanwhile Business: small and medium-sized enterprises in need of additional financial instruments which require investment (purchase of equipment, attraction of employees), with collateral and growing traditional business, showing the need for additional financial instruments in need of investment (purchase of equipment, attraction of employees) with collateral.

### ***Business and Private Clients Financing***

The Issuer offers a wide range of banking products and services for private and small and medium-sized business clients, including financing, mortgage, energy-efficient projects financing, cash management, leasing products (vehicles, heavy equipment and other assets, which are movable in their nature and therefore suitable for being financed by leasing) and trade finance. The products offered include loans as well as credit facilities adapted to meet the customers’ needs. Real estate loans are primarily aimed at public and private developers, home builders and commercial real estate companies. In the recent period the Issuer has kept its focus on supporting Issuer’s lending relations with an aim to ensure quality of loan portfolio, as well as on the quality of customer service and on improving relations with customers by keeping close direct contact with customers.

### ***Daily banking***

The Issuer in recent years is increasing its market share and the number of clients who use not only financing services, but also daily banking services.

The Issuer's customers are increasingly using the main banking services: daily banking service plans, payment cards, making transfers, therefore:

- number of active customers makes up about 50% of the total number of customers (some more than a half of business customers are active, and a bit less than a half of private customers);
- the number of service plan users accounts for 47% of the total number of customers (49% of business and 47% of private customers have service plans);
- the number of payment card users accounts for 48% of the total number of customers.

Every year more than 30 thousand new customers start using the Issuer's services, most of which become active users of banking services.

The Issuer has two groups of customer service channels: a physical network of branches and e-channels, which aim to offer customers fast, professional and high-quality service.

Currently, the Issuer's network of physical branches is the widest in the country. This allows the Issuer to take a strong position in serving customers who are still not active users of e-channels: the number of internet bank and mobile app users is 58% of all customers (44% are active internet banking and mobile app users).

E-channels include: internet banking, mobile application, remote customer service centre activities. In 2020, the Beta version of internet bank was launched, with daily functions (account overview, payments, contributions and fees, statement). The development of the new version of the internet bank is planned to be completed in 2021. Its functions are being developed in parts, primarily in order to transfer the functions of the existing internet bank. The new internet bank is focused on ensuring a better user experience and digitization of services, enabling customers to manage the services provided by the Issuer, as well as increasing sales of services by enabling them to purchase services independently, without additional actions of the Issuer's employees. Also, an update was introduced in October 2020, which ensures not only faster access to daily banking services (faster and more modern login), but also more convenient use of basic services (account review and payments). The aim is for both the younger and older generations to have access to basic banking services via mobile phones.

### ***Saving and Investing***

The Issuer provides deposit services for its customers and the Group is mainly financed by the clients' deposits from Lithuanian markets. Access to new sources of funding now is available as the Issuer has the permission to provide term deposit services in Germany, Austria, the Netherlands, France and Spain. Although there is no need for additional funding while growing loan portfolio, the Bank is developing alternative funding channels in order to be more flexible in terms of pricing and volumes in the future.

The Issuer provides the following investment services:

- mediates in trading shares and bonds in Lithuanian and foreign markets;
- provides service of electronic trading of shares in the Baltic market;
- mediates in primary placement auction transactions of LR Government securities;
- disseminates investment fund units and other securities;
- lends funds upon mortgage of securities and a commitment to repurchase them (REPO transactions);
- makes securities transactions on the over-the-counter (OTC) market;

- provides financial instrument storage (accounting) services.

Providing of investment services depends on customer needs, opportunities, desired returns and tolerable risk.

## MARKET ENVIRONMENT

*The information presented in this section has been extracted from publicly available sources and documents. The source of external information is always given if such information is used in this section. While reviewing, searching for and processing macroeconomic, market, industry or other data from external sources such as the European Commission or government publications none of it has been independently verified by the Issuer, the Arranger (the Dealer) or any of their affiliates or the Issuer's advisers in connection with the Programme.*

The Issuer does not intend to and does not warrant to update the data concerning the market or the industry as presented in this section, unless such duties arise out of generally binding regulations.

### ***Lithuania***

The Lithuanian banking market is dominated by a few major players (including Swedish banking groups Swedbank and SEB as well Luminor Bank Lithuanian branch). According to Association of Lithuanian banks and the BoL, as of March 2021, the Issuer had a 7.5% market share in deposits (as of 31 December 2020 7.2%) and 8.8% in lending (as of 31 December 2020 8.5%).

### **Economy in which the Issuer and its subsidiaries operate (Lithuania)**

Lithuanian GDP continues to experience steady growth, leaving most of the pandemic woes behind. During the first half of 2021, Lithuanian GDP was 4.2% higher than a year ago. It should also be noted that Lithuanian economy contraction was one of the lowest in the European Union last year due to lower dependence on the mostly affected economic sectors (e.g., tourism, aviation), absence of internal and external macroeconomic imbalances and an ambitious economic stimulation package.

In 2021, the growth was not only fast, but balanced as well, driven by household consumption, exports and investments. During the first six months of this year, retail trade was 14.2% higher than during the same period a year ago. Catering services during this period were still 12.4% below last year's level, but a strong rebound was already visible in June, after the COVID-19 related restrictions were lifted; further growth is expected during the second half of this year. Manufacturing also increased by a 17.7% during this period, with production of vehicles, chemical products, furniture, and other wood products growing at fastest pace.

The Bank sees economic growth to remain above the long-term term in upcoming years, as it will be supported by incoming EU funds, continued fiscal and monetary stimulation, still-competitive exporters, and strong household consumption.

## TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

The summary covers Lithuanian tax consequences of ownership and disposition of the Notes to a resident entity or a non-resident entity acting through a permanent establishment in Lithuania (the "Lithuanian Holder") or a non-resident entity which is not acting through a permanent establishment in Lithuania that holds such Notes (the "Non-Lithuanian Holder").

As used in the preceding paragraph, a "resident entity" means an entity which is legally established in Lithuania and a "non-resident entity" means an entity which is legally established outside Lithuania.

Taxation of non-resident entities acting through a permanent establishment in Lithuania is the same as that of resident entities defined above, if such a non-resident entity earns interest income through its permanent establishment in Lithuania. Therefore, it is not separately outlined in further Sections of this Base Prospectus. For relevant details on the taxation of Lithuanian permanent establishments of non-resident entities as Noteholders, please refer to the taxation of resident entities.

### ***Withholding Tax, Income Tax***

#### *Taxation of interest*

##### *Payments to Lithuanian Holders*

Payments in respect of interest on the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a resident entity will be included into calculation of its taxable profit. Taxable profit will be subject to corporate income tax at a general rate of 15% or an incentive rate applicable to the Noteholder. Banks and credit unions, including branches of foreign banks in the Republic of Lithuania, for the fiscal years 2020 – 2022 shall pay additional 5% corporate income tax on profits (subject to special calculation rules) exceeding EUR 2 million.

##### *Payments to Non-Lithuanian Holders*

Payments in respect of interest on the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a non-resident entity which is registered or otherwise organized in a state of the European Economic Area or in a state with which the Republic of Lithuania has concluded and brought into effect double tax treaty, will not be subject to withholding tax in Lithuania. Payments in respect of interest on the Notes to a non-resident entity other than listed above will be subject to 10% withholding tax.

If the Issuer as an interest-paying person is unable to identify the Noteholder and determine such Noteholder's eligibility for a lower tax rate or exemption from withholding tax, payments of interest in respect of the Notes to (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to any such Noteholder will be subject to 15% withholding tax to be withheld and paid to the budget of the Republic of Lithuania by the Issuer.

#### *Taxation on Disposition of Notes*

##### *Payments to Lithuanian Holders*

Capital gains (i.e., the difference between the sale price and acquisition costs) on disposal of the Notes received by a resident entity will be included into calculation of its taxable profit. Taxable profit will be subject to corporate income tax at a general rate of 15% or an incentive rate applicable to the Noteholder. Banks and credit unions, including branches of foreign banks in the Republic of Lithuania, for the fiscal years 2020 – 2022 shall pay additional 5% corporate income tax on profits (subject to special calculation rules) exceeding EUR 2 million.

*Payments to Non-Lithuanian Holders*

The disposition of Notes by a non-resident entity which is not acting through a permanent establishment in Lithuania will not be subject to any Lithuanian income or capital gain tax.

***Registration and Stamp Duty***

Transfers of the Notes will not be subject to any registration or stamp duty in Lithuania.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall Lithuanian tax consequences of the ownership of the Notes.

## SUBSCRIPTION AND SALE

### United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Issuer by Dealer within the United States or to, or for the account or benefit of, U.S. persons, and Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### United Kingdom

Dealer has represented, warranted and agreed, and each further dealer appointed (if any) will be required to represent, warrant and agree, that:

- (a) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### Prohibition of Sales to EEA and UK Retail Investors

Dealer has represented and agreed, and each further dealer appointed (if any) will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one or more of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.
- (b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

### Republic of Lithuania

Dealer has represented, warranted and agreed, and each further dealer appointed (if any) will be required to represent, warrant and agree, that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy any Notes or distribute any draft or definite document in relation to any such offer, invitation or sale in the Republic of Lithuania other than in compliance with the Law on

Securities of the Republic of Lithuania and any other laws applicable in the Republic of Lithuania governing the issue, offering and sale of Notes.

### **The Dealer Agreement**

Dealer has represented, warranted and agreed that, to the best of its knowledge and belief, it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealer to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealer shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealer described in the paragraph headed "*General*" above.

Neither the Issuer or Dealer represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.



## GENERAL INFORMATION

### 1. Authorisation

The establishment of the Programme was authorised by the resolution of the Management Board of the Issuer dated 22 September 2021.

### 2. Legal and Arbitration Proceedings

The Group Companies are not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during a period covering at least the previous 12 months which may have or have had in the recent past significant effects on the Issuer and/or Group's financial position or profitability.

Disregarding the above, however, the Issuer has indicated certain legal proceedings and investigations, which may not have and has not had a significant adverse effect on the Issuer or its financial position (please see *Legal Proceedings and Investigations*).

### 3. Significant/Material Change

Since 31 December 2020 there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries nor any significant change in the financial position or performance of the Issuer or the Issuer and its Subsidiaries. In addition to that, there has been no significant change in the financial position of the Group which has occurred since 30 June 2021.

### 4. Auditors

KPMG Baltics UAB has audited the consolidated financial statements of the Group for the year ended 31 December 2020 and has reviewed consolidated financial statements of the Group for the 6-month period ended 30 June 2021. PricewaterhouseCoopers UAB has audited the consolidated financial statements of the Group for the year ended 31 December 2019. All these financial statements are incorporated into this Base Prospectus by reference. Audit companies issued unqualified auditor's reports regarding all these financial statements.

Both KPMG Baltics UAB and PricewaterhouseCoopers UAB are members of the Lithuanian Chamber of Auditors.

### 5. Documents on Display

Electronic copies of the following documents (together with English translations thereof, where applicable) may be obtained from during normal business hours at the offices of the Issuer at Tilžės str. 149, Šiauliai, the Republic of Lithuania, and Šeimyniškių str. 1A, Vilnius, the Republic of Lithuania, or at [www.sb.lt](http://www.sb.lt) for 12 months from the date of this Base Prospectus:

- (i) the Articles of Association of the Issuer;
- (ii) this Base Prospectus.

For the avoidance of doubt, unless specifically incorporated by reference to this Base Prospectus, information on the website of the Issuer does not form part of this Base Prospectus.

### 6. Material Contracts

No contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Issuer that are, or may be, material or contain provisions under which the Issuer or any of its Subsidiaries has an obligation or entitlement which is, or may be, material to the ability of the Issuer to meet its obligations in respect of the Notes.

### 7. Clearing of the Notes

The Notes have been accepted for clearance through Nasdaq CSD. The appropriate common code and the International Securities Identification Number (ISIN) in relation to the Notes of each Tranche will be

specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

#### **8. Issue Price and Yield**

Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer in consultation with the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes or the method of determining the price and the process for its disclosure will be set out in the applicable Final Terms. In the case of different Tranches \ of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

#### **9. Dealer transacting with the Issuer**

Dealer and/or its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealer and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Dealer or its affiliates may have a lending relationship with the Issuer and may, in such cases, routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealer and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes under the Programme. The Dealer and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

#### **10. The Legal Entity Identifier**

The Legal Entity Identifier (LEI) code of the Issuer is 549300TK038P6EV4YU51.

#### **11. Issuer Website**

The Issuer's website is [www.sb.lt](http://www.sb.lt). Unless specifically incorporated by reference to this Base Prospectus, information contained on the website does not form part of this Base Prospectus and has not been scrutinised or approved by the BoL.

#### **12. Validity of prospectus and prospectus supplements**

For the avoidance of doubt, the Issuer shall have no obligation to supplement this Base Prospectus after the end of its 12-month validity period.

**REGISTERED OFFICE OF THE ISSUER**

**Šiaulių bankas AB**

Tilžės str. 149  
Šiauliai  
Lithuania

**DEALER**

**Luminor Bank AS**

Liivalaia 45  
Tallinn  
Estonia

**LEGAL ADVISERS**

*As to Lithuanian law:*

*to the Issuer:*

**TGS Baltic**  
Konstitucijos ave. 21A  
Vilnius  
Lithuania

*to the Dealer:*

**Sorainen**  
Gedimino ave. 44A  
Vilnius  
Lithuania

**AUDITORS TO THE ISSUER**

**KPMG Baltics UAB**

Konstitucijos ave. 29  
Vilnius  
Lithuania