Šiaulių bankas AB
(incorporated in Lithuania with public limited liability, corporate ID code 112025254)

Prospectus of admission of 200,000 bonds with a nominal value of EUR 100 each of Šiaulių bankas AB to trading on the Baltic Bond List of Nasdaq Vilnius AB

This Prospectus (the "Prospectus") was prepared by Šiaulių bankas AB (the "Company", the "Issuer" or the "Bank") for the purpose of admission (the "Admission") of all the issued 200,000 bonds with a nominal value of EUR 100 each of the Bank to trading on the Baltic Bond List of Nasdaq Vilnius AB (the "Nasdaq"). Before the date of this Prospectus a private placement of Bonds was executed by the Company, whereby all the Bonds were subscribed and fully paid up by the investors.

No public offering of any part of Bonds shall be executed by the Company based on this Prospectus. Consequently, information communicated by this Prospectus does not constitute or form part of, and should not be constructed as, an offer, solicitation of invitation to acquire any securities of the Company or any its subsidiaries (the "Subsidiaries") nor should it or any part of it form the basis of, or be relied on in connection with, any contract to purchase or subscribe for any securities of the Company or any of its Subsidiaries, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

Distribution of this Prospectus in certain jurisdictions is restricted by law. Thus, persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Bonds referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended, or under any securities laws of any state or other jurisdiction of the United States and are not being offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

This Prospectus constitutes a prospectus for the purposes of Articles 3.3 and 5.3 of Directive 2003/71/EC of the European Parliament and of the Council, as amended (the "Prospectus Directive") and Articles 5(6) and 6(4) of the Law of the Republic of Lithuania on Securities, as amended (the "Law on Securities") and Commission Regulation (EC) 809/2004 of 29 April 2004, as amended (the "Prospectus Regulation"). The Bank of Lithuania (the "LB") in its capacity as the competent authority in Lithuania under the Law on Securities has approved this document as a prospectus. The Bonds of the Company will be eligible for trading on Nasdaq, once the LB approved this Prospectus and after the Prospectus has been made available to the public together with a translation of its summary into Lithuanian language.

Although the whole text of this document should be read, the attention of persons receiving this document is drawn, in particular, to the Section headed *Risk Factors* contained in Part III of this document. All statements regarding the Company's and the Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part III of this document.

All the Bonds of the Company are registered bonds and are registered within Lithuanian branch of Nasdaq CSD, SE ("Nasdaq CSD") (the merged central securities depository of Lithuania, Latvia and Estonia) under ISIN LT0000432015. Bondholders will be able to hold the Bonds through Nasdaq CSD participants, such as investment firms and custodian banks operating in Lithuania.

The date of this Prospectus is 3 December 2018

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I IMPORTANT INFORMATION

Prospectus. This Prospectus has been prepared by the Company in connection with the Admission, solely for the informational purposes. The information contained in the Prospectus has been provided by the Issuer and other sources identified herein. This Prospectus is a prospectus in the form of a single document within the meaning of the Prospectus Directive and the Prospectus Regulation. This Prospectus has been prepared in accordance with Annex XI (Minimum disclosure requirements for the banks registration document) and Annex V (Minimum disclosure requirements for the securities note related to debt securities) of the Prospectus Regulation. A summary of the Prospectus contains the key information items set out in Annex XXII (Disclosure requirements in summaries) of the Prospectus Regulation.

1.1 Responsibility for this Prospectus

Persons Responsible. The person responsible for the information provided in this Prospectus is Šiaulių bankas AB, corporate ID code 112025254, with the registered office at Tilžės str. 149, Šiauliai, Lithuania. The Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company and its Manager Mr. Vytautas Sinius having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Vytautas Sinius
Manager and
member of the
Management Board

Limitations of Liability. Without prejudice to the above, no responsibility is accepted by the persons responsible for the information given in this Prospectus solely on the basis of the summary of this Prospectus, unless such summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or do not provide, when read together with the other parts of the Prospectus, key information.

Furthermore, the legal advisor to the Company expressly disclaims any liability based on the information contained in this Prospectus, the summary of this Prospectus or individual parts thereof and will not accept any responsibility for the correctness, completeness or import of such information. No information contained in this Prospectus or disseminated by the Company in connection with the Admission may be construed to constitute a warranty or representation, whether express or implied, made by the legal advisor to the Company.

Neither the Company nor the legal advisor will accept any responsibility for the information pertaining to the Admission, the Group or its operations, where such information is disseminated or otherwise made public by third parties either in connection with this Admission or otherwise.

Any persons in possession of this Prospectus should not assume that the information in this Prospectus is accurate as of any other date than the date of this Prospectus. The delivery of this Prospectus at any time after the conclusion of it will not, under any circumstances, create any implication that there has been no change in the Company's (its Subsidiaries) affairs since the date hereof or that the information set forth in this Prospectus is correct as of any time since its date. In case until the term of validity of this Prospectus or until Admission (depending on what will happen earlier), material changes in operations of the Issuer occur, they will be reflected in supplements to the Prospectus, which will be subject to an approval by the LB. The supplement (if any) will be published in the same manner as the Prospectus.

In the case of a dispute related to this Prospectus, the plaintiff may have to resort to the jurisdiction of the Lithuanian courts and consequently a need may arise for the plaintiff to cover relevant state fees and translation costs in respect of this Prospectus or other relevant documents.

1.2 Presentation of Financial and Other Information

Financial Information. This Prospectus contains incorporated by reference financial statements and financial information of the Company and its Subsidiaries (the "Group").

The Prospectus contains incorporated by reference the Group's and Company's audited consolidated and separate financial statements for the years ended 31 December 2017 and 31 December 2016 (the "IFRS Financial Statements") prepared in accordance with International Financial Reporting Standards (the "IFRS") as adopted by the European Union, as well as the Group's unaudited consolidated financial information for the nine months ended 30 September 2018 (the "Consolidated Interim Information") prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

The presentation of financial information in accordance with IFRS requires Management to make various estimates and assumptions which may impact the values shown in the financial statements and notes thereto. The actual values may differ from such assumptions.

The IFRS Financial Statements for the years ended 31 December 2017 and 31 December 2016 were audited (please see Section 4.1 *Statutory Auditors*). The Consolidated Interim Information was neither audited nor subject to a review by the auditors.

Approximation of Numbers. Numerical and quantitative values in this Prospectus (e.g. monetary values, percentage values, etc.) are presented with such precision which the Company deems sufficient in order to convey adequate and appropriate information on the relevant matter. From time to time, quantitative values have been rounded up to the nearest reasonable decimal or whole value in order to avoid excessive level of detail. As a result, certain values presented do not add up to total due to the effects of approximation. Exact numbers may be derived from the financial statements of the Group, to the extent that the relevant information is reflected therein.

Dating of Information. This Prospectus is drawn up based on information which was valid on 30 September 2018. Where not expressly indicated otherwise, all information presented in this Prospectus (including the consolidated financial information of the Group) must be understood to refer to the state of affairs as of the aforementioned date. Where information is presented as of a date other than 30 September 2018, this is identified by either specifying the relevant date or by the use of expressions as "*the date of this Prospectus"*, "*to date"*, *"until the date hereof"* and other similar expressions, which must all be construed to mean the date of this Prospectus (3 December 2018).

Currencies. In this Prospectus, financial information is presented in Euro (EUR), i. e. the official currency of the EU Member States participating in the Economic and Monetary Union, including in Lithuania (as from 1 January 2015). Amounts originally available in other currencies have been converted to Euro as of the date for which such information is expressed to be valid. With respect to the state fees, taxes and similar country specific values, information may occasionally be presented in currencies other than EUR. The exchange rates between such currencies and Euro may change from time to time.

Updates. The Company will update the information contained in this Prospectus only to such extent, at such intervals and by such means as required by applicable laws or considered necessary and appropriate by the Company. The Company is under no obligation to update or modify forward-looking statements included in this Prospectus.

Third Party Information and Market Information. With respect to certain portions of this Prospectus, some information may have been sourced from third parties, in such cases indicating the source of such information in the Prospectus. Such information has been accurately reproduced as far as the Company is aware and is able to ascertain from the information published by such other third parties that no facts have been omitted, which would render the reproduced information inaccurate or misleading. Certain information with respect to the markets, on which the Company and its Subsidiaries are operating, is based on the best assessment made by the Management. With respect to the industry, in which the Group is active, and certain jurisdictions, in which its operations are being conducted, reliable market information might be unavailable or incomplete. While every reasonable care was taken to provide the best possible estimate of the relevant market situation and the information on the relevant industry, such information may not be relied upon as final and conclusive. Investors are encouraged to conduct their own investigation into the relevant market or seek professional advice. Information on market shares represents the Management's views, unless specifically indicated otherwise.

If when describing certain parts of the Prospectus, the source is not indicated hereof, this shall mean that the respective information is prepared and presented by the Company itself.

1.3 Forward Looking Statements

This Prospectus includes forward-looking statements. Such forward-looking statements are based on current expectations and projections about future events, which are in turn made on the basis of the best judgment of the Management. Certain statements are based on the belief of the Management as well as assumptions made by and information currently available to the Management. Any forward-looking statements included in this Prospectus are subject to risks, uncertainties and assumptions about the future operations of the Group, the macro-economic environment and other similar factors.

In particular, such forward-looking statements may be identified by use of words such as *strategy*, *expect*, *forecast*, *plan*, *anticipate*, *believe*, *will*, *continue*, *estimate*, *intend*, *project*, *goals*, *targets, would, likely, anticipate* and other words and expressions of similar meaning. Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements contained in this Prospectus whether as a result of such changes, new information, subsequent events or otherwise.

The validity and accuracy of any forward-looking statements is affected by the fact that the Group operates in a competitive business. This business is affected by changes in domestic and foreign laws and regulations, taxes, developments in competition, economic, strategic, political and social conditions and other factors. The Group's actual results may differ materially from the Management's expectations because of the changes in such factors. Other factors and risks could adversely affect the operations, business or financial results of the Group (please see Section III *Risk Factors* for a discussion of the risks which are identifiable and deemed material at the date hereof).

1.4 Information Incorporated by Reference

The following information is incorporated in this Prospectus by reference in accordance with Article 28 of the Prospectus Regulation:

- The Group's and the Bank's audited consolidated and separate financial statements for the year ended 31 December 2016 together with the consolidated annual report and the independent auditor's report (they may be found at http://www.nasdaqbaltic.com/upload/reports/sab/2016_ar_en_eur_con_ias.pdf);
- The Group's and the Bank's audited consolidated and separate financial statements for the year ended 31 December 2017 together with the consolidated annual report and the independent auditor's report (they may be found at http://www.nasdaqbaltic.com/upload/reports/sab/2017_ar_en_eur_con_ias.pdf);

- The Group's consolidated interim information for the nine month period ended 30 September 2018 (it may be found at http://www.nasdaqbaltic.com/upload/reports/sab/2018_q3_en_eur_con_ias.pdf);
- Social Responsibility Report of the Company for the year 2017 (it may be found at https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=831851&messageId=1045922);
- Articles of Association of the Bank (they may be found at https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=843159&messageId=1060367).

It is possible to get acquainted with the aforementioned documents on the website of the Company at www.sb.lt, of Nasdaq at www.nasdaqbaltic.com also on website of the central base regulated information of Lithuania at www.crib.lt.

Documents on Display. Throughout the lifetime of this Prospectus, the Prospectus and the aforementioned documents may be inspected at the head office of the Company located at Tilžės str. 149, Šiauliai, Lithuania, as well as at other offices at Šeimyniškių str. 1A, Vilnius, Laisvės ave. 80, Kaunas, Taikos ave. 66, Klaipėda, Lithuania, on weekdays within the limits of normal business hours. Any interested party may obtain a copy of these documents from the Company without charge.

To the extent that documents other than those mentioned above (i.e. reports, letters, valuations, statements) are not reflected in this Prospectus with reasonable fullness and do not at the sole discretion of the Company constitute business secrets or material inside information of the Company, requiring market disclosure, physical inspection of such documents will be arranged at the office of the Company or via electronic mail at the request of any interested party and subject to an agreement between the Company and such interested party regarding the means of inspection of the relevant documents. Reference to the Company's website in this Prospectus should not be deemed to incorporate the information on the Company's website by reference.

1.5 Definitions and Abbreviations

In this Prospectus, the definitions in capital letters will have the meaning indicated below unless the context of the Prospectus requires otherwise. Definitions are listed in alphabetical order and the list is limited to the definitions which are considered to be of more importance. Other definitions may be defined elsewhere in the Prospectus.

Admission	Admission of the Bonds to trading on Nasdaq
Alternative Performance Measures (APMs)	This Prospectus contains certain financial measures that are not defined or recognised under the 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
Articles of Association	Articles of Association of the Company
Audit Committee	Audit Committee of the Company
Bonds	200,000 Bonds with a nominal value of EUR 100 each, issued by the Company, registered with Nasdaq CSD under ISIN LT0000432015
Bondholders	Holders of the Bonds of the Company
Bondholders' Meeting	Meeting of the Bondholders of the Company
Business Day	A day on which banks in Vilnius are open for general business
Company, Bank or Issuer	Šiaulių bankas AB, a public limited liability company established and existing under the laws of the Republic of Lithuania, corporate ID code

	112025254, with its registered address at Tilžės str. 149, Šiauliai, Lithuania
Consolidated Interim Information	The Group's unaudited consolidated interim financial information for the nine months ended 30 September 2018, prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting"
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EEA	European Economic Area
ESMA	European Securities and Markets Authority
EU	European Union
EUR, €, Euro	The lawful currency of the European Union Member States that adopted the single currency, including Lithuania
Events of Default	Shall have the meaning assigned to in Section 5.3 *Information Concerning the Securities to be Admitted to Trading*
Event of Insolvency	Shall have the meaning assigned to in Section 5.3 *Information Concerning the Securities to be Admitted to Trading*
General Meeting	General Meeting of Shareholders of the Company, the supreme body of the Company
GDP	Gross domestic product
GDPR	Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (General Data Protection Regulation)
Group	Company and all its Subsidiaries collectively
Group Company	Any direct or indirect Subsidiary of the Company (the abbreviation "Group Companies" describes all direct or indirect Subsidiaries of the Company)
IFRS	International Financial Reporting Standards as adopted by the European Union
IFRS Financial Statements	The Group's and the Bank's audited consolidated and separate financial statements for the years ended 31 December 2017 and 31 December 2016 together with the annual reports and independent auditor's reports on the financial statements and on the annual reports
Key Executives	The Manager (Administration Manager), Head of Finance and Risk Management Division, Head of Sales and Marketing Division, Head of Accounting and Tax Division, Head of IT Division and Head of Legal and Administration Division
Law on Banks	Law of the Republic of Lithuania on Banks (as amended from time to time)
Law on Companies	Law of the Republic of Lithuania on Companies (as amended from time to time)
Law on Protection of Interests of Bondholders	Law of the Republic of Lithuania on Protection of Interests of Bondholders of Public Limited Liability Companies and Private Limited Liability Companies (as amended from time to time)
Law on Securities	Law of the Republic of Lithuania on Securities (as amended from time to time)
LB	The Bank of Lithuania
Major Shareholders	Shareholders of the Company, as indicated in Section 4.8 *Major Shareholders*
Management	Management Board collectively with the Key Executives

Management Board	Management Board of the Company
Manager or CEO	Manager of the Company (Administration Manager)
Market Abuse Regulation	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (as amended from time to time)
Maturity Date	The date on which the Bonds shall be repaid in full at their nominal amount
Member State	A Member State of the European Economic Area
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (as amended from time to time)
N/A	'not applicable'
Nasdaq	Nasdaq Vilnius AB (Vilnius stock exchange), a public limited liability company established and existing under the laws of the Republic of Lithuania, corporate ID code 110057488, with its registered address at Konstitucijos ave. 29, Vilnius, Lithuania
Nasdaq CSD	Lithuanian branch of Nasdaq CSD SE (*Societas Europaea*), the merged central securities depository of Lithuania, Latvia and Estonia, the clearing and settlement institution of the Baltics, code 304602060, registered at the address Konstitucijos ave. 29-1, Vilnius, Lithuania
Nasdaq Corporate Governance Code	Corporate Governance Code for the Companies Listed on Nasdaq
Prospectus	This document, prepared for the purpose of the Admission, including its annexes, information incorporated by reference and supplements, if any
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the Prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (as amended from time to time)
Prospectus Regulation	Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in Prospectuses as well as the format, incorporation by reference and publication of such Prospectuses and dissemination of advertisements (as amended from time to time)
Register of Legal Entities	Register of Legal Entities of the Republic of Lithuania
Regulation S	Regulation S under the U.S. Securities Act
Section	A section of this Prospectus
Shares	Any ordinary registered shares of the Company with the nominal value of EUR 0.29 each issued and outstanding at any time
Subsidiaries	All the subsidiaries of the Company, as set out in Section 4.4 *Organisational Structure*
Supervisory Council	Supervisory Council of the Company
Summary	The summary of this Prospectus
Terms and Conditions	Terms and Conditions for the Bank's Bonds issue
Trustee	Trustee of the Bondholders, Legisperitus UAB, a private limited liability company established and existing under the laws of the Republic of Lithuania, corporate ID code 302441904, with its registered address at A. Juozapavičiaus str. 6, Vilnius, Lithuania, with which the Company has concluded an agreement for representation of Bondholder's interests

II SUMMARY

This Summary is made up of disclosure requirements known as "Elements" in accordance with the Annex XXII (Disclosure Requirements in Summaries) of the Prospectus Regulation. These elements are numbered in Sections A – E (A.1 – E.7) below. This Summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the Summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the Summary with the mention of 'not applicable'. In this Summary, the definitions in capital letters will have the meanings, as indicated in Section 1.5 *Definitions and Abbreviations*.

Section A — Introduction and warnings

Element	*Title*	*Disclosure*
A.1	Introduction and warnings	This Summary is not the prospectus for the Admission and should be read merely as an introduction to the same. This Summary presents the facts and circumstances that the Company considers important with respect to the Company's business and the Admission and is a summary of certain information appearing in more detail elsewhere in the Prospectus. Any decision to invest in the Company's Bonds upon the term of validity hereof should be based by each investor on the Prospectus (including any amendments or supplements thereto) as a whole and not merely on this Summary. Investors are cautioned that where a claim relating to the information contained in the Prospectus (or this Summary) is brought before a court, the plaintiff investor might, under the national legislation of the relevant state, have to bear the costs of translating the entire Prospectus before court proceedings are initiated. The Company accepts civil liability in respect of this Summary (including any translation hereof) solely in the case where this Summary is found to be misleading, inaccurate or inconsistent when read together with the Prospectus as a whole or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Consent by the Issuer to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries	Not applicable. This Prospectus was prepared solely for the purposes of the Admission, as described herein. Thus, it may not be used for subsequent resale and/or final placement of securities by financial intermediaries.

Section B — Issuer

Element	*Title*	*Disclosure*
B.1	Legal and commercial name	Šiaulių bankas AB.
B.2	Domicile / legal form / legislation / country of incorporation	The Issuer is a public limited liability company, with its registered address at Tilžės str. 149, Šiauliai, Lithuania. The Issuer is incorporated and operates under the laws of the Republic of Lithuania.
B.4	A	There has been no material adverse change in the prospects of the Company or

b	description of any known trends affecting the Issuer and the industries in which it operates	the Group since the last published IFRS Financial Statements for the year ended 31 December 2017. There are no changes regarding trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects since the last published IFRS Financial Statements for the year ended 31 December 2017, including the ones, which are to a material extent relevant to the evaluation of the Issuer's solvency.
B.5, B.14	Group description. Position of the Company within the Group. If the Issuer is dependent upon other entities within the Group, this must be clearly stated	The Company together with the Subsidiaries form a Group of companies, as indicated below.

Subsidiary	State of registration	Amount of shares and votes, held by the Company (%)
SB Lizingas UAB	Lithuania	100
Šiaulių banko lizingas UAB	Lithuania	100
Šiaulių banko turto fondas UAB	Lithuania	100
SBTF UAB	Lithuania	100
Minera UAB	Lithuania	100
Pavasaris UAB	Lithuania	100
Bonum Publicum GD UAB	Lithuania	100
Šiaulių banko investicijų valdymas UAB	Lithuania	100
Sandworks UAB	Lithuania	100(*)
ŽSA 5 UAB	Lithuania	100(*)
Apželdinimas UAB	Lithuania	100(**)

Source: the Company

** The indicated shares are held by Šiaulių banko investicijų valdymas UAB, 100% Subsidiary of the Company.*
*** The indicated shares are held by Šiaulių banko turto fondas UAB, 100% Subsidiary of the Company.*

The Issuer is not dependent upon other entities within the Group.

B.9	Profit forecast or estimate	Not applicable. The Issuer has not made a decision to include the profit forecast or estimates in this Prospectus.
B.10	Qualifications in the audit report on the historical financial information	Not applicable. There are no qualifications in the audit reports on the historical financial information incorporated by reference to this Prospectus.
B.12	Selected historical key financial information. A statement that there has been no material adverse change in the prospects of the Issuer. A description of significant changes in the financial or trading position	

EUR thousand	Quarter ended 30 September		Year ended 31 December	
	2018	2017	2017	2016
Net interest income	**45,721**	**42,104**	**57,157**	**53,921**
Growth, %	8.6%	3.2%	6.0%	10.5%
Net fee and commission income	**10,268**	**7,882**	**10,952**	**9,413**
Growth, %	30.3%	20.6%	16.3%	17.1%
Operating profit before impairment losses	**46,728**	**28,453**	**37,783**	**58,099**
Net profit for the period	**38,496**	**24,645**	**32,127**	**43,666**
Assets	**2,226,015**	**1,997,456**	**2,030,762**	**1,861,278**
Cash and cash equivalents	116,247	164,605	129,738	153,867
Loans to customers	1,229,917	1,064,756	1,098,327	953,609
Investment securities held to collect cash flows (until 31-12-2017 held to maturity)	613,726	555,059	576,260	524,054
Finance lease receivables	118,668	86,841	91,139	69,807
Securities in the trading book (until 31-12-2017 securities at fair value through profit or loss)	59,906	48,364	49,175	57,427

Other assets	87,551	77,831	86,123	102,514
Liabilities	**1,990,359**	**1,794,962**	**1,820,786**	**1,681,761**
Due to other banks and financial institutions	47,522	90,136	55,717	89,793
Due to customers	1,841,017	1,613,575	1,648,053	1,495,087
Subordinated loans	29,244	32,581	34,203	22,064
Liabilities related to insurance activities	28,417	26,535	27,232	25,515
Debt securities in issue	20,099	-	20,003	-
Other liabilities	24,060	32,135	35,578	49,302
Shareholders' equity	**235,656**	**202,494**	**209,976**	**179,517**

Sources: IFRS Financial Statements, Consolidated Interim Information, the Company

PRUDENTIAL STANDARDS	**Period ended 30 September**		**Year ended 31 December**	
	2018	**2017**	**2017**	**2016**
LIQUIDITY RATIOS				
LCR,% (Financial group)	264	321	313	339
SOLVENCY RATIOS				
Capital adequacy ratio, %	15.27	15.88	15.53	17.03

Source: the Company

The ratios were calculated in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (“CRR”).

KEY RATIOS AND INDICATORS*	**Period ended 30 September**		**Year ended 31 December**	
	2018	**2017**	**2017**	**2016**
PROFITABILITY RATIOS				
ROAA,%	2.40	1.71	1.63	2.46
ROAE,%	23.37	17.06	16.05	26.06
Cost to Income,%	37.91	51.35	52.06	42.29
Recurring activities result, EUR thousand	38,070	33,576	45,127	41,453

Sources: IFRS Financial Statements, Consolidated Interim Information, the Company

Performance measures calculated using IFRS Financial Statements and Consolidated Interim Information numbers. The table below provides a list of profitability ratios calculation methodology, and the main rationale for using it.

APM	**Formula**	**Rationale for using the APM**
Net interest income growth, %	Net interest income (current period)/ Net interest income (previous period)*100% period ended 30 September – (net interest income for 9 months of current period)/(net interest income for 9 months of previous period)*100% period ended 31 December – (net interest income for current year)/(net interest income for previous year)*100%	The ratio shows the growth of net interest income in percentage compared to numbers for the previous period and indicates the growth rate.
Net fee and commission income growth, %	Net fee and commission income (current period)/ Net fee and commission income (previous period)*100% period ended 30 September – (net fee and commission income for 9 months of current period)/(net fee and commission income for 9 months of previous period)*100% period ended 31 December – (net fee and commission income	The ratio shows the growth of net fee and commission income in percentage compared to numbers for the previous period and

	for current year)/(net fee and commission income for previous year)*100%	indicates the growth rate.
Return on average assets, (ROAA) %	Net profit for the period/ Average total assets for the last four quarters period ended 30 September – (net profit for 9 months/3*4)/((sum of total assets for the last four quarters)/4)*100% period ended 31 December – net profit for the year/((sum of total assets for the last four quarters)/4)*100%	The ratio shows the percentage return the company earns from assets. The higher the ratio, the more efficient use of assets.
Return on average equity, (ROAE) %	Net profit for the period/ Average total equity for the last four quarters period ended 30 September – (net profit for 9 months/3*4)/((sum of total equity for the last four quarters)/4)*100% period ended 31 December – net profit for the year/((sum of total equity for the last four quarters)/4)*100%	The ratio shows the percentage return the company earns from equity. Higher ROAE ratio is considered as better.
Cost to income ratio, %	**Operating costs/ Operating income*100%** Operating costs (which is a total of income statement lines): • Salaries and related expenses; • Depreciation and amortization expenses; • Expenses related to other activities of Group companies; • Other operating expenses. Operating income (which is a total of income statement lines): • Net interest income; • Net fee and commission income; • Net gain from operations with securities; • Net gain from foreign exchange and related derivatives; • Net loss from other derivatives; • Net loss from changes in fair value of subordinated loan; • Net gain from derecognition of financial assets; • Net gain from disposal of tangible assets; • Revenue related to other activities of Group companies; • Other operating income.	The ratio indicates the amount of cost used to earn one euro of income. Lower cost to income ratio is considered as better.
Recurring activities result	**Operating profit before impairment losses – Non-recurring earnings** Non-recurring earnings calculated as a total of income statement lines: • Net loss from other derivatives; • Net loss from changes in fair value of subordinated loan; • Net gain from derecognition of financial assets; • Net gain from disposal of tangible assets; • Net gain from operations with securities (sale of investment securities held to collect cash flows) Note: Amounts from other income statement lines can be included if treated as non-recurring.	Non-recurring earnings is a non-IFRS performance measure used for Bank's analysis. It aims to show a part of earnings that is attributable to one-off transactions or transactions that are not typical to the Group's main activity.

There were no significant changes in the Issuer's financial or trading position, which has occurred since the end of 31 December 2017.

B.13	A description of any recent events particular to the Issuer which are to a material extent relevant to	There have not been any recent events particular to the Issuer which are to material extent relevant to the evaluation of the Issuer's solvency.

	the evaluation of the Issuer's solvency	

B.15 — A description of the Issuer's principal activities

The Bank accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance 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 Bank's activities is focused on lending to small and medium-sized business (SME). The Bank is granting credits to SMEs under the JEREMIE facility (risk sharing credits as well as credits with the portfolio guarantee), under innovative business facility InnovFin, etc. 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.

B.16 — To the extent known to the Issuer, statement whether the Issuer is directly or indirectly owned or controlled and by whom and description of the nature of such control

On the day of this Prospectus the authorised capital of the Company is EUR 157,639,187.74 and is divided into 543,583,406 ordinary registered Shares with a nominal value of EUR 0.29 each. All the Shares issued by the Company entitle to equal voting rights to their holders.

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

No.	Shareholder	Number of owned shares and votes directly	Percentage owned directly, %	Votes, held by other persons, acting in concert, %(*)	Total, %
1	EBRD	99,166,126	18.24	20.21	38.45
2	Invalda INVL AB	36,899,246	6.79	31.66	38.45
3	Gintaras Kateiva	31,628,103	5.82	32.63	38.45

Source: the Company

** EBRD, Prekybos namai Aiva UAB, Mintaka UAB, Įmonių grupė Alita AB, Sigitas Baguckas, Algirdas Butkus, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Arvydas Salda and Kastytis Jonas Vyšniauskas have signed a Shareholders' Agreement, as well as other shareholders, whose votes are calculated collectively in compliance with the Law on Securities form a group, which collectively owns 38.45% of the Bank's authorized capital and votes as of the date hereof.*

According Article 26 (2) of the Law on Securities the manager of the Issuer shall be considered to be holding votes of other managers of the Issuer if the supervisory authority, having considered evidence submitted by the manager of the independence of his actions, has not resolved otherwise. The managers of the Issuer shall be considered the members of the Supervisory Council, the Board and the Manager (CEO). The votes of the managers of Issuer indicated below:

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	5.82	-	-	5.82
2	Algirdas Butkus	Member of the Board	16,823,972	3.10	13,155,265	Prekybos namai Aiva UAB	6.76

					6,768,815	Mintaka UAB	
3	Martynas Česnavičius	Member of Supervisory Council	-	-	2,108,160	Pro Finance UAB	0.39
4	Arvydas Salda	Member of Supervisory Council	12,372,419	2.28	-	-	2.28
5	Vytautas Sinius	Member of the Board	993,266	0.18	-	-	0.18
6	Donatas Savickas	Member of the Board	660,729	0.12	-	-	0.12
7	Jonas Bartkus	Member of the Board	641,695	0.12	-	-	0.12
8	Vita Urbonienė	Member of the Board	526,271	0.10	-	-	0.10
9	Ilona Baranauskienė	Member of the Board	180,016	0.03	-	-	0.03
10	Daiva Šorienė	Member of the Board	85,766	0.02	-	-	0.02
						In total:	**15.81**

Source: the Company

Apart from the information, indicated in this Section, the Company has no information about any other possible control over the Issuer.

On 24 September 2018 the General Meeting has adopted a decision to increase the authorised capital of the Company by EUR 16,571,428.53 by additional contributions issuing 57,142,857 ordinary registered Shares with EUR 0.29 nominal value, also to set out the issue price of EUR 0.35 per issued Share. After the issue of the new Shares the authorised capital of the Company shall be divided into 600,726,263 ordinary registered Shares with a par value of EUR 0.29 each. In the same General Meeting the decision to withdraw the pre-emption right of all shareholders of the Company to acquire the new Shares was adopted. The pre-emptive right was revoked for the purpose of implementing the conversion right of the EBRD under the agreement of subordinated convertible loan concluded by the Bank and the EBRD on 23 February 2013, by converting the granted loan into Shares of the Bank. Thus, in the General Meeting the decision was also adopted to provide the EBRD a right to acquire all the Shares of the new issue (57,142,857 units), paying for these Shares by offsetting mutual commitment between the Bank and the EBRD under the indicated subordinated convertible loan agreement. After signing the Share Subscription Agreement for subscription of new Shares, the Company has asked for a permission from the LB for the authorised capital increase and changing of the Articles of Association respectively on 9 November 2018. When the permission of the LB is received, the Company will immediately notarise the documents of authorise capital increase and will register new Articles of Association with the Register of Legal Entities. The new Articles of Association shall be registered in the Register of Legal Entities within 3 business days.

On 8 October 2018 the Bank was informed that the parties of above mentioned Shareholders' Agreement have signed the agreement to terminate this Agreement. The termination agreement provides that the Shareholders' Agreement will be deemed to expire on the date when 57,142,857 ordinary registered shares of the Bank with a nominal value of EUR 0.29 each, issued seeking to implement the EBRD's right to convert the subordinated convertible loan of EUR 20 million granted to the Bank, shall be transferred to the EBRD's securities account.

Thus, on the day when the new Articles of Association with the increased authorised capital will be registered, the EBRD's shareholding and held votes will increase to 156,308,983, which will constitute 26.02% of all the Shares and votes in the General Meeting. In addition to that Invalda INVL AB shareholding will be 6.14% and Gintaras Kateiva will be 5.26% and there will be no abovementioned group of persons acting in concert. Apart from that no other changes in the shareholders structure will be made as a result of the capital increase.

In the table below the information is provided on shareholders of the Company, if the authorised capital of the Company will be increased and the Shareholders' Agreement terminated, as indicated above.

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	36,899,246	6.14	-	6.14
3	Gintaras Kateiva	31,628,103	5.26	-	5.26
4	Algirdas Butkus with contolled companies Prekybos namai Aiva UAB, Mintaka UAB	36,748,052	6.12	-	6.12

Source: the Company

In addition to that, if the authorised capital of the Company will be increased, as indicated above, the managers of the Issuer shall be considered to be holding in total 14.31% of Shares and votes in the General Meeting.

Section C — Securities

Element	*Title*	*Disclosure*
C.1	Type and class of securities and security identification number	200,000 Bonds with a nominal value of EUR 100 each (of an aggregate principal amount of EUR 20,000,000), issued by the Company on 21 December 2017. The Bonds are transferable debt securities representing the Issuer's non-secured and unsubordinated debt obligation that ranks at least at the same rate *pari passu* with all the other unsecured and unsubordinated debt obligations of the Issuer. The Bonds are non-convertible into the equity of the Issuer. All the Bonds are ordinary registered bonds and are registered within Nasdaq CSD under ISIN LT0000432015.
C.2	Currency of the issue	EUR.
C.5	Restrictions on free transferability of securities	The issued Bonds are freely transferable and encumberable. However, the Bonds cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under Lithuanian laws, including,

		without limitation, in the United States of America, Australia, Canada, Hong Kong and Japan.
C.8, C.9	A description of the rights attached to the securities, plus: • ranking; • limitations to those rights; • the nominal interest rate; • the date from which interest becomes payable and the due dates for interest; • where the rate is not fixed, description of the underlying on which it is based; • maturity date and arrangements for the amortisation of the loan, including the repayment procedures; • an indication of yield; • name of representative of debt security holders.	*Rights of the Bondholders.* A Bond is a fixed-term non-equity (debt) security under which the Company which is the Issuer of the Bond becomes the debtor of the Bondholder and assumes obligations for the benefit of the Bondholder. The Bonds are incorporeal and shall be fixed by entries in the securities accounts of their holders. The Bonds shall grant their holders equal rights. As from the Maturity Date of the Bonds, Bondholders shall have a right to receive from the Company the nominal value of Bonds and the interest, as indicated above, i.e. he/she/it shall have a right to require, that the Bonds would be redeemed for their redemption price. Bondholders shall have the rights provided in Law on Protection of Interests of Bondholders, the Civil Code, the Law on Companies, the Law on Banks and other laws regulating the rights of bondholders, as well as the rights specified in the decision to issue Bonds. The Bondholders shall have the following main rights: – to receive the cumulative interest accrued annually; – to receive the nominal value of Bonds and the cumulative interest accrued on the Maturity Date of the Bonds; – to sell or transfer otherwise all or part of the Bonds; – to bequeath all or part of owned Bonds to the ownership of other persons (applicable only towards natural persons); – to participate in the Bondholders' Meetings; – to vote in the Bondholders' Meetings; – to initiate the convocation of the Bondholders' Meetings following the procedure and in cases provided for in the Law on Protection of Interests of Bondholders; – to adopt a decision to convene the Bondholders' Meeting following the procedure and in cases provided for in the Law on Protection of Interests of Bondholders; – to obtain the information about the Issuer, the issue of Bonds or other information related to the protection of his/her/its interests; – to receive the copy of the contract concluded between the Issuer and the Trustee; – other rights, established in the applicable laws or in the documents of establishment of the Issuer. *Ranking.* The Bonds constitute non-secured and unsubordinated debt obligation that ranks at the same rate (*pari passu*) with all the other unsecured and unsubordinated debt obligations of the Issuer. In addition to that the state guarantee (insurance) is not applicable in case of investments into the Bonds. *Interest rate and dates of payment thereof.* Interest rate is 0.60% per annum (act/act). Payment date of the interest is 21 December of each year. If such day is not a Business Day, the interest payment day shall be the next Business Day following such date, when the Issuer has to pay interest for the Bonds. The first interest payment date shall be 21 December 2018 and the last interest payment date shall be the Maturity Date. Interest Calculation Date (fixing date) – 1 Business Day before interest payment date. On Interest Calculation Date Nasdaq CSD, after request of the Issuer, shall set the list of Bondholders who are eligible for Interest or redemption payment. Interest period shall mean (i) in respect of the first interest period, the period from (and excluding) the issue date to (but including) the first interest payment date,

		and (ii) in respect of subsequent interest periods, the period from (and excluding) an interest payment date to (but including) the next succeeding interest payment date. Interest (yield) shall be calculated on the "act / act" basis as specified by the International Capital Market Association. A formula for calculation of the Interest shall be the following: AI = F x C x Fractional number of days; AI = accrued interest in EUR; F = nominal value of the Bond; C = Annual interest rate payable on Bonds; Fractional number of days: Number of days in the period, which falls on a leap year / 366; Number of days in the period, which falls on a non-leap year / 365. The Interest shall be paid by the Issuer itself to the Bondholders' accounts indicated, when purchasing the Bonds. *Maturity (redemption) Date of the Bonds and principal payments.* Maturity (redemption) Date of the Bonds is 21 December 2020. Following a performance of the redemption payment to the account of the Bondholder, in particular the Issuer having made a successful money transfer to the bank of the Bondholder (and the Bondholder having received corresponding money transfer on its account indicated by it, when purchasing the Bonds), the relevant Bonds possessed by the said Bondholder shall be considered redeemed and shall be removed from the securities accounts. If the Maturity Date is a holiday, the Issuer shall make redemption payment on the first Business Day after the holiday observing the terms and conditions stated in this clause. However, if the nearest Business Day after the holiday falls in the next month, Redemption Payment shall be made on the Business Day preceding the holiday. The Bondholders, eligible for redemption payments, will be indicated on the last interest calculation date in the Bondholders list, compiled by Nasdaq CSD. The redemption payments shall be paid by the Issuer itself. On the day of redemption, the Bonds shall be repaid in full at their nominal value, with the cumulative interest accrued. *Redemption of Bonds by choice of the Issuer (the "call option")*. The Issuer has the right to redeem outstanding Bonds prior to the Maturity Date (*call option*) and the Bondholders shall not have rights to demand early redemption of the Bonds (*put option*), except in occurrence of the Event of Insolvency or in occurrence of Event of Default. The Issuer may redeem all, but not only some, of the outstanding Bonds (*call option*) in full on 21 December 2019 at an amount per Bond equal to 100 per cent of the nominal value together with accrued, but unpaid interest. Redemption shall be made by the Issuer giving not less than 15 Business Days' notice on the redemption. Any such notice is irrevocable. Upon expiry of such notice and the fulfilment of the conditions precedent (if any), the Issuer shall be bound to redeem the Bonds in full at the applicable amounts. *Name of representative of the Bondholders (Trustee).* On 9 October 2018, the Issuer has concluded the civil contract with the Trustee (Legisperitus UAB), which

		meets the requirements established for the trustees in the Law on Protection of Interests of Bondholders. Contact data of this Trustee is the following: address A. Juozapavičiaus str. 6, Vilnius, Lithuania, tel. +370 698 16 674, e-mail info@legisperitus.lt. As indicated above, each Bondholder is entitled to receive the copy of the civil contract concluded between the Issuer and the Trustee from the Issuer or from the Trustee.
C.10	If the security has a derivative component in the interest payment, provide a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident	Not applicable. The Bonds have no derivative component in the interest payment.
C.11	An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question	As of the date of this Prospectus, all the existing Bonds of the Issuer (200,000 units) are not listed on the regulated market. This Prospectus was prepared solely for the purpose of the Admission of the Bonds to trading on Nasdaq. This Prospectus was not prepared for a public offering of the Bonds (or part thereof). The Admission of the Bonds to trading on Nasdaq is subject to the approval of the Prospectus by the LB, announcement thereof as well as of summary translation of the Prospectus into Lithuanian by the Company and adoption of the decision by the Board of Nasdaq regarding admission of Bonds to trading on Nasdaq. The Issuer shall submit an application to Nasdaq Board regarding Admission of the Bonds to trading on Nasdaq (the Baltic Bond List) as soon as practically possible. The Company shall take implement all the measures, established in Nasdaq rules, needed that the Bonds would be admitted to trading on Nasdaq as soon as practicably possible. The Management expects that the Bonds shall be admitted to trading on Nasdaq within 1 (one) month as from approval and announcement of the Prospectus. Disregarding this, the Management will put its best endeavours so that this term would be as short as practicable possible. The Issuer shall also put its best efforts to ensure that the Bonds remain listed on Nasdaq. The Issuer shall, following a listing or Admission to trading, take all reasonable actions on its part required as a result of such listing or trading of the Bonds. The Issuer will cover all costs which are related to the Admission of the Bonds to

		Nasdaq. The Issuer does not intend to apply for admission of the Bonds (or part thereof) to trading on other regulated markets or equivalent markets.

Section D – Risks

Ele-ment	*Title*	*Disclosure*
D.2	Key risks specific to the Issuer	***Counterparty credit risk.*** Counterparty credit risk is one of the most important risk affecting operations of the Group. The risk of potential loss which may arise from counterparty's inability to meet its obligations to the Group. Credit 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. ***Exposure to regulatory actions and investigations.*** The Group provides various financial services and products and is, therefore, subject to extensive and comprehensive regulations imposed both through local and through European legal acts. Several local and European authorities, including financial supervision, consumer protection, anti-money laundering, tax, and other authorities, regularly perform investigations, examinations, inspections and audits of the Group's business, including, but not limited to regarding capital requirements, standards of consumer lending, anti-money laundering, anti-bribery, payments, reporting, corporate governance, etc. Any determination by the authorities that the Group has not acted in compliance with all the applicable laws and regulations could have serious legal and reputational consequences for the Group, including exposure to fines, criminal and civil penalties and other damages, increased prudential requirements or even lead to business disruption in the respective fields. Any of these consequences may have material adverse effect on the Group's operations, financial position and results as well as on the Bonds price. ***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 the nine month period ended on 30 September 2018 net interest income accounted to 61% of the Groups total operating income[1] (73% in 2017, 72% during the nine month period ended 30 September 2017, 54% in 2016). 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. ***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. ***Maintaining capital adequacy ratios.*** Credit institutions and investment firms are subject to strict capital adequacy requirements subject to frequent reforms and changes. As of the date of the Prospectus the Group is complying with all

[1] Operating income is an alternative performance measure, which is calculated as a total of following income statement lines: Net interest income; Net fee and commission income; Net gain (loss) from operations with securities; Net gain (loss) from foreign exchange and related derivatives; Net gain (loss) from other derivatives; Net gain (loss) from changes in fair value of subordinated loan; Net gain (loss) from derecognition of financial assets; Net gain (loss) from disposal of tangible assets; Revenue related to other activities of Group companies; Other operating income.

		applicable capital requirements and its capital adequacy ratio is higher than required minimum level of 12.9%. However, the capital requirements adopted in Lithuania and the EU may change, whether as a result of further changes of the EU or Lithuanian legislation, global standards or interpretation thereof. Such changes, either individually or in combination, may lead to unexpected increased requirements and have a material adverse effect on the business of the Group. ***Competition risk.*** The Issuer is the fourth largest bank registered in Lithuania in terms of both loan portfolio and deposits. As a result, the Group faces a significant competition from other larger market players. ***Dependency on Information Technology systems.*** The Group has developed and uses a variety of information technology 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 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. ***Operational risk.*** Operational risk is a risk of potential loss caused by human, process or information system failures and flaws. In addition to human, process or information system failures and flaws, the operational risk embraces risk of corporate fraud and misconduct.
D.3	Key risks that are specific to the Bonds	***The Bonds may be not a suitable investment for all investors.*** Each potential Investor in the Bonds must determine the suitability of that investment in light of its own circumstances. A potential Investor should not invest in the Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio. ***Early redemption risk.*** According to the Terms and Conditions, the Bonds may be redeemed prematurely on the initiative of the Issuer, which has the right to redeem all, but not only some, of the outstanding Bonds prior to the Maturity Date (call option) in full on 21 December 2019. If this early redemption right is exercised by the Issuer, the rate of return from an investment into the Bonds may be lower than initially anticipated. ***An active secondary market for the Bonds may not develop.*** Prior to Admission to trading on the regulated market, there is no public market for the Bonds. Although application(s) will be made for the Bonds to be admitted to trading on Nasdaq, there is no assurance that such application(s) will be accepted and the Bonds will be admitted to trading. In addition, Admission to trading the Bonds on a regulated market will not guarantee that a liquid public market for the Bonds will develop or, if such market develops, that it will be maintained, and the Issuer is under any obligation to maintain such market. ***Credit risk.*** Any person who purchases/subscribes the Bonds is relying on the creditworthiness of the Issuer and has no rights against any other person. Bondholders are subject to the risk of a partial or total failure of the Issuer to make interest and/or redemption payments that the Issuer is obliged to make under the Bonds. ***Interest rate risk, related to Bonds.*** Bondholders should be aware that movements of the market interest rate can adversely affect the market price of the Bonds and can lead to losses for the Bondholders if they sell their Bonds.

		Taxation of Bonds. Potential purchasers/subscribers and sellers of the Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are transferred or other jurisdictions. ***Possibility to forfeit interest and principle amount invested.*** Should the Issuer become insolvent, legal protection proceedings or out-of-court legal protection proceedings of the Issuer are initiated during the term of the Bonds, an investor may forfeit interest payable on, and the principle amount of, the Bonds in whole or in part. ***No guarantee or security.*** The Bonds will not be obligations of anyone other than the Issuer and they will not be guaranteed. No one other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Bonds. ***Refinancing risk.*** The Issuer may be required to refinance certain or all of its outstanding debt, including the Bonds. The Issuer's ability to successfully refinance its debt is dependent on the conditions of the debt capital markets and its financial condition at such time. Even if the debt capital markets improve, the Issuer's access to financing sources at a particular time may not be available on favourable terms, or at all. The Issuer´s inability to refinance its debt obligations on favourable terms, or at all, could have a negative impact on the Group's operations, financial condition, earnings and on the Bondholders' recovery under the Bonds. ***Bail-in.*** The Bonds may become subject to actions that can be taken or measures that can be applied by resolution authorities if a Bank experiences serious financial problems or if the stability of the financial system is in serious and immediate danger as a result of the situation of a Lithuanian financial institution (for the purpose hereof including a relevant holding company). In the event that write-down or conversion powers are exercised by a competent authority: (i) the amount outstanding may be reduced, including to zero; (ii) the Bonds may be converted into ordinary shares or other instruments of ownership; (iii) the terms may be varied (e.g. the variation of maturity of the Bonds). Please note that financial public support should only be used as a last resort after having assessed and exploited, to the maximum extent practicable, the resolution tools, including the bail-in tool.

Section E – Offer

Element	*Title*	*Disclosure*
E.2b	Reasons for the Offering / Use of proceeds, when different from making profit and/or hedging certain risks	Not applicable, as this Prospectus was prepared solely for the purpose of the Admission of the Bonds of the Issuer to trading on Nasdaq. There is no public issue/offer of the Bonds (or any part thereof). Furthermore, no proceeds will be received by the Company as a result of the Admission.
E.3	Terms and conditions of the Offering	Not applicable. This Prospectus was not prepared for the public offering of the Bonds (or any part thereof) and was prepared solely for the purpose of the Admission of the Bonds of the Issuer to trading on Nasdaq.
E.4	Interests material to the Offering / Conflicting	Not applicable. Taking into consideration that this Prospectus was prepared solely for the purpose of the Admission of the Bonds of the Issuer to trading on Nasdaq as well as that there is no public issue/offer of the Bonds (or any part thereof),

	interests	there are no interests, including conflicting ones related to the Admission of the Bonds to trading on Nasdaq.
E.7	Estimated Expenses charged to the Investor by the Company	Not applicable. The Issuer does not intend to charge any expenses to the investors as a result of the Admission.

III RISK FACTORS

The following is a disclosure of certain risk factors that may affect the Issuer's ability to fulfil its obligations under the Bonds. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the risks associated with the Bonds are described below. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Bonds may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to the Issuer or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Investors should carefully review and consider the following risk factors and other information contained in this Prospectus. Should one or more of the risks described below materialise, this may have a material adverse effect on the business, prospects, shareholders' equity, net assets, financial position and financial performance of the Issuer or the Group. Moreover, if any of these risks occur, the market value of the Bonds and the likelihood that the Issuer will be in a position to fulfil its payment obligations under the Bonds may decrease, in which case the Bondholders could lose all or part of their investments. Additional risks and uncertainties, which are not currently known to the Issuer or which the Issuer currently believes are immaterial, could likewise impair the business operations of the Issuer and/or the Group and have a material adverse effect on their cash flows, financial performance and financial condition. The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the cash flows, financial performance and financial condition of the Issuer and/or the Group.

3.1 General Business Risks

General economic situation

The Group's business, financial performance and financial condition may be materially affected by changes in general economic, political and financial market conditions, such as a global or local recession, inflation and/or fluctuations in interest rates.

The demand for banking services generally correlates with economic activity, including growth in gross domestic product in Lithuania. Banking services industry is considered to be highly sensitive to economic cycles, so both weak and strong economic activity, presents a challenge for the Group. Periods of recession may have an adverse impact on Group's debtor payment terms, credit risk of Group's loan portfolio, Group's ability to raise external financing, and on the demand for services. This may adversely affect the Group's financial performance and financial condition.

In periods of rapid economic growth, the Group may encounter problems in recruiting qualified employees and tends to experience inflation-driven increases in certain of its costs, such as staff costs. Accordingly, high rates of inflation could increase the Group's costs and have a material adverse effect on the Group's financial performance and its financial condition. In addition to that, during rapid economic growth periods central banks tend to execute policies focused on increasing borrowing interest rates and subsequently putting downward pressure on borrowing demand. Such central bank policies could result in additional disruptions of Group's business activities and could result in additional losses.

Geopolitical risks

Current geopolitical tensions between Western countries (EU, the USA) and Russia, the USA and Iran, as well as the USA administration's aggressive policies regarding international trade and import tariffs could have a significantly negative effect on international trade and international flows of capital. Such disruptions in global trade and capital flows could negatively affect global economy and especially banking industry which subsequently could negatively affect the Group's financial performance and financial position.

Market risk

Market disruptions can be triggered by current tendencies challenging the stability of the EU in its current form, such as the undergoing process of the United Kingdom leaving the EU (Brexit), which, in addition to increasing economic volatility and market uncertainty globally, could have a significant negative impact on the economic development of the EU Member States. Since significant share of EU banking activities are concentrated in the UK, Brexit can result in structural changes of EU banking sector.

Inflation risk

In year 2017 significant price inflation of 3.7% was recorded in Lithuania and inflation is expected to remain at relatively elevated levels in the upcoming years as well. Some of the relevant expenses of the Group closely relate to the general price level in the economy. Growing inflation could result in increase of such expenses which in turn could have an adverse influence on Groups financial performance and position. In addition to that, increasing inflation could have a negative effect on credit risk and performance of the Group's loan portfolio which could result in additional losses being incurred by the Group.

The Issuer and the Group may be forced to increase their labour costs

Labour costs make a considerable part of the costs of the Group's services. Though workforce is cheaper in Lithuania than in old EU Member States, the difference should decrease constantly as the economy of Lithuania is catching up with the average of the EU. Willing to remain competitive and retain its employees, the Issuer and the Group may be forced to increase their labour costs at a faster pace than it used to do previously. If they fail to increase labour efficiency and effectiveness while increasing these costs, this may have a considerable adverse effect on the Group's financial situation and business results.

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 the nine month period ended on 30 September 2018 net interest income accounted to 61% of the Groups total operating income[2] (73% in 2017, 72% during the nine month period ended 30 September 2017, 54% in 2016). 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, monetary policies of states, etc. Despite the fact that the Management 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.

[2] Operating income is an alternative performance measure, which is calculated as a total of following income statement lines: Net interest income; Net fee and commission income; Net gain (loss) from operations with securities; Net gain (loss) from foreign exchange and related derivatives; Net gain (loss) from other derivatives; Net gain (loss) from changes in fair value of subordinated loan; Net gain (loss) from derecognition of financial assets; Net gain (loss) from disposal of tangible assets; Revenue related to other activities of Group companies; Other operating income.

Securities risk

Securities risk is the risk to incur losses from the investment in securities. The Group has a substantial securities portfolio, which consists mostly of investment grade debt securities. At 30 September 2018, securities portfolio accounted for 31% of Group's assets (31 December 2017: 32%; 30 September 2017: 31%; 31 December 2016: 32%). 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.

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. As of 30 September 2018 the Group's open foreign currency position was equal to 0.2% of Group's capital (0.3% as of 31 December 2017, 0.4% as of 30 September 2017, 0.2% as of 31 December 2016). 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.

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 September 2018 corporate loans provided to entities operating in real estate operation and real estate construction sectors accounted to 22% (as of 31 December 2017 21%, as of 30 September 2017 22%, as of 31 December 2016 20%) of total 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 September 2018 real estate with the fair value of EUR 1,901 million (as of 31 December 2017 EUR 1,654 million, as of 30 September 2017 EUR 1,488 million, as of 31 December 2016 EUR 1,259 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 Groups 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.

Changing the competitive environment of Lithuanian banking industry

In recent years several structural changes were observed in Lithuanian banking industry – Danske Bank stopped its retail operations in 2015, Nordea Group and DNB ASA merged their operations in Lithuania and in other Baltic countries in 2017. These changes in competitive environment both present additional business opportunities and pose additional risks to the Group. Changing market structure could result in increasing competition which might have a negative effect on the Group's business and financial position.

Exposure to conduct of other market participants

The Group's access to financing may be adversely affected by market practises of other market participants. Financial and securities markets are interrelated and defaults and failures to conduct sound business by other market players could lead to market-wide liquidity problems or other market-wide issues, which could adversely affect the Group's access to capital resources. In addition to that, the Group has exposure to many counterparties arising from trading, clearing, funding or other relationships with them. Failure of such market participants to meet their obligations may result in the default of the Group before other counterparties and clients, which in turn may have material adverse effect on the Group's operations and financial position.

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 Group's business operations and financial position.

Success of previous, current, and future business development projects

The Issuer has implemented and may implement in the future business development projects of significant scope, such as launch of new products, acquisitions of new business, etc. Though the Issuer and its employees invoke all available information and analytical resources when planning business development initiatives, there is no guarantee, that all information on which the business development initiatives planned were based was true and exhaustive. Furthermore, there is no guarantee that the development plans and the development initiatives made will generate anticipated or planned returns; there is no guarantee that implementation of these business development initiatives will not cost more than it was anticipated.

Failure of already implemented or anticipated business development projects, where returns from these projects are lower than it was expected or costs of such projects are higher than it was planned, may have a significant adverse effect on the Issuer's and Group's activities, its financial situation and business results.

3.2 Risks Factors Characteristic of the Group

Counterparty credit risk

Counterparty credit risk is one of the most important risk affecting operations of the Group. Counterparty credit risk is the risk of potential loss which may arise from counterparty's inability to meet its obligations to the Group. Credit 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. In order to mitigate credit risk, the Group constantly analyses the operations and financial position of its customers and other counterparties. After authorising the initial credit exposure, the solvency of a customer and the value of the collateral are monitored regularly. Further, the Group makes provisions for potential credit losses in accordance with the applicable requirements, including the IFRS requirements; however, such provisions are made based on the available information, estimates and assumptions, which by definition are subject to certain amount of uncertainty. Therefore, there can be no assurance that provisions are sufficient to cover potential losses. The recoverability of credit provided by the Group to its customers may be adversely affected by negative changes in the overall economic, political or regulatory environment in Lithuania, decrease in collateral values and other circumstances beyond the control of the Group. Materialisation of credit risk may have material adverse effect on the Group's operations, financial position and results of operations.

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 September 2018, largest exposure amounted to 18.5% of regulatory capital (31 December 2017: 17.9%, while the limit is <25%. As of 30 September 2018 the top 3 industries with largest exposure were Real Estate with 14%, Manufacturing with 13%, and Wholesale and Retail Trade with 12% share of the total corporate loans value provided by the Group. As of December 2017 top 3 industries with largest exposure were Manufacturing, Real Estate and Wholesale and Retail Trade with 14% share of the total corporate loans value provided by the Group each. The above concentration risk may have a material adverse effect on the Group's operations, financial condition and results of operations.

Maintaining capital adequacy ratios

Credit institutions and investment firms are subject to strict capital adequacy requirements subject to frequent reforms and changes. As of the date of the Prospectus the Group is complying with all applicable capital requirements and its capital adequacy ratio as of 30 September 2018 is 15.27% (31 December 2017 – 15.53%) – i.e. higher than required minimum level of 12.9%. However, the capital requirements adopted in Lithuania and the EU may change, whether as a result of further changes of the EU or Lithuanian legislation, global standards or interpretation thereof. Such changes, either individually or in combination, may lead to unexpected increased requirements and have a material adverse effect on the business of the Group. This may result in the need to increase the capital, reduce leverage and risk weighted assets or even change the Group's business model. Also, capital adequacy could be negatively affected by unexpected high losses in the future – such losses would decrease the Bank's capital and could result in capital adequacy ratio decreasing below required minimum level.

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. As of 30 September 2018 Issuer's financial Group's liquidity coverage ratio was equal to 264% (as of 31 December 2017 313%), when the requirement is set at >=100%, indicating rather low Issuers liquidity risk. In order to manage liquidity risk, the Group performs daily monitoring of internal limits and future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. Such risk policies and internal procedures may, however, be not adequate or sufficient in order to ensure the Group's access to funding resources when needed in order to ensure sufficient liquidity. The liquidity risk may have a material adverse effect on the Group's operations, financial condition and results of operations.

Dependence on the team of top managers and key personnel

Group's business depends on the team of the top managers, responsible for the development, growth of business, risk management and appropriate day-to-day activities. Therefore, the Group's ability to survive in the competitive environment and to implement its growth strategy is mostly determined by their experience, knowledge, personal relations and other characteristics. The Group's ability to attract and hire highly competent managers also contributes to the Group's success. As the competition for high qualification personnel is strong and constant, it is probable that the Group's managers and main employees can decide to change their jobs and to leave the Issuer or other Group companies. Loss of such employees or the Group's inability to hire new managing personnel with appropriate knowledge and capabilities or shortage of such people in the market can have a negative effect on the prospects of the Group's business, financial situation and performance.

The Issuer and the Group is also strongly dependent on its executives and other highly qualified and experienced personnel, having knowledge in banking. Should the Issuer or the Group fail to attract, maintain and motivate these workers, it could lose them to competitors. Additional time and financial recourses would be needed to find and select their replacements which could have an adverse effect on the Group's business, prospects, financial performance and financial position.

Potential challenges to implementing business strategy and achieving desired results

The Group expects to increase volume of its business operations and subsequently to earn higher returns in the future. However, these results are not guaranteed and are subject to variation due to numerous factors. The Group's financial results might not develop as projected because of a lower global demand, increased competition or the Group's inability to implement its business strategy. In addition, the Management may fail to correctly anticipate future market trends and make worse than optimal decisions regarding future development of the Group.

Competition risk

The Issuer is the fourth largest bank registered 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.

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.

Operational risk

Operational risk is a risk of potential loss caused by human, process or information system failures and flaws. In addition to human, process or information system failures and flaws, the operational risk embraces risk of corporate fraud and misconduct. 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.

3.3 Risks Related to the Bonds

The Bonds may be not a suitable investment for all investors

Each existing or potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. Beside other individual criterias suitability should also be determined based on the investment suitability tests performed by the credit institutions or investment brokerage firms opening securities accounts of such potential investor. These institutions or firms may require potential investor to perform additional Bonds suitability test. Potential investor is advised to pay attention to the results of such tests when determining investment suitability of the Bonds. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly the terms of the Bonds; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Early redemption risk

According to the Terms and Conditions, the Bonds may be redeemed prematurely on the initiative of the Issuer, which has the right to redeem all, but not only some, of the outstanding Bonds prior to the Maturity Date (*call option*) in full on 21 December 2019. Such redemption shall be made by the Issuer giving not less than 15 Business Days' notice on the redemption. Any such notice is irrevocable. Upon expiry of such notice and the fulfilment of the conditions precedent (if any), the Issuer shall be bound to redeem the Bonds in full at the applicable amounts (for more information on this please see Section 5.3 *Information Concerning the Securities to be Admitted to Trading*). If this early redemption right is exercised by the Issuer, the rate of return from an investment into the Bonds may be lower than initially anticipated.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Bonds are legal investments for it, (ii) the Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk based capital or similar rules.

An active secondary market for the Bonds may not develop

Prior to Admission to trading on the regulated market, there is no public market for the Bonds. Although application(s) will be made for the Bonds to be admitted to trading on Nasdaq, there is no assurance that such application(s) will be accepted and the Bonds will be admitted to trading. In addition, Admission to trading the Bonds on a regulated market will not guarantee that a liquid public market for the Bonds will develop or, if such market develops, that it will be maintained, and the Issuer is under any obligation to maintain such market. If an active market for the Bonds does not develop or is not maintained, it may result in a material decline in the market price of the Bonds, and the liquidity of the Bonds may be adversely affected. In addition, the liquidity and the market price of the Bonds can be expected to vary with changes in market and economic conditions, the financial condition and the prospects of the Issuer, as well as many other factors that generally influence the market price for securities. Accordingly, due to such factors the Bonds may trade at a discount to the price at which the Bondholders purchased/subscribed the Bonds.

Credit risk

Any person who purchases the Bonds is relying on the creditworthiness of the Issuer and has no rights against any other person. Bondholders are subject to the risk of a partial or total failure of the Issuer to make interest and/or redemption payments that the Issuer is obliged to make under the Bonds. The worse the creditworthiness of the Issuer, the higher the risk of loss. A materialization of the credit risk may result in partial or total failure of the Issuer to make interest and/or redemption payments.

In addition, even if the likelihood that the Issuer will be in a position to fully perform all obligations under the Bonds when they fall due actually has not decreased, market participants could nevertheless be of that opinion. Market participants may in particular be of such opinion if market participants' assessment of the creditworthiness of corporate debtors in general or debtors operating in the industries sector adversely change. If any of these risks occur, the third parties would only be willing to purchase Bonds for a lower price than before the materialisation of said risk. The market value of the Bonds may therefore decrease.

Interest rate risk, related to Bonds

If interest rates in general or particularly with regard to obligations of corporate debtors or corporate debtors with activities in the industries sector for durations equal to the remaining term of the Bonds increase, the market value of the Bonds may decrease. The longer the remaining term of a debt instrument, the stronger is its market value affected by changes of the interest rate level. There are further factors which may affect the market value of the Bonds, including, but not limited to global or national economic factors and crises in the global or national financial or corporate sector. Bondholders should be aware that movements of the market interest rate can adversely affect the market price of the Bonds and can lead to losses for the Bondholders if they sell their Bonds.

Inflation risk

The inflation risk is the risk of future money depreciation. The real yield from an investment is reduced by inflation. The higher the rate of inflation, the lower the real yield on the Bonds. If the inflation rate is equal to or higher than the nominal yield, the real yield is zero or even negative.

Fluctuations in exchange rates and interest rates may adversely affect the value of the Bonds

The Issuer will pay principal and interest on the Bonds in EUR. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the “Investor's Currency”) other than EUR. These include the risk that exchange rates may significantly change (including changes due to devaluation of EUR 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 EUR would decrease the Investor's Currency equivalent: (i) yield on the Bonds; (ii) value of the principal payable on the Bonds; and (iii) market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect the applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal at all. In addition, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Taxation of Bonds

Purchasers/subscribers and sellers of the Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Bonds. Potential investors are advised not to rely solely on the tax summary contained in this Prospectus (Section 5.3 *Information Concerning the Securities to be Admitted to Trading*) but to also ask for their own tax advisers’ advice on their individual taxation with respect to the acquisition, sale and redemption of the Bonds. Only these advisors are in a position to duly consider the specific situation of the potential investor.

No assurance on change of laws or practices

The Bonds are governed by the laws of the Republic of Lithuania, as in force from time to time. Lithuanian laws (including but not limited to tax laws) and regulations governing the Bonds may change during the life of the Bonds, and new judicial decisions can be given and administrative practices may take place. No assurance can be given as to the impact of any such possible change of laws or regulations, or new judicial decision or administrative practice taking place after the date of this Prospectus. Hence, such change may have a material adverse effect on the Issuer’s business, financial condition, results of operations and/or future prospects and, thereby, the Issuer’s ability to fulfil its obligations under the Bonds, taxation of the Bonds, as well as the market price and value of the Bonds. Such event may also result in material financial losses or damage to the Bondholders.

Transaction costs/charges

When the Bonds are purchased/subscribed or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the purchase/issue or sale price of the Bonds. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Bondholders may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs). These incidental costs may significantly reduce or eliminate any profit from holding the Bonds.

Possibility to forfeit interest and principle amount invested

Should the Issuer become insolvent, legal protection proceedings or out-of-court legal protection proceedings of the Issuer are initiated during the term of the Bonds, an investor may forfeit interest payable on, and the principle amount of, the Bonds in whole or in part. An investor is always solely responsible for the economic consequences of its investment decisions. The Bonds constitute non-secured and unsubordinated debt obligation that ranks at the same rate (*pari passu*) with all the other unsecured and unsubordinated debt obligations of the Issuer. In addition to that the state guarantee (insurance) is not applicable in case of investments into the Bonds.

No guarantee or security

The Bonds will not be obligations of anyone other than the Issuer and they will not be guaranteed. No one other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Bonds.

The Issuer shall not be prevented from creating any security interest over any of its assets in favour of any third party, i. e. the Prospectus does not include any negative pledge provisions, or provide any restrictions on entrance to particular security arrangements between the Bank and any third party.

Refinancing risk

The Issuer may be required to refinance certain or all of its outstanding debt, including the Bonds. The Issuer's ability to successfully refinance its debt is dependent on the conditions of the debt capital markets and its financial condition at such time. Even if the debt capital markets improve, the Issuer's access to financing sources at a particular time may not be available on favourable terms, or at all. The Issuer´s inability to refinance its debt obligations on favourable terms, or at all, could have a negative impact on the Group’s operations, financial condition, earnings and on the Bondholders' recovery under the Bonds.

No voting rights

Only the shareholder of the Issuer has voting rights in the General Meetings. The Bonds carry no such voting rights. Consequently, the Bondholders cannot influence any decisions by the Issuer's shareholders concerning, for instance, the capital structure of the Issuer.

Amendments to the Bonds bind all Bondholders

The Law on Protection of Interests of Bondholders requires and the General Terms and Conditions of the Bonds (please see Section 5.3 *Information Concerning the Securities to be Admitted to Trading*) contain provisions for calling Bondholders’ Meetings to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant Bondholders’ Meetings who voted in a manner contrary to the majority. This may incur financial losses, among other things, to all Bondholders, including such Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

No limitation on issuing additional debt

The Issuer is not prohibited from issuing further debt as long as the requirements of the applicable law, related to banking activities are followed. If the Issuer incurs significant additional debt ranking equally with the Bonds, it will increase the number of claims that would be entitled to share rateably with the Bondholders in any proceeds distributed in connection with an insolvency of the Issuer.

Possible restrictions on the transferability of the Bonds

The Bonds are freely transferable under laws of the Republic of Lithuania. However, the distribution of this Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Any person residing outside the Republic of Lithuania may receive this Prospectus only within limits of applicable special provisions or restrictions. The Issuer requires persons into whose possession this Prospectus comes to inform themselves of and observe all such restrictions. This Prospectus may not be distributed or published in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under Lithuanian laws, including the United States of America, Australia, Canada, Hong Kong and Japan. The Prospectus does not constitute an offer to sell or a solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The Issuer or their representatives and/or legal advisers do not accept any legal responsibility whatsoever for any such violations, whether or not a prospective investor is aware of such restrictions.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any U.S. state securities laws. Subject to certain exemptions, a holder of the Bonds may not offer or sell the Bonds in the United States. The Issuer has not undertaken to register the Bonds under the U.S. Securities Act or any U.S. state securities laws or to effect any exchange offer for the Bonds in the future. Furthermore, the Issuer has not registered the Bonds under any other country's securities laws, other than laws of the Republic of Lithuania. It is the Bondholder's obligation to ensure that the offers and sales of Bonds comply with all applicable securities laws.

Risk of difference in insolvency law

In the event that an Issuer becomes insolvent, insolvency proceedings will be generally governed by the insolvency laws of that Issuer's place of incorporation, which in each case is Lithuania. The insolvency laws of the Issuer's place of incorporation may be different from the insolvency laws of an Investor's home jurisdiction and the treatment and ranking of holders of Bonds issued by that Issuer and that Issuer's other creditors and shareholders under the insolvency laws of that Issuer's place of incorporation may be different from the treatment and ranking of holders of those Bonds and that Issuer's other creditors and shareholders if that Issuer was subject to the insolvency laws of the Investor's home jurisdiction.

The insolvency procedure of the Issuer would be subject to special rules arising from the Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2015 establishing a framework for the recovery and resolution of credit institutions and investment firms (the Bank Recovery and Resolution Directive) which is transposed to, among others, the Law on Banks. The respective legislation provides for, among others, special instruments which may be invoked by the supervisory authority (LB) in case of deterioration of financial situation of the Issuer such as moratorium (limitation of activities of the Issuer), appointment of a temporary administrator, etc.

Bail-in

The Bonds may become subject to actions that can be taken or measures that can be applied by resolution authorities if a Bank experiences serious financial problems or if the stability of the financial system is in serious and immediate danger as a result of the situation of a Lithuanian financial institution (for the purpose hereof including a relevant holding company). In the event that write-down or conversion powers are exercised by a competent authority: (i) the amount outstanding may be reduced, including to zero; (ii) the Bonds may be converted into ordinary shares or other instruments of ownership; (iii) the terms may be varied (e.g. the variation of maturity of the Bonds).

Please note that financial public support should only be used as a last resort after having assessed and exploited, to the maximum extent practicable, the resolution tools, including the bail-in tool.

On 23 November 2016, the European Commission published legislative proposals to amend and supplement certain provisions of, among others, the Capital Requirements Directive (CRD), the Capital Requirements Regulation (CRR), the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (the SRM Regulation). The proposals are wide-ranging and may have significant effects on the Issuer (including with regard to the total loss absorbing capacity – TLAC – or the minimum requirement own funds and eligible liabilities – MREL – it must maintain) and for the Bonds (including with regard to their redeemability, their ranking in insolvency and their being at risk of being bailed-in). The proposals also contemplate that member states adopt legislation to create a new class of so-called nonpreferred senior debt. Such debt would be bail-inable during resolution only after capital instruments but before other senior liabilities. It is uncertain whether the proposals will come into effect, and if so, whether that will be in their current form.

3.4 Legal and Taxation Risk Factors

Exposure to regulatory actions and investigations

The Group provides various financial services and products and is, therefore, subject to extensive and comprehensive regulations imposed both through local and through European legal acts. Several local and European authorities, including financial supervision, consumer protection, anti-money laundering, tax, and other authorities, regularly perform investigations, examinations, inspections and audits of the Group's business, including, but not limited to regarding capital requirements, standards of consumer lending, anti-money laundering, anti-bribery, payments, reporting, corporate governance, etc. Any determination by the authorities that the Group has not acted in compliance with all the applicable laws and regulations could have serious legal and reputational consequences for the Group, including exposure to fines, criminal and civil penalties and other damages, increased prudential requirements or even lead to business disruption in the respective fields. Any of these consequences may have material adverse effect on the Group's operations, financial position and results as well as on the Bonds price.

In 2018, following the resolution of the Head of the Supervisory Service of the LB, dated 28 June 2018, the LB conducted an investigation on compliance of the Bank's consumer credit advertising, which was carried out in May 2018 with the Law of the Republic of Lithuania on Consumer Credit and with requirements of the Guidelines of the BoL approved on 5 September 2012 (for more information on these issues please see Section 4.9.2 *Legal and Arbitration Proceedings*).

Interpretation of legal regulations applicable to the Group's activity may have adverse effect on the Group

Lithuanian as well as EU legal systems, including regulations concerning the banking sector, taxation, as well as various interpretations of these regulations, is subject to frequent and significant changes. Due to the variability of regulations, they are not uniformly applied by the courts, administrative bodies and other law enforcement agencies. Therefore, there is a risk that the decisions issued by individual courts and other bodies in relation to specific facts will be contradictory or substantially unpredictable. Moreover, the ratio of competent courts or other authorities to matters within their competences may change. The instability of the legal system and regulatory environment increases the risk of the incurring of significant additional and unexpected expenses as well as the cost of adapting the business to a changing legal environment. This may lead to disputes arising from the interpretation of legal regulations with both the public authorities and private entities with whom the Group remains in legal relationships. In addition, errors or delays in the implementation of EU directives may lead to additional concerns regarding interpretation of regulations affecting the Group's operations. As a result, the Group is exposed to the risk that its activities may not meet the requirements of frequently changing regulations, which may have a material adverse effect on its business, results, financial situation or prospects for development.

Furthermore, there is a risk that along with the introduction of new tax regulations, the Group will be forced to take adaptation measures, which may result in significant costs caused by the circumstances related to adjustment to the new regulations and the costs of non-compliance. The application of tax law is often accompanied by controversies and disputes, which are usually resolved by the administrative courts. In addition, the tax authorities' practice of applying tax law is not uniform, and significant discrepancies exist in the decisions of the administrative courts in the field of tax law. The Company cannot rule out that the tax authorities will make a different, and unfavourable for the Group interpretation of the tax regulations applied by the Group.

Litigation risks

In the course of their ordinary business operations, companies of the Group might be involved in several court and official proceedings, as plaintiffs or defendants, the outcome of which cannot currently be predicted with any certainty. The Group may be required under a court order or settlement agreement to pay considerable amounts, which may also exceed any provisions set up for this purpose. In addition to these amounts, the legal costs incurred by the Group and in some cases of its opponent would also have to be borne. This could have a material adverse effect on the net assets, financial position and financial performance of the Group.

Finalising Group Companies' internal rules and procedures related to data processing operations may result in costs for adapting to EU's General Data Protection Regulation (the "GDPR")

The Group Companies are in active and coordinated process to achieving GDPR compliance and will incur additional costs to this end. They have to adhere to the GDPR as of 25 May 2018. Group Companies are currently finalising GDPR preparation. The companies which do not adhere to the GDPR requirements may be subject to penalties in the amount of up to EUR 10 – 20 million or 2 – 4% of total worldwide turnover of the company of the preceding financial year depending on the severity of the infringement.

Tax contingencies and uncertain tax positions

Lithuanian tax legislation that was enacted or substantively enacted at the end of the reporting period may be subject to varying interpretations. Consequently, tax positions taken by the Management and the formal documentation supporting the tax positions may be successfully challenged by the relevant authorities. Fiscal periods remain open to review by the authorities in respect of taxes for the calendar years preceding the year of review. Management is not aware of any circumstances that could lead to significant tax charges and penalties in the future that have not been provided for or disclosed in these financial statements. The Group's uncertain tax positions are reassessed by the Management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by the Management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on the Management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

IV INFORMATION ABOUT THE ISSUER

4.1 Statutory Auditors

The IFRS Financial Statements for the years ended 31 December 2017 and 31 December 2016 have been audited by Pricewaterhousecoopers UAB company code 111473315, registered address at J. Jasinskio str. 16B, Vilnius, Lithuania, audit company's licence number 001273. The information on the auditors who have performed the audit the Issuer's IFRS Financial Statements for both financial years is presented below:

Name	Auditor's licence number	Licence issuer
Rimvydas Jogėla	000457	The Lithuanian Chamber of Auditors
Vytenis Lazauskas	000536	The Lithuanian Chamber of Auditors

4.2 Information about the Group

Legal and commercial name of the Issuer	Akcinė bendrovė Šiaulių bankas and Šiaulių bankas AB respectively
Place of registration of the Issuer (registered office)	Tilžės str. 149, Šiauliai, Lithuania
Corporate ID code of the Issuer	112025254
Legal form of the Issuer	Public limited liability company
Legislation under which the Issuer operates	Lithuanian
Country of incorporation of the Issuer	Republic of Lithuania
Date of incorporation of the Issuer	4 February 1992
Telephone number	+370 41 595 607
Email	info@sb.lt
Internet address	www.sb.lt

History and Development of the Group

Šiaulių bankas AB was incorporated in February 1992. Over the years of operation, the Bank has developed into the Group of companies, in which there are Subsidiaries engaged in the areas of leasing, life insurance and real estate. The Bank has the biggest share of Lithuanian capital. Number of regional operating outlets of the Bank, operating all over Lithuania, has grown up to 67.

The key area of the Bank's activities is focused on lending to small and medium-sized business (SME).

The Shares of the Bank have been quoted on trading list of Nasdaq since 1994 and included into the Main List at the end of 2006. In 2013 the Bank became the member of the Baltic market, consisting of Estonian, Latvian and Lithuanian stock exchanges and central securities' depositories.

Below indicated dates and events mark the development of the Group and its activities:

Date	***Development***
February 1992	– Incorporation of the Bank
August 1999	– Incorporation of the Subsidiary Šiaulių banko lizingas UAB
November 1999	– The Bank became a member of the SWIFT organisation

August 2000	– Incorporation of the Subsidiary Šiaulių banko investicijų valdymas UAB
August 2002	– Incorporation of the Subsidiary Šiaulių banko turto fondas UAB
June 2005	– The Bank signed an agreement on the investment of the ERBD to the capital of the Bank, providing for the acquisition 16.1 percent of the Bank's shares. ERBD became the major shareholder of the Bank
December 2010	– The Bank joined the global money transfer network of MoneyGram International
February 2013	– The Bank, the temporary administrator of Ūkio bankas AB and the Lithuanian State undertaking “Deposit and Investment Insurance” signed a trilateral agreement on the transfer of the part Ūkio bankas AB assets and liabilities to the Bank
May 2015	– The Bank signed an agreement for purchase of 100 percent shares of the bank Finasta AB from Invalda INVL AB and minority shareholders, and 100 percent shares of brokerage firm Finasta AB from Invalda INVL AB
January 2016	– The Bank joined to the Single Euro Payments Area (SEPA)
October 2017	– Moody’s Investors Service announced that it upgraded ratings of the Bank. Long-term deposit rating was improved to Baa3 from Ba1, the rating outlook adjusted to positive

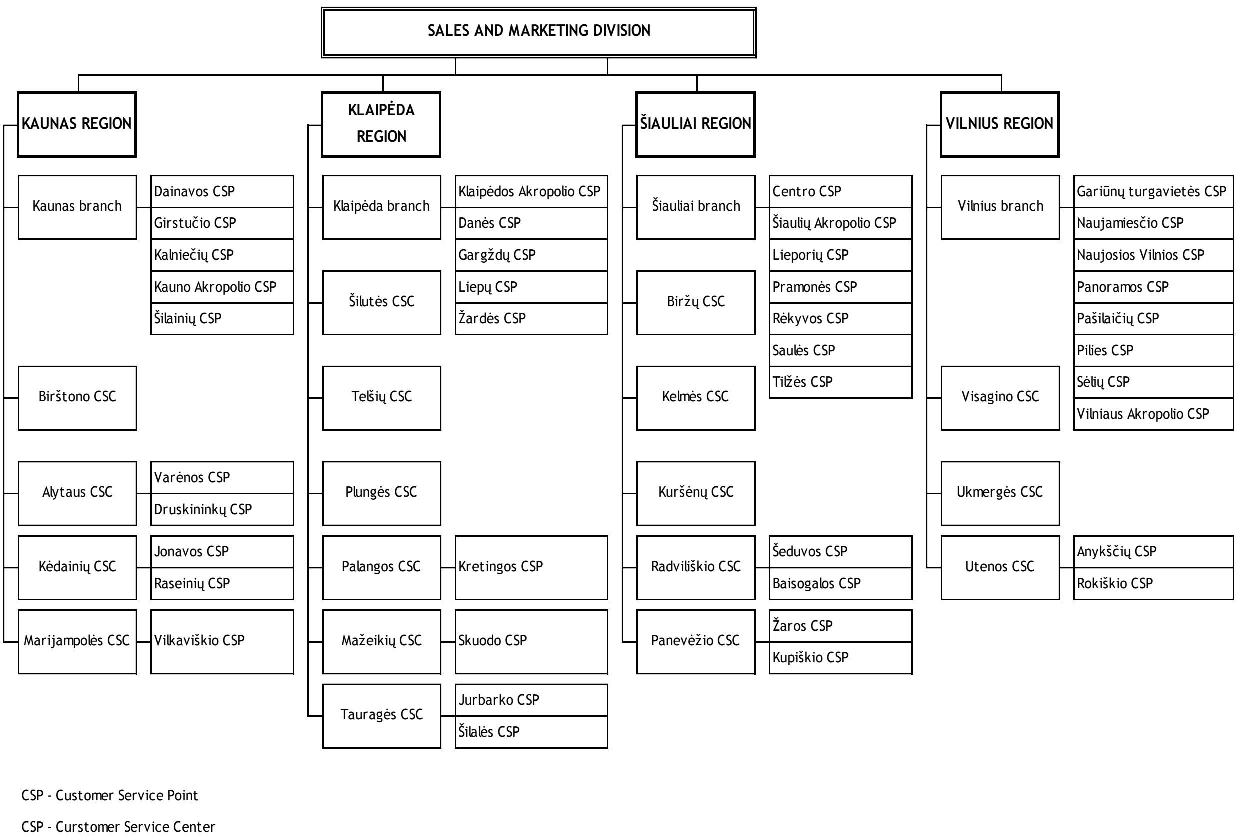
4.3 Business Overview

4.3.1 Principal Activities

The Bank accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance 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 Bank’s activities is focused on lending to small and medium-sized business (SME). The Bank is granting credits to SMEs under the JEREMIE facility (risk sharing credits as well as credits with the portfolio guarantee), under innovative business facility InnovFin, etc. 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 1. Regions and customer service network of the Bank

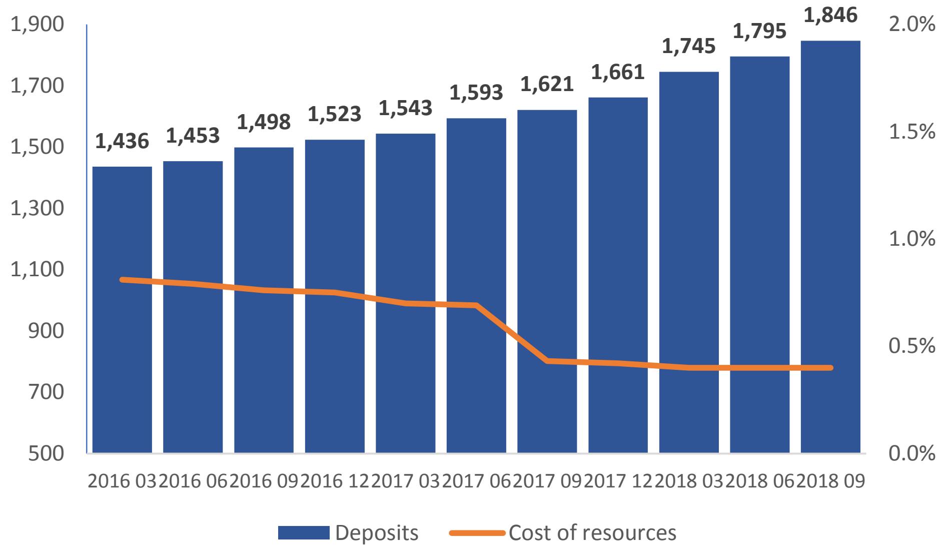


Source: the Company

As at 30 September 2018 the Bank had 62 customer service outlets.

The Bank's deposits to assets – 72% indicates opportunities to increase loan portfolio in the future (sector's average – 93%). The Bank has 10% of sector's retail deposit market share. 96% of deposit portfolio – from Lithuanian residents. Term deposits comprise 54% of total deposit portfolio. Average maturity – 16 months.

Figure 2. Deposit portfolio in EUR million and deposit costs dinamics

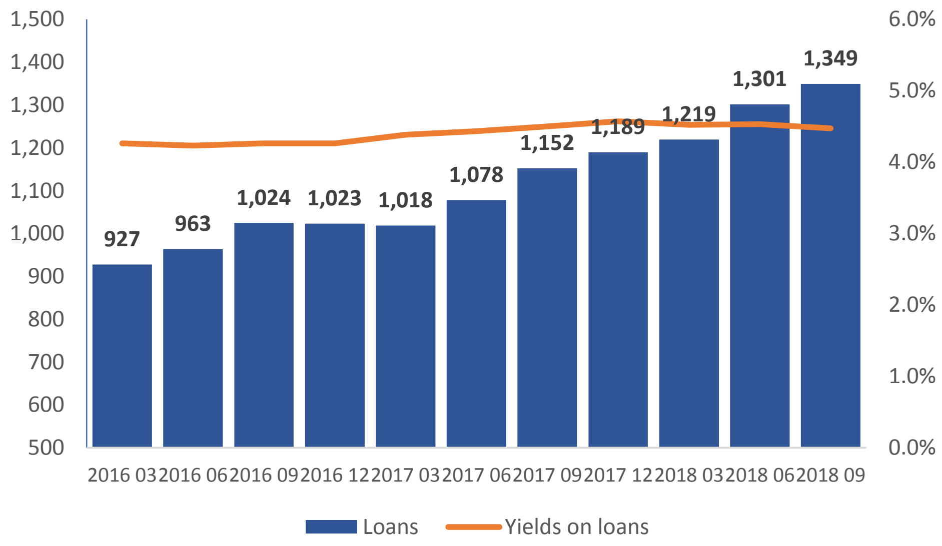


Source: the Company

Cost of resources is an alternative performance measure, which is calculated by dividing annualized monthly interest expense (including deposit insurance and resolution board contributions) by average monthly interest bearing liabilities (i.e. total of Due to other banks and financial institutions, Due to customers, Special and lending funds, Debt securities in issue, Subordinated loan).

In 2017 more than EUR 650 million of new loan agreements were signed, during the nine months of 2018 – more than EUR 547 million (EUR 506 million during the nine months of 2017). Despite downward pressure on loan interest rates, the Bank manages to keep a stable yield.

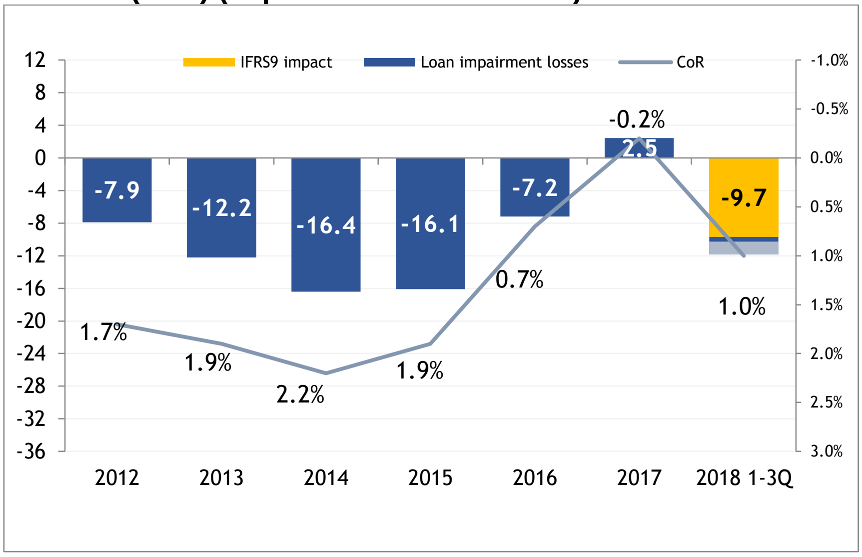
Figure 3. Loan portfolio in EUR million and yields



Source: the Company

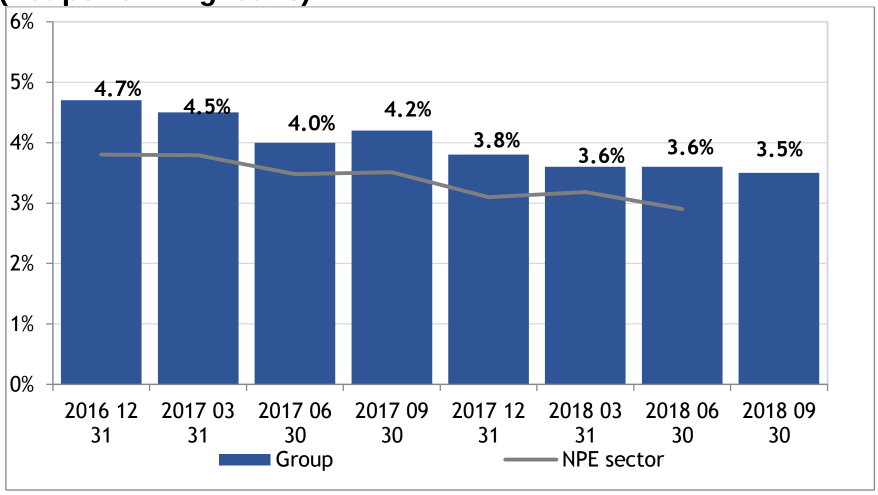
Starting from 1 January 2018, the IFRS 9 standard came in force, changing calculation of impairment losses (expected loss is recognized instead of incurred loss). These changes have increased the Group‘s impairment loss by EUR 10 million (28%), however, had no impact on the income statement. The increased impact of the provisions on calculated capital will be gradual (over 5 years), and therefore, the impact of standard on capital adequacy is not significant.

Figure 4. Risk cost ratio (CoR) (impairment loss to loans)



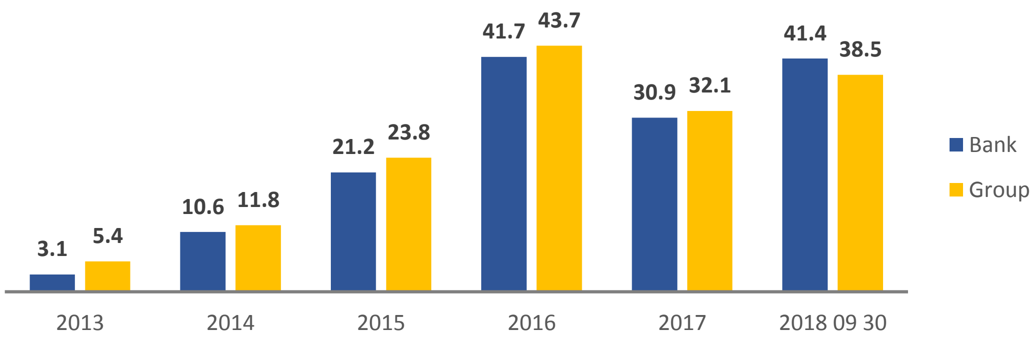
Source: the Company

Figure 5. NPE (not performing loans)



Source: the Company

Figure 6. Net Profit earned by the Bank and by the Group, EUR million



Source: IFRS Financial Statements

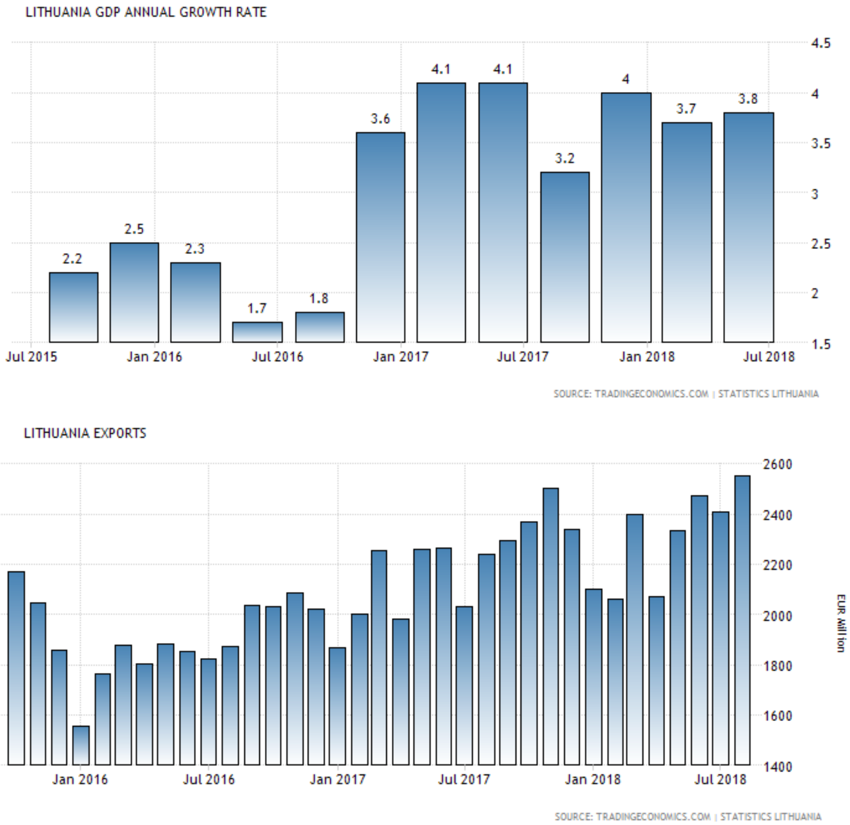
4.3.2 Principal Markets

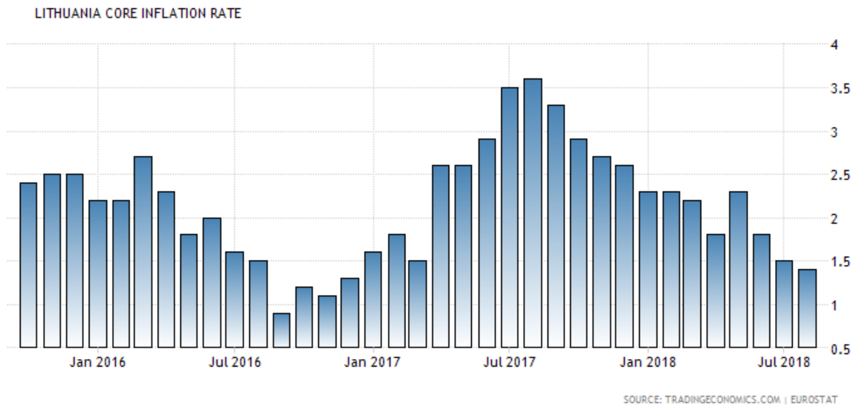
The Bank operates in Lithuania. The key areas of the Bank's activities is focused on lending to small and medium-sized business (SME). The Bank is actively participating in multi-apartment renovation projects, financing energy saving facilities in Lithuania and it currently is a renovation financing leader in Lithuania. Its operating activities are strongly affected by local and European macro economic environment. Currently low interest rates continue to further boost economic growth in Lithuania and in Europe.

Macroeconomic trends

In 2017, the EU and euro area economies recorded stronger than expected expansion, with the annual growth rate standing at 2,5%. According to the Eurosystem forecasts, the euro area economy is projected to pick up in 2018 by 2,1%. Global economic expansion has picked up steam. Despite growth-thwarting headwinds and heightened stability concerns (various geopolitical risks, disagreements on international trade and uncertainty surrounding the impact of the changing financing conditions and Brexit), global economic activity is projected to remain robust. This is mainly underpinned by strengthening investment, manufacturing and external trade, which exert a positive impact on both advanced and developing countries. In contrast to expectations, the euro area – Lithuania's most important trade partner – has had a somewhat weaker start to the year. The euro area economy was saddled with strikes in the metal industries, bad weather conditions that put a lid on domestic demand, and fading fiscal efforts. Although on a year-on-year basis export growth is less pronounced, Lithuania's cyclical assessment remains unchanged – economic activity continues at a pace above potential. A rather low unemployment rate and a relatively high level of job vacancies have led to significant wage pressures. Nowadays the labour share is quite high, exceeding the historical average. Annual headline inflation has scaled down, yet shows signs of rather strong volatility. In Lithuania, like many other countries, the level of inflation is highly dependent on changes in commodity markets. For example, the significant rise in food commodity prices (end of 2016–2017) was matched with a faster increase in consumer prices for food.

Figure 7. Selected macroeconomic indicators





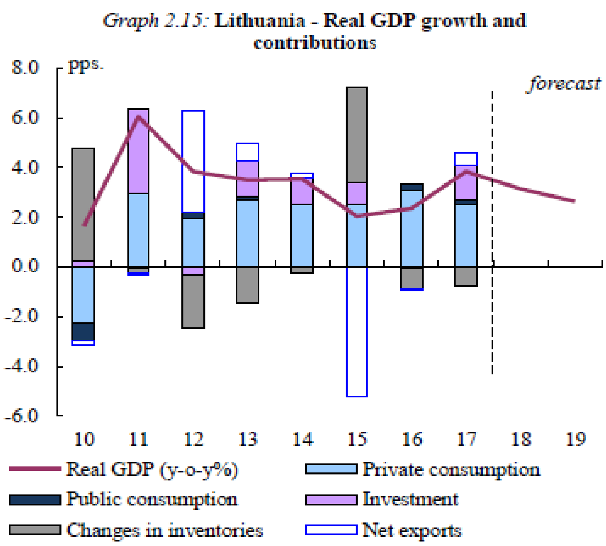
Source: https://tradingeconomics.com/lithuania

Macroeconomic forecasts

Lithuanian economy growth rate of 0.9% (quarter-on-quarter) in the first quarter was based on the strong performance of industry and the construction sector. Private consumption continued to be one of the main growth drivers, while the contribution of net exports, though negative, was somewhat better than expected.

The most recent economic sentiment indicators have been strong. Positive expectations in the service sector, high levels of consumer confidence and rapidly rising wages point to a stable expansion of private consumption in the coming quarters. Investment is also set to remain an important growth driver. Over the forecast horizon, economic growth is expected to moderate somewhat due to slower growth in major trading partners. Overall, real GDP is forecast to grow solidly at 3.1% in 2018 and 2.6% in 2019[3].

Figure 8. Lithuania GDP growth and contributions



Source: European Economic Forecast, Summer 2018 (Interim)[4]

Effects of Eurosystem monetary policy on the banking sector in Lithuania

Guidelines of the ECB monetary policy

According to the European Central Bank (ECB) inflation in the Eurozone still lacks sustainability, therefore, it continues asset purchase programme (APP) and low-interest rate environment.

[3] Lithuanian Economic Review by the LB.
[4] https://www.lb.lt/uploads/publications/docs/19280_9913b73b949397272d0838dc1e625c86.pdf.

Furthermore, ECB declined further decrease in interest rate, however, the increase is not expected either, even after the end of the extended APP (expected closing date of the APP – December 2018).

Results of the ECB monetary policy

Both public and private sector experience lower borrowing costs in capital markets due to extended APP. In consequence of low-interest rate environment, Lithuanian banks' lending has increased even more than the average of the Eurozone. Average interest rate of new loans to non-financial sector companies remains on the lowest level in the history in both Lithuania and Eurozone (however, interest rates of mortgages has stopped decreasing in Lithuania due to high demand and increasing number of risky clients). Escalated Eurozone demand and depreciation of the euro stimulates Lithuanian exports[5].

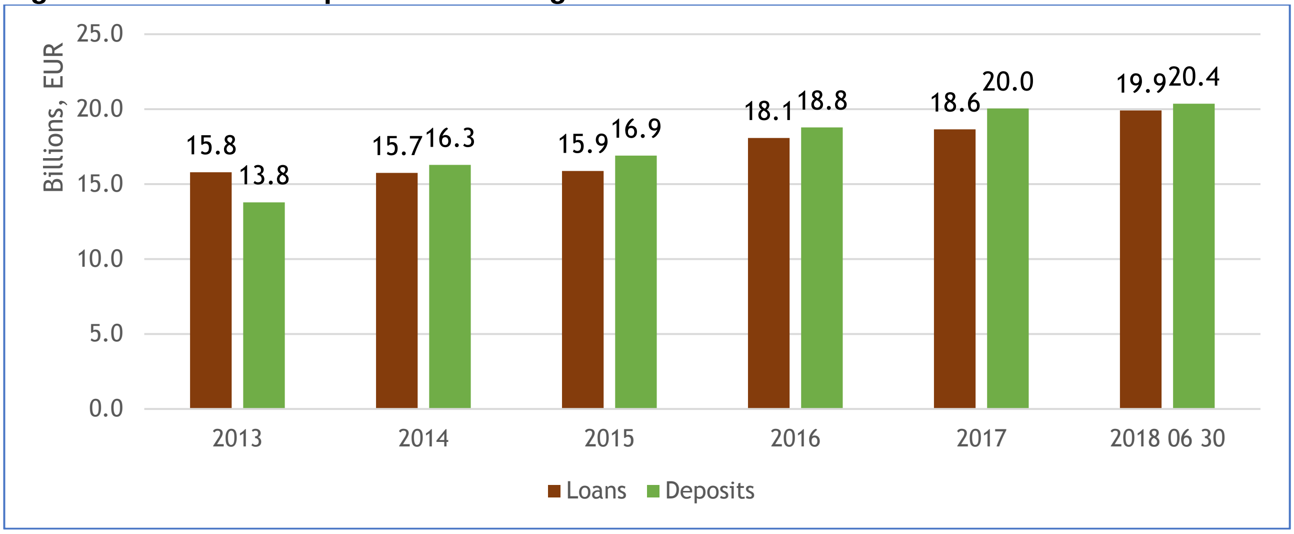
Lithuanian banking sector

The banking sector continues to grow due low-interest rate environment; growth is consistent and sustainable.

Bank loans' portfolio

Growing economy and low-interest rate environment promote consistent banks' loan portfolio growth. The total loan portfolio of the banks still has not reached pre-crisis level, however, it is expanding due to an increased amount of credits to households, mortgages taking the largest part of the loans-to-households portfolio. Lending to manufacture and transport sectors has also increased. The quality of the portfolio consistently grows – the level of bad loans reached 2,9% at the end of the first half of 2018 (being the lowest since 2010) and was lower than the average of the European Union[6].

Figure 9. Loans and deposits of banking sector in Lithuania



Source: Statistics compiled and published by the LB

Bank deposits' portfolio

Consistently growing client deposits remain the main source of banks' financing. Households remain the largest depositors, as their funds account for 60.5% of all the deposits as of 30 June 2018. A balanced current account was the most significant factor behind the development of clients deposits' portfolio, as during the last year non-financial companies have kept their funds within the

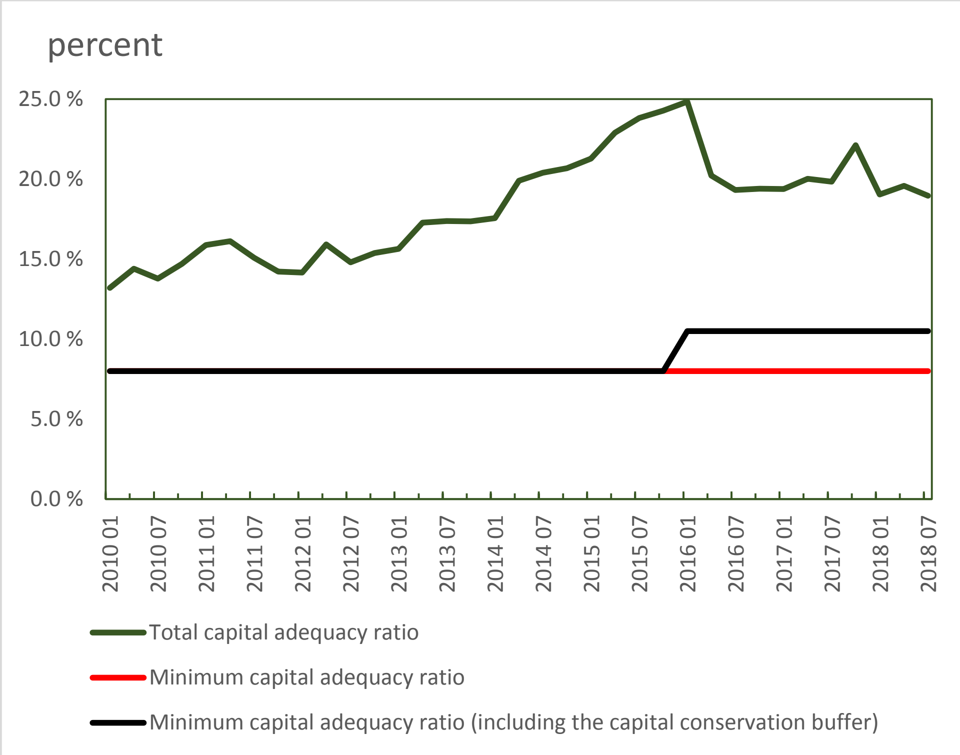
[5] Banking Activity Review by the LB (2017).
[6] Banking Activity Review by the LB (2017).

country. As a result, banks need not attract money from the parent companies (usual practice during the pre-crisis period). Trends being constant, despite the especially low-interest rate environment, banks deposits' portfolio should remain growing[7].

Yields of banking sector

Banking sector profitability yields remained sustainable.

Figure 10. Capital adequacy ratio, Lithuanian banks



Source: Statistics compiled and published by the LB

Fulfilment of capital requirements

Capital requirements were fulfilled with a high margin in 2017. Liquidity coverage ratio (LCR) remained high in all the banks in Lithuania[8].

Players of the Lithuanian banking sector

Lithuanian banking sector is quite concentrated and dominated by the Scandinavian banks. Currently there are 6 banks and 8 branches of foreign banks in Lithuania. All banks collectively made mEUR 239.7 net profit in 2017 and mEur 179.9 (unaudited) in the first half of 2018.

Market trends of 2017 and the first half of 2018

Specialized banks

Since 2017, it is allowed to establish a specialized bank in Lithuania. 3 applicants have already applied, 25 have shown interest in a specialized bank license.

Specialized bank has been created with the goal to form attractive environment for local and foreign startups wiling to provide financial services in the European Economic Area. The main

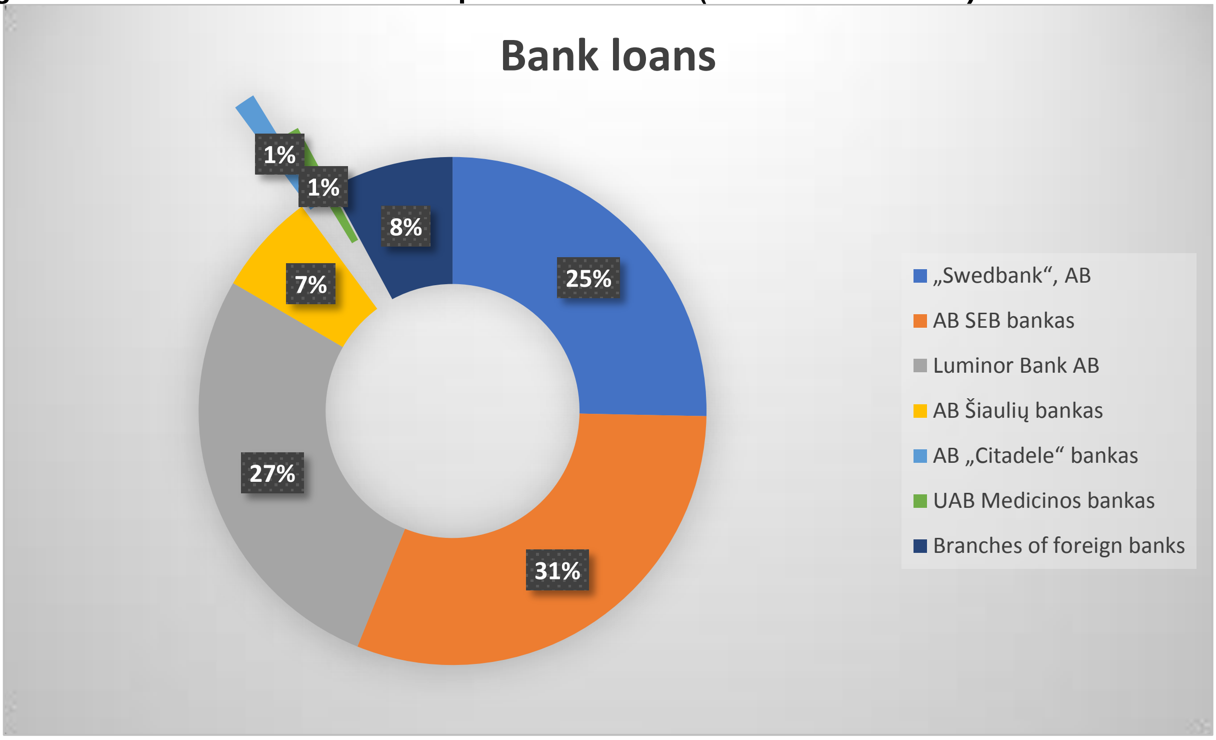
[7] Banking Activity Review by the LB (2017).
[8] Banking Activity Review by the LB (2017).

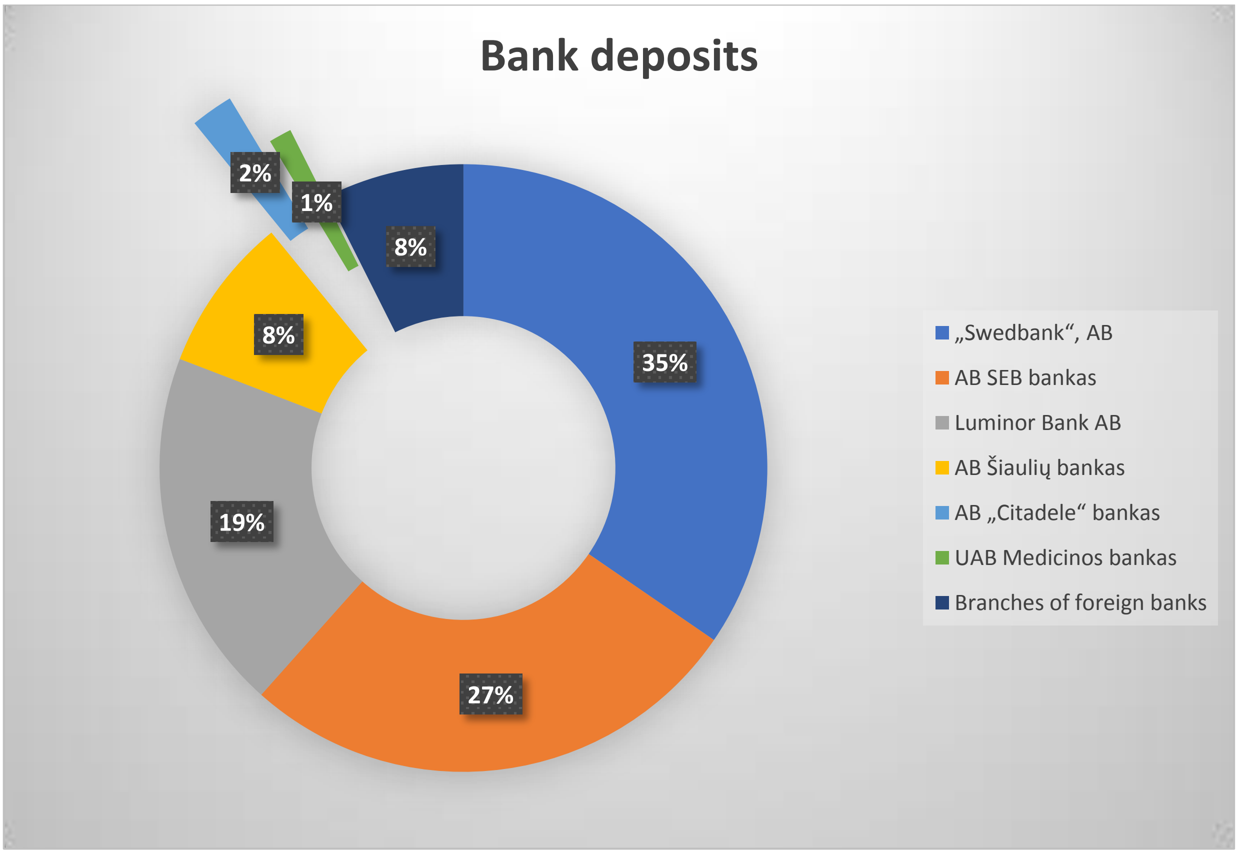
difference from a traditional bank is the minimum capital requirement of EUR 1 million, whereas for traditional bank it is EUR 5 million. However, specialized banks are subject to limitations in investment and other financial services (full list thereof may be found in Article 4(5) of the Law on Banks).

Market concentration

After a merger of DNB bankas AB and Lithuanian branch of Nordea Bank AB the concentration continued its growth. Three major banks took the largest part of the market in terms of both loans portfolio and transactions.

Figure 11. Distribution of banks' deposits and loans (as of 30 June 2018)





Source: Statistics compiled and published by the LB

The Issuer's competitive position

The Issuer is the fourth largest bank registered in Lithuania (excluding branches of foreign banks) 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 12. Key ratios of the banking sector in Lithuania

As of 30 June 2018	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	**16.18**	**15.09**	**230.7**	**2.62**	**25.26**	**1,321**	**1,779**
Swedbank AB	24.65	19.57	329.9	1.47	15.49	5,164	7,294
SEB bankas AB	18.67	21.70	193.2	1.36	13.89	6,238	5,588
Luminor Bank AB	16.68	23.55	119.5	0.91	8.26	5,254	3,840
Citadele bankas AB	18.78	22.80	302.4	0.65	6.26	265	394
Medicinos bankas UAB	16.20	19.43	616.9	0.47	5.01	169	260

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

Net profit

Figure 13. Net profit of the banking sector in Lithuania

Source: Statistics compiled and published by the LB

Revenues

The main part of the revenues was contributed by the net interest revenues.

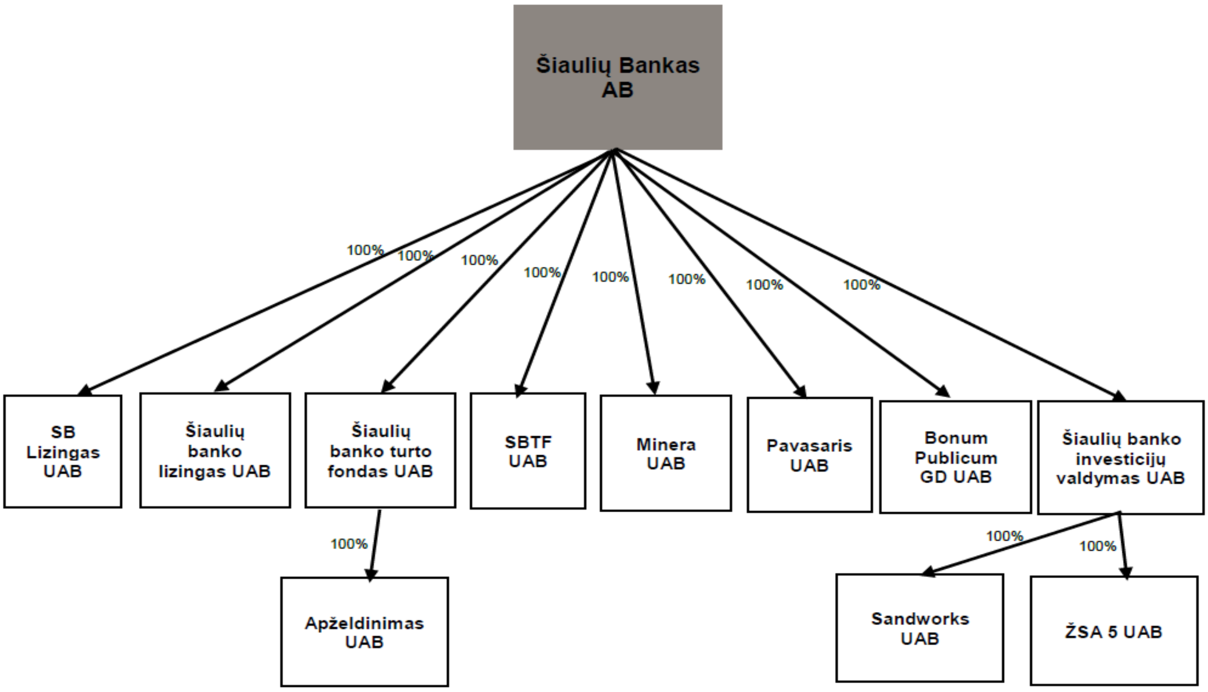
Efficiency

Lithuanian banks have preserved high efficiency compared to other EU countries, however, administration costs have increased[9].

[9] Banking Activity Review by the LB (2017).

4.4 Organisational Structure

Figure 14. Structure of the Issuer and its Subsidiaries as of the date of the Prospectus



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 – none of shareholders of the Company has shares thereof, entitling to more than 1/2 of votes in the General Meeting.

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

Table 1. Shareholdings of the Company, held in the Subsidiaries as on the date of the Prospectus

Subsidiary	State of registration	Status	Amount of shares and votes, held by the Company (%)
SB Lizingas UAB	Lithuania	Subsidiary	100
Šiaulių banko lizingas UAB	Lithuania	Subsidiary	100
Šiaulių banko turto fondas UAB	Lithuania	Subsidiary	100
SBTF UAB	Lithuania	Subsidiary	100
Minera UAB	Lithuania	Subsidiary	100
Pavasaris UAB	Lithuania	Subsidiary	100
Bonum Publicum GD UAB	Lithuania	Subsidiary	100
Šiaulių banko investicijų valdymas UAB	Lithuania	Subsidiary	100
Sandworks UAB	Lithuania	Subsidiary	100(*)
ŽSA 5 UAB	Lithuania	Subsidiary	100(*)
Apželdinimas UAB	Lithuania	Subsidiary	100(**)

Source: the Company

** The indicated shares are held by Šiaulių banko investicijų valdymas UAB, 100% Subsidiary of the Company.*

*** The indicated shares are held by Šiaulių banko turto fondas UAB, 100% Subsidiary of the Company.*

The main registration data on the Subsidiaries are provided below:

Table 2. Registration information of the Subsidiaries

Name of the company	SB Lizingas UAB
Legal form	Private limited liability company
Country of incorporation	Republic of Lithuania
Administrator of the register	State Enterprise Centre of Registers
Code	234995490
Date of incorporation	14 July 1997
Registered address	Laisvės ave. 80, Kaunas, Lithuania

Name of the company	Šiaulių banko lizingas UAB
Legal form	Private limited liability company
Country of incorporation	Republic of Lithuania
Administrator of the register	State Enterprise Centre of Registers
Code	145569548
Date of incorporation	16 August 1999
Registered address	Vilniaus str. 167, Šiauliai, Lithuania

Name of the company	Šiaulių banko turto fondas UAB
Legal form	Private limited liability company
Country of incorporation	Republic of Lithuania
Administrator of the register	State Enterprise Centre of Registers
Code	145855439
Date of incorporation	13 August 2002
Registered address	Vilniaus str. 167, Šiauliai, Lithuania

Name of the company	SBTF UAB
Legal form	Private limited liability company
Country of incorporation	Republic of Lithuania
Administrator of the register	State Enterprise Centre of Registers
Code	300069309
Date of incorporation	24 November 2004
Registered address	Vilniaus str. 167, Šiauliai, Lithuania

Name of the company	Minera UAB
Legal form	Private limited liability company
Country of incorporation	Republic of Lithuania
Administrator of the register	State Enterprise Centre of Registers
Code	121736330
Date of incorporation	30 September 2004
Registered address	Šeimyniškių str. 1A, Vilnius, Lithuania

Name of the company	Pavasaris UAB
Legal form	Private limited liability company
Country of incorporation	Republic of Lithuania
Administrator of the register	State Enterprise Centre of Registers
Code	121681115
Date of incorporation	25 September 1992

Registered address	Jonažolių str. 3-113, Vilnius, Lithuania

Name of the company	Bonum Publicum GD UAB
Legal form	Private limited liability company
Country of incorporation	Republic of Lithuania
Administrator of the register	State Enterprise Centre of Registers
Code	110081788
Date of incorporation	31 August 2000
Registered address	Laisvės ave. 3, Vilnius, Lithuania

Name of the company	Šiaulių banko investicijų valdymas UAB
Legal form	Private limited liability company
Country of incorporation	Republic of Lithuania
Administrator of the register	State Enterprise Centre of Registers
Code	145649065
Date of incorporation	31 August 2000
Registered address	Šeimyniškių str. 1A, Vilnius, Lithuania

Name of the company	Sandworks UAB
Legal form	Private limited liability company
Country of incorporation	Republic of Lithuania
Administrator of the register	State Enterprise Centre of Registers
Code	302896357
Date of incorporation	22 October 2012
Registered address	Skruzdynės str. 1, Neringa, Lithuania

Name of the company	ŽSA 5 UAB
Legal form	Private limited liability company
Country of incorporation	Republic of Lithuania
Administrator of the register	State Enterprise Centre of Registers
Code	302878779
Date of incorporation	3 October 2012
Registered address	Šeimyniškių str. 1A, Vilnius, Lithuania

Name of the company	Apželdinimas UAB
Legal form	Private limited liability company
Country of incorporation	Republic of Lithuania
Administrator of the register	State Enterprise Centre of Registers
Code	132443396
Date of incorporation	5 February 1991
Registered address	Vilniaus str. 167, Šiauliai, Lithuania

4.5 Trend Information

There has been no material adverse change in the prospects of the Company or the Group since the last published IFRS Financial Statements for the year ended 31 December 2017.

Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year

There are no changes regarding trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects since the last published IFRS

Financial Statements for the year ended 31 December 2017, including the ones, which are to a material extent relevant to the evaluation of the Issuer's solvency.

4.6 Profit Forecasts

The Issuer has not made a decision to include the profit forecasts or estimates in the Prospectus.

4.7 Administrative, Management and Supervisory Bodies

The Issuer has a three-tier management system, i.e. Supervisory Council, Management Board and Manager (Administration Manager). Business address of all the indicated bodies of the Company is Tilžės str. 149, Šiauliai, Lithuania.

The Supervisory Council is a collegial supervisory body, which is responsible for supervising the activities of the Company 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 Company's operating strategy, sets of financial statements, drafts of profit/loss appropriation, the reports of the Company, the activities of the Management Board and the Manager, submitting proposals to revoke decisions of the Management Board or the Manager, etc.

According Article 7.1 of the Articles of Association the Supervisory Council is comprised of 7 members. The Company currently has 6 members in the Supervisory Council (one member has resigned from this body as from 5 May 2018). However, disregarding this, the Supervisory Council is entitled to take decisions and its meetings are considered to have been held, if attended by 4 members, currently elected. This is due to the reason that the Law on Companies requires more than a half of the members of the Supervisory Council for the above quorums.

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

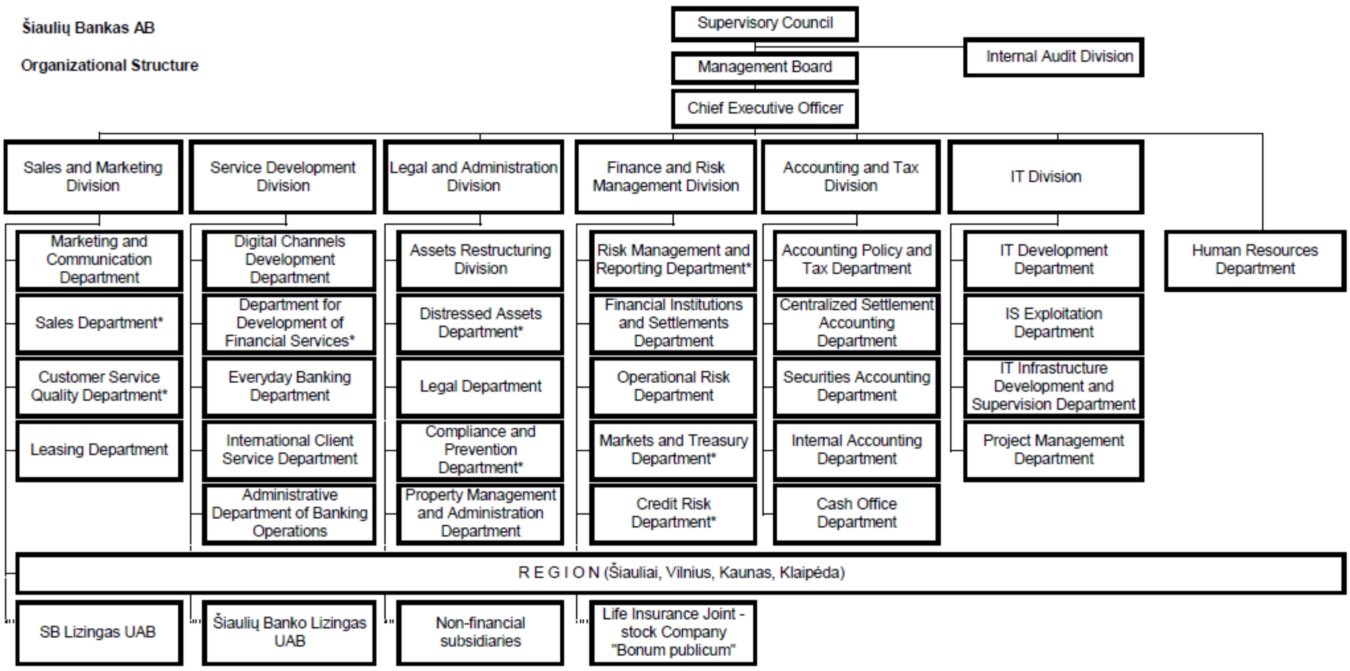
The Manager is responsible for the day-to-day management of the Company and enjoys the exclusive right of representing the Company vis-à-vis third parties.

In addition, the Company employs several Key Executives: the Manager, Head of Finance and Risk Management Division, Head of Sales and Marketing Division, Head of Accounting and Tax Division, Head of IT Division and Head of Legal and Administration Division, all of who are also the members of the Management Board.

4.7.1 Internal Management Structure of the Company

Detailed management system of the Issuer is provided in the scheme below.

Management system of the Issuer



4.7.2 Members of the Administrative and Management Bodies

Table 3. Members of management and supervisory bodies

Name, surname	Position within the Issuer	Beginning of term	End of term
Supervisory Council			
Arvydas Salda	Chairman of the Supervisory Council	30.03.2016	Until 30.03.2020, in any case not later than until the ordinary General Meeting in 2020
Gintaras Kateiva	Member of the Supervisory Council	30.03.2016	
Ramunė Vilija Zabulienė	Member of the Supervisory Council (independent)	30.03.2016	
Darius Šulnis	Member of the Supervisory Council	09.05.2016	
Martynas Česnavičius	Member of the Supervisory Council	09.05.2016	
Miha Košak	Member of the Supervisory Council	26.06.2017	
Management Board			
Algirdas Butkus	Chairman of the Management Board	30.03.2016	Until 30.03.2020, in any case not later than until the ordinary General Meeting in 2020
Vytautas Sinius	Member of the Management Board, CEO	30.03.2016	
Donatas Savickas	Member of the Management Board, Head of Finance and Risk Management Division	30.03.2016	
Daiva Šorienė	Member of the Management Board, Head of Sales and Marketing Division	30.03.2016	
Vita Urbonienė	Member of the Management Board, Head of Accounting and Tax Division	30.03.2016	
Jonas Bartkus	Member of the Management Board, Head of IT Division	30.03.2016	
Ilona Baranauskienė	Member of the Management Board, Head of Legal and Administration Division	30.03.2016	

Source: the Company

According to the Law on Companies, the tenure of the Supervisory Council and Management Board shall be indicated in the Articles of Association and may not last longer than until the ordinary General Meeting convened in the last year of the tenure of the respectively Supervisory Council or Management Board. There is no limitation on the number of terms of office a member of the Supervisory Council and Management Board may serve.

Supervisory Council

Arvydas Salda (born in 1955). 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. Arvydas Salda individually holds 2.28% of Shares in the Bank and collectively with other persons acting in concert 38.45% of Shares.

Gintaras Kateiva (born in 1965). 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. Gintaras Kateiva individually holds 5.82% of Shares in the Bank and collectively with other persons acting in concert 38.45% of Shares.

Ramunė Vilija Zabulienė (born in 1962). 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 LB 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. She holds no Shares in the Bank.

Darius Šulnis (born in 1971). Education – in 1993 graduated from the Vilnius University, where he gained a Masters in Economics. In 2013 he also graduated from the Duke University – The Fuqua School of Business, where he gained a Masters in Busines Administration. He serves as a President and member of the Board of Invalda INVL AB since 2006 and member of the Board of Litagra UAB since 2017. He is also a member of the Supervisory Council since 2016. Darius Šulnis individually holds no Shares in the Bank. However, collectively with other persons acting in concert he indirectly holds 38.45% of Shares.

Martynas Česnavičius (born in 1972). Education – in 1995 graduated from the Vilnius University where he gained Economist qualification. He has served as a member of the Board in many companies (Snaigė AB (from 2005 till 2012), Sanitas AB (from 2006 till 2011), TEO LT, AB (current name Telia AB; from 2008 till 2011), Amilina AB (from 2005 till 2011), Meditus AB (from 2007 till 2011), Kitron ASA (from 2012 till 2016). Martynas Česnavičius serves as a member of the Supervisory Council since 2016. Martynas Česnavičius individually holds no Shares in the Bank. However, collectively with other persons acting in concert he indirectly holds 38.45% of Shares.

Miha Košak (born in 1968). 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 Masters of Business Administration. From 2006 till 2009 he was the Director of Citigroup Global Markets Limited, from 2010 till 2011 the Executive Director of UBS Investment Bank and from 2012 till 2014 the Executive Director of VTB Capital PLC. He serves as a member of the Supervisory Council of the Bank since 2017. Miha Košak holds no Shares in the Bank.

Management Board

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 Bank. He individually holds 3.10% of Shares in the Bank and collectively with other persons acting in concert 38.45% of Shares.

Vytautas Sinius (born in 1976). Education – in 2002 graduated from the Vilnius University, where he gained a Bachelor in Economics. In 2009 he also graduated from the Vytautas Magnus University, where he gained a Masters 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 Bank. Vytautas Sinius individually holds 0.18% of Shares in the Bank and collectively with other persons acting in concert 38.45% of Shares.

Donatas Savickas (born in 1969). Education – in 1993 graduated from the Vilnius University, where he gained a economist-analyst qualification. In 2009 he also graduated from the Vytautas Magnus University, where he gained a Masters in Management and Business Administration. Since 1995 he is a Deputy Chairman of the Board. Since 2005 he also is a Deputy Chief Executive Officer and Head of the Finance and Risk Management Division of the Bank. Donatas Savickas individually holds 0.12% of Shares in the Bank and collectively with other persons acting in concert 38.45% of Shares.

Daiva Šorienė (born in 1966). Education – in 1989 graduated from the Vilnius University, where she gained a Masters 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 Masters in Business Management. From 1998 she occupies many positions at the Bank (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 Bank since 2014. Daiva Šorienė individually holds 0.02% of Shares in the Bank and collectively with other persons acting in concert 38.45% of Shares.

Vita Urbonienė (born in 1970). Education – in 1993 graduated from the Vilnius University, where she gained Finance and Credits qualification. From 1997 she occupied many positions at the Bank (Accountant, Deputy of Chief accountant, Chief accountant). She serves as a member of the Board since 2011 and Head of Accounting and Tax Division since 2005. Vita Urbonienė individually holds 0.10% of Shares in the Bank and collectively with other persons acting in concert 38.45% of Shares.

Jonas Bartkus (born in 1958). Education – in 2002 graduated from the Vilnius University, where he gained a Masters in Mathematics. He is a member of the Board and Head of Information Technologies Division of the Bank since 2012. Jonas Bartkus individually holds 0.12% of Shares in the Bank and collectively with other persons acting in concert 38.45% of Shares.

Ilona Baranauskienė (born in 1975). Education – in 1997 graduated from the Kaunas University of Technology, where she gained a Bachelor in Business Administration. In 2005 she also graduated from the Šiauliai University, where she gained Masters 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 Bank since 2018. Ilona Baranauskienė individually holds 0.03% of Shares in the Bank and collectively with other persons acting in concert 38.45% of Shares.

Key Executives

As all the Key Executives are all also members of the Management Board, the information on all of them is provided in Section above.

The Key Executives have employment relations with the Company which are of unlimited duration. Under the Law on Companies the Manager may be revoked from the position by the Management Board without any early notice for any cause. The same applies to the Management Board members, who may be revoked from the position by the Supervisory Council without any early notice for any cause. However, taking into consideration the fact that all the Management Board members are also serving as the Key Executives, they (except for the CEO) may be dismissed from these positions of the Company only on the grounds and following the procedure indicated in the Labour Code of the Republic of Lithuania.

4.7.3 Conflicts of Interest of Members of the Management

As indicated in Section above, four members of the Supervisory Council (Arvydas Salda, Gintaras Kateiva, Darius Šulnis and Martynas Česnavičius) as well as all seven members of the Management Board either directly and indirectly hold the Shares and votes carried thereby in the General Meeting.

It is possible that the direct and indirect shareholders of the Company (four of which are members of the Supervisory Council and seven – members of the Management Board) may favour their own interests rather than those of the Company.

Apart from the above, the Company is not aware of any potential conflict of interests between any duties to the Company of the members of the Board, Supervisory Council or the Key Executives.

Furthermore, none of the members of the Board or Supervisory Council is related to any other member of these bodies as by blood or marriage.

There are no arrangements with the Major Shareholders of the Issuer, customers, suppliers or others, pursuant to which any member of the Board and/or Supervisory Council was selected as a member of the administrative, management or member of senior management.

4.8 Major Shareholders

On the day of this Prospectus the authorised capital of the Company is EUR 157,639,187.74 and is divided into 543,583,406 ordinary registered Shares with a nominal value of EUR 0.29 each. All the Shares issued by the Company entitle to equal voting rights to their holders.

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

Table 4. Shareholders of the Company, holding more than 5% of the authorised capital of the Company 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	99,166,126	18.24	20.21	38.45
2.	Invalda INVL AB	36,899,246	6.79	31.66	38.45
3.	Gintaras Kateiva	31,628,103	5.82	32.63	38.45

Source: the Company

** EBRD, Prekybos namai Aiva UAB, Mintaka UAB, Įmonių grupė Alita AB, Sigitas Baguckas, Algirdas Butkus, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Arvydas Salda and*

Kastytis Jonas Vyšniauskas have signed a Shareholders' Agreement, as well as other shareholders, whose votes are calculated collectively in compliance with the Law on Securities form a group, which collectively owns 38.45% of the Bank's authorized capital and votes as of the date hereof.

According Article 26 (2) of the Law on Securities the manager of the Issuer shall be considered to be holding votes of other managers of the Issuer if the supervisory authority, having considered evidence submitted by the manager of the independence of his actions, has not resolved otherwise. The managers of the Issuer shall be considered the members of the Supervisory Council, the Board and the Manager (CEO). The votes of the managers of Issuer indicated below:

Table 5. Votes of the managers of the Issuer and their controlled companies

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	5.82	-	-	5.82
2.	Algirdas Butkus	Member of the Board	16,823,972	3.10	13,155,265	Prekybos namai Aiva UAB	6.59
					6,768,815	Mintaka UAB	
3.	Martynas Česnavičius	Member of Supervisory Council	-	-	2,108,160	Pro Finance UAB	0.39
4.	Arvydas Salda	Member of Supervisory Council	12,372,419	2.28	-	-	2.28
5.	Vytautas Sinius	Member of the Board	993,266	0.18	-	-	0.18
6.	Donatas Savickas	Member of the Board	660,729	0.12	-	-	0.12
7.	Jonas Bartkus	Member of the Board	641,695	0.12	-	-	0.12
8.	Vita Urbonienė	Member of the Board	526,271	0.10	-	-	0.10
9.	Ilona Baranauskienė	Member of the Board	180,016	0.03	-	-	0.03
10.	Daiva Šorienė	Member of the	85,766	0.02	-	-	0.02

1.	Board	
	In total:	**15.81**

Source: the Company

Apart from the information, indicated in this Section, the Company has no information about any other possible control over the Issuer.

On 24 September 2018 the General Meeting has adopted a decision to increase the authorised capital of the Company by EUR 16,571,428.53 by additional contributions issuing 57,142,857 ordinary registered Shares with EUR 0.29 nominal value, also to set out the issue price of EUR 0.35 per issued Share. After the issue of the new Shares the authorised capital of the Company shall be divided into 600,726,263 ordinary registered Shares with a par value of EUR 0.29 each. In the same General Meeting the decision to withdraw the pre-emption right of all shareholders of the Company to acquire the new Shares was adopted. The pre-emptive right was revoked for the purpose of implementing the conversion right of the EBRD under the agreement of subordinated convertible loan concluded by the Bank and the EBRD on 23 February 2013, by converting the granted loan into Shares of the Bank. Thus, in the General Meeting the decision was also adopted to provide the EBRD a right to acquire all the Shares of the new issue (57,142,857 units), paying for these Shares by offsetting mutual commitment between the Bank and the EBRD under the indicated subordinated convertible loan agreement. After signing the Share Subscription Agreement for subscription of new Shares, the Company has asked for a permission from the LB for the authorised capital increase and changing of the Articles of Association respectively on 9 November 2018. When the permission of the LB is received, the Company will immediately notarise the documents of authorise capital increase and will register new Articles of Association with the Register of Legal Entities. The new Articles of Association shall be registered in the Register of Legal Entities within 3 business days.

On 8 October 2018 the Bank was informed that the parties of above mentioned Shareholders' Agreement have signed the agreement to terminate this Agreement. The termination agreement provides that the Shareholders' Agreement will be deemed to expire on the date when 57,142,857 ordinary registered shares of the Bank with a nominal value of EUR 0.29 each, issued seeking to implement the EBRD's right to convert the subordinated convertible loan of EUR 20 million granted to the Bank, shall be transferred to the EBRD's securities account. For more information on this please see Section 4.9.3 *Significant Changes in the Issuer's Financial or Trading Position*.

Thus, on the day when the new Articles of Association with the increased authorised capital will be registered, the EBRD's shareholding and held votes will increase to 156,308,983, which will constitute 26.02% of all the Shares and votes in the General Meeting. In addition to that Invalda INVL AB shareholding will be 6.14% and Gintaras Kateiva will be 5.26% and there will be no abovementioned group of persons acting in concert. Apart from that no other changes in the shareholders structure will be made as a result of the capital increase.

In the table below the information is provided on shareholders of the Company, if the authorised capital of the Company will be increased and the Shareholders' Agreement terminated, as indicated above.

Table 6. Shareholders of the Company, which would hold more than 5% of the authorised capital of the Company, if the above conditions will be fulfilled

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	36,899,246	6.14	-	6.14
3.	Gintaras Kateiva	31,628,103	5.26	-	5.26
4.	Algirdas Butkus	36,748,052	6.12	-	6.12

	with controlled companies Prekybos namai Aiva UAB, Mintaka UAB

Source: the Company

In addition to that, if the authorised capital of the Company will be increased, as indicated above, the managers of the Issuer shall be considered to be holding in total 14.31% of Shares and votes in the General Meeting.

4.9 Financial Information Concerning the Issuer's Assets and Liabilities, Financial Position and Profit and Losses

4.9.1 Historical Financial Information

IFRS Financial Statements and Consolidated Interim Information, incorporated by reference to this Prospectus are provided in the tables below. Unless otherwise stated, this information should be read in conjunction with, and is qualified in its entirety by reference to, such IFRS Financial Statements and Consolidated Interim Information and related notes.

The statement of the financial position of the Group for the years ended 31 December 2017 and 31 December 2016 based on the audited IFRS Financial Statements as well as for the nine months period ended 30 September 2018 based on the unaudited Consolidated Interim Information is provided in the table below.

Table 7. Consolidated statement of the financial position, EUR thousand

Balance Sheet	**30 September 2018**	**30 September 2017**	**31 December 2017**	**31 December 2016**
ASSETS				
Cash and cash equivalents	116,247	164,605	129,738	153,867
Securities in the trading book (until 31-12-2017 securities at fair value through profit or loss)	59,906	48,364	49,175	57,427
Due from other banks	1,888	1,800	2,218	5,337
Derivative financial instruments	3,147	4,110	3,031	8,983
Loans to customers	1,229,917	1,064,756	1,098,327	953,609
Finance lease receivables	118,668	86,841	91,139	69,807
Investment securities at fair value	20,383	11,364	16,472	19,168
Investment securities held to collect cash flows (until 31-12-2017 held to maturity)	613,726	555,059	576,260	524,054
Intangible assets	4,352	4,246	4,535	4,180
Property, plant and equipment	9,449	10,919	10,702	11,469
Investment property	9,734	9,705	12,230	16,804
Current income tax prepayment	1,365	9	16	70
Deferred income tax asset	1,211	986	718	665
Other assets	36,022	34,692	36,201	35,838
Total assets	**2,226,015**	**1,997,456**	**2,030,762**	**1,861,278**
LIABILITIES				
Due to other banks and financial institutions	47,522	90,136	55,717	89,793

Balance Sheet	30 September 2018	30 September 2017	31 December 2017	31 December 2016
Derivative financial instruments	1,552	3,237	1,894	175
Due to customers	1,841,017	1,613,575	1,648,053	1,495,087
Debt securities in issue	20,099	-	20,003	-
Special and lending funds	5,135	7,512	13,336	28,326
Subordinated loan	29,244	32,581	34,203	22,064
Current income tax liabilities	106	3,837	3,735	4,790
Deferred income tax liabilities	550	469	525	468
Liabilities related to insurance activities	28,417	26,535	27,232	25,515
Other liabilities	16,717	17,080	16,088	15,543
Total liabilities	**1,990,359**	**1,794,962**	**1,820,786**	**1,681,761**
EQUITY				
Share capital	157,639	131,366	131,366	109,472
Reserve capital	756	756	756	756
Statutory reserve	10,369	7,177	7,177	4,157
Financial assets revaluation reserve	(700)	530	530	311
Retained earnings	67,592	62,665	70,147	64,821
Total equity	**235,656**	**202,494**	**209,976**	**179,517**
Total liabilities and equity	**2,226,015**	**1,997,456**	**2,030,762**	**1,861,278**

Sources: IFRS Financial Statements, Consolidated Interim Information

The statement of the comprehensive income of the Group for the years ended 31 December 2017 and 31 December 2016 based on the audited IFRS Financial Statements as well as for the nine months period ended 30 September 2018 based on the unaudited Consolidated Interim Information is provided in the table below.

Table 8. Consolidated statement of profit or loss and other comprehensive income, EUR thousand

Profit and Loss Statement	2018 Q1-Q3	2017 Q1-Q3	2017	2016
Interest and similar income	52,104	50,153	67,078	65,934
Interest expense and similar charges	(6,383)	(8,049)	(9,921)	(12,013)
Net interest income	**45,721**	**42,104**	**57,157**	**53,921**
Fee and commission income	14,056	11,489	15,752	14,115
Fee and commission expense	(3,788)	(3,607)	(4,800)	(4,702)
Net fee and commission income	10,268	**7,882**	**10,952**	**9,413**
Net gain from operations with securities	1,948	2,128	2,923	6,164
Net gain from foreign exchange and related derivatives	5,036	3,467	4,829	4,477
Net gain (loss) from other derivatives	(19)	(1,972)	(2,885)	(1,913)
Net loss from changes in fair value of subordinated loan	4,959	(10,520)	(12,139)	(1,644)
Net gain from derecognition of financial assets	424	2,936	3,178	12,644
Net gain (loss) from disposal of tangible assets	1,139	2,828	2,897	612
Revenue related to other activities of Group companies	4,858	8,552	10,539	15,293
Other operating income	919	1,079	1,366	1,688
Salaries and related expenses	(15,417)	(14,196)	(20,192)	(18,340)

Profit and Loss Statement	2018 Q1-Q3	2017 Q1-Q3	2017	2016
Depreciation and amortization expenses	(1,468)	(1,461)	(1,863)	(1,773)
Expenses related to other activities of Group companies	(3,657)	(6,905)	(8,686)	(12,766)
Other operating expenses	(7,983)	(7,469)	(10,293)	(9,677)
Operating profit before impairment losses	**46,728**	**28,453**	**37,783**	**58,099**
Reversal of allowance/(allowance) for impairment losses on loans, finance lease receivables and other assets	(4,791)	2,040	1,974	(7,775)
Profit before income tax	**41,937**	**30,493**	**39,757**	**50,324**
Income tax expense	(3,441)	(5,848)	(7,630)	(6,658)
Net profit for the period	**38,496**	**24,645**	**32,127**	**43,666**

Sources: IFRS Financial Statements, Consolidated Interim Information

The statement of changes in equity of the Group for the years ended 31 December 2017 and 31 December 2016 based on the audited IFRS Financial Statements as well as for the nine months period ended 30 September 2018 based on the unaudited Consolidated Interim Information is provided in the table below.

Table 9. Consolidated statement of changes in equity, EUR thousand

Statement of changes in equity	Share capital	Reserve capital	Accumulated other comprehensive income	Statutory reserve	Retained earnings	Total
1 January 2017	**109,472**	**756**	**311**	**4,157**	**64,821**	**179,517**
Increase in share capital through bonus issue of shares	21,894	-	-	-	(21,894)	-
Transfer to statutory reserve	-	-	-	3,020	(3,020)	-
Payment of dividends	-	-	-	-	(1,887)	(1,887)
Total comprehensive income	-	-	141	-	19,237	19,378
30 September 2017	**131,366**	**756**	**530**	**7,177**	**62,665**	**202,494**
Total comprehensive income	-	-	78	-	12,890	12,968
31 December 2017	**131,366**	**756**	**530**	**7,177**	**70,147**	**209,976**
Impact of change in accounting principles	-	-	(898)	-	(8,194)	(9,092)
1 January 2018	**131,366**	**756**	**(368)**	**7,177**	**61,953**	**200,884**
Increase in share capital through bonus issue of shares	26,273	-	-	-	(26,273)	-
Transfer to statutory reserve	-	-	-	3,192	(3,192)	-
Payment of dividends	-	-	-	-	(2,265)	(2,265)

Statement of changes in equity	Share capital	Reserve capital	Accumulated other comprehensive income	Statutory reserve	Retained earnings	Total
Reversal of deferred income tax previously recognized directly in equity	-	-	-	-	(1,127)	(1,127)
Total comprehensive income	-	-	(332)	-	38,496	38,164
30 September 2018	**157,639**	**756**	**(700)**	**10,369**	**67,592**	**235,656**

Sources: IFRS Financial Statements, Consolidated Interim Information

The statement of the cash flows of the Group for the years ended 31 December 2017 and 31 December 2016 based on the audited IFRS Financial Statements as well as for the nine months period ended 30 September 2018 based on the unaudited Consolidated Interim Information is provided in the table below.

Table 10. Statement of the cashflows, EUR thousand

Cashflow statement	2018 Q3	2017 Q3	2017	2016
Operating activities				
Interest received on loans and advances	43,816	39,532	55,595	53,682
Interest received on securities in the trading book	964	995	1,254	1,800
Interest paid	(6,326)	(7,655)	(9,647)	(13,106)
Fees and commissions received	14,056	11,489	15,752	14,115
Fees and commissions paid	(3,788)	(3,607)	(4,800)	(4,702)
Net cash inflows from trade in securities in the trading book (until 31-12-2017 securities at fair value through profit or loss)	(7,314)	10,011	7,654	14,915
Net inflows from foreign exchange operations	3,577	9,379	9,152	4,812
Net inflows from derecognition of financial assets	424	2,936	2,026	17,441
Net inflows from disposal of tangible assets	2,856	6,670	5,962	4,128
Cash inflows related to other activities of Group companies	5,777	9,631	11,905	16,946
Cash outflows related to other activities of Group companies	(3,657)	(6,905)	(7,391)	(8,284)
Recoveries on loans previously written off	1,386	1,068	1,245	975
Salaries and related payments to and on behalf of employees	(15,415)	(14,206)	(19,953)	(18,190)
Payments related to operating and other expenses	(8,035)	(11,852)	(10,276)	(7,800)
Income tax paid	(8,887)	(7,101)	(8,664)	(2,900)
Net cash flow from operating activities before change in operating assets and liabilities	**19,434**	**40,385**	**49,814**	**73,832**
Change in operating assets and liabilities:				
Decrease in due from other banks	330	3,722	3,119	1,440
(Increase) in loans to customers and	(176,549)	(127,714)	(155,379)	(129,184)

Cashflow statement	2018 Q3	2017 Q3	2017	2016
finance lease receivables				
Decrease (increase) in other assets	763	(5,886)	(4,694)	1,473
Increase (decrease) in due to banks and financial institutions	(8,153)	10,284	(34,545)	39,198
Increase in due to customers	192,865	118,670	153,161	59,975
Increase (decrease) in special and lending funds	(8,201)	(20,814)	(14,990)	20,135
Increase (decrease) in other liabilities	1,480	2,583	2,039	(3,059)
Change	**2,535**	**(19,155)**	**(51,289)**	**(10,022)**
Net cash flow from (used in) from operating activities	**21,969**	**21,230**	**(1,475)**	**63,810**
Investing activities				
Acquisition of property, plant and equipment, investment property and intangible assets	(675)	(1,808)	(1,450)	(4,044)
Disposal of property, plant and equipment, investment property and intangible assets	3,900	6,872	8,114	2,692
Acquisition of securities held to collect cash flows (until 31-12-2018 held to maturity)	(107,178)	(130,435)	(149,508)	(87,659)
Proceeds from redemption of securities held to collect cash flows (until 31-12-2018 held to maturity)	67,715	99,430	85,897	55,794
Interest received on securities held to collect cash flows (until 31-12-2018 held to maturity)	7,583	8,686	13,177	13,229
Dividends received	29	-	15	62
Acquisition of available-for-sale securities	(7,070)	(3,000)	(15,021)	(5,776)
Sale or redemption of available-for-sale securities	2,334	11,252	17,502	10,743
I Interest received on available-for-sale securities	167	387	481	628
Business acquisition	-	-	-	1
Net cash flow (used in) from investing activities	**(33,195)**	**(8,616)**	**(40,793)**	**(14,330)**
Financing activities				
Payment of dividends	(2,265)	(1,876)	(1,864)	(625)
Issue of debt securities	-	-	20,003	-
Net cash flow (used in) financing activities	**(2,265)**	**(1,876)**	**18,139**	**(625)**
Net increase (decrease) in cash and cash equivalents	**(13,491)**	**10,738**	**(24,129)**	**48,855**
Cash and cash equivalents at 1 January	**129,738**	**153,867**	**153,867**	**105,012**
Cash and cash equivalents at end of the period	**116,247**	**164,605**	**129,738**	**153,867**

Sources: IFRS Financial Statements, Consolidated Interim Information

Table 11. Selected Financial Information, EUR thousand

	Quarter ended 30 September		Year ended 31 December	
	2018	2017	2017	2016

Net interest income	**45,721**	**42,104**	**57,157**	**53,921**
Growth, %	8.6%	3.2%	6.0%	10.5%
Net fee and commission income	**10,268**	**7,882**	**10,952**	**9,413**
Growth, %	30.3%	20.6%	16.3%	17.1%
Operating profit before impairment losses	**46,728**	**28,453**	**37,783**	**58,099**
Net profit for the period	**38,496**	**24,645**	**32,127**	**43,666**
Assets	**2,226,015**	**1,997,456**	**2,030,762**	**1,861,278**
Cash and cash equivalents	116,247	164,605	129,738	153,867
Loans to customers	1,229,917	1,064,756	1,098,327	953,609
Investment securities held to collect cash flows (until 31-12-2017 held to maturity)	613,726	555,059	576,260	524,054
Finance lease receivables	118,668	86,841	91,139	69,807
Securities in the trading book (until 31-12-2017 securities at fair value through profit or loss)	59,906	48,364	49,175	57,427
Other assets	87,551	77,831	86,123	102,514
Liabilities	**1,990,359**	**1,794,962**	**1,820,786**	**1,681,761**
Due to other banks and financial institutions	47,522	90,136	55,717	89,793
Due to customers	1,841,017	1,613,575	1,648,053	1,495,087
Subordinated loans	29,244	32,581	34,203	22,064
Liabilities related to insurance activities	28,417	26,535	27,232	25,515
Debt securities in issue	20,099	-	20,003	-
Other liabilities	24,060	32,135	35,578	49,302
Shareholders' equity	**235,656**	**202,494**	**209,976**	**179,517**

Sources: IFRS Financial Statements, Consolidated Interim Information, the Company

PRUDENTIAL STANDARDS	**Period ended 30 September**		**Year ended 31 December**	
	2018	**2017**	**2017**	**2016**
LIQUIDITY RATIOS				
LCR,% (Financial group)	264	321	313	339
SOLVENCY RATIOS				
Capital adequacy ratio, %	15.27	15.88	15.53	17.03

Source: the Company

The ratios were calculated in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (“CRR”).

KEY RATIOS AND INDICATORS*	**Period ended 30 September**		**Year ended 31 December**	
	2018	**2017**	**2017**	**2016**
PROFITABILITY RATIOS				
ROAA,%	2.40	1.71	1.63	2.46
ROAE,%	23,37	17.06	16.05	26.06
Cost to Income,%	37.91	51.35	52.06	42.29
Recurring activities result, EUR thousand	38,070	33,576	45,127	41,453

Sources: IFRS Financial Statements, Consolidated Interim Information, the Company

Performance measures calculated using IFRS Financial Statements and Consolidated Interim Information numbers. The table below provides a list of profitability ratios calculation methodology, and the main rationale for using it.

APM	Formula	Rationale for using the APM
Net interest income growth, %	Net interest income (current period)/ Net interest income (previous period)*100% period ended 30 September – (net interest income for 9 months of current period)/(net interest income for 9 months of previous period)*100% period ended 31 December – (net interest income for current year)/(net interest income for previous year)*100%	The ratio shows the growth of net interest income in percentage compared to numbers for the previous period and indicates the growth rate.
Net fee and commission income growth, %	Net fee and commission income (current period)/ Net fee and commission income (previous period)*100% period ended 30 September – (net fee and commission income for 9 months of current period)/(net fee and commission income for 9 months of previous period)*100% period ended 31 December – (net fee and commission income for current year)/(net fee and commission income for previous year)*100%	The ratio shows the growth of net fee and commission income in percentage compared to numbers for the previous period and indicates the growth rate.
Return on average assets, (ROAA) %	Net profit for the period/ Average total assets for the last four quarters period ended 30 September – (net profit for 9 months/3*4)/((sum of total assets for the last four quarters)/4)*100% period ended 31 December – net profit for the year/((sum of total assets for the last four quarters)/4)*100%	The ratio shows the percentage return the company earns from assets. The higher the ratio, the more efficient use of assets.
Return on average equity, (ROAE) %	Net profit for the period/ Average total equity for the last four quarters period ended 30 September – (net profit for 9 months/3*4)/((sum of total equity for the last four quarters)/4)*100% period ended 31 December – net profit for the year/((sum of total equity for the last four quarters)/4)*100%	The ratio shows the percentage return the company earns from equity. Higher ROAE ratio is considered as better.
Cost to income ratio, %	**Operating costs/ Operating income*100%** Operating costs (which is a total of income statement lines): • Salaries and related expenses; • Depreciation and amortization expenses; • Expenses related to other activities of Group companies; • Other operating expenses. Operating income (which is a total of income statement lines): • Net interest income; • Net fee and commission income; • Net gain from operations with securities; • Net gain from foreign exchange and related derivatives; • Net loss from other derivatives; • Net loss from changes in fair value of subordinated loan; • Net gain from derecognition of financial assets; • Net gain from disposal of tangible assets; • Revenue related to other activities of Group companies; • Other operating income.	The ratio indicates the amount of cost used to earn one euro of income. Lower cost to income ratio is considered as better.

Recurring activities result	**Operating profit before impairment losses – Non-recurring earnings** Non-recurring earnings calculated as a total of income statement lines: • Net loss from other derivatives. • Net loss from changes in fair value of subordinated loan. • Net gain from derecognition of financial assets. • Net gain from disposal of tangible assets. • Net gain from operations with securities (sale of investment securities held to collect cash flows) Note: Amounts from other income statement lines can be included if treated as non-recurring	Non-recurring earnings is a non-IFRS performance measure used for Bank's analysis. It aims to show a part of earnings that is attributable to one-off transactions or transactions that are not typical to the Group's main activity.

There were no significant changes in the Issuer's financial or trading position, which has occurred since the end of 31 December 2017.

Summary of Independent Auditor's Reports

The IFRS Financial Statements for the years ended 31 December 2017 and 31 December 2016, incorporated by reference to this Prospectus have been audited by PricewaterhouseCoopers UAB. In auditor's opinion, IFRS Financial Statements for both years ended 31 December 2017 and 31 December 2016 give a true and fair view of the separate and consolidated financial position of the Bank and the Group as at 31 December 2017 and 31 December 2016, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards, as adopted by the European Union. Apart from that, no other information in the Prospectus has been audited by the auditors.

Full independent Auditor's reports are presented together with IFRS Financial Statements which are incorporated by reference to this Prospectus.

The Consolidated Interim Information, which is incorporated by reference to this Prospectus was neither audited nor subject to a review by the auditor.

4.9.2 Legal and Arbitration Proceedings

Neither the Company nor any of its Subsidiaries have, during the 12 months preceding the date of this Prospectus, been or are currently involved in any material governmental, legal or arbitration proceedings (including any such proceedings which are pending or threaten of which the Company is aware) which may have or have had in the past, significant effects on the Issuer's and or the Group's financial position or profitability. Disregarding this the Company is currently involved in the following disputes:

Ongoing investigation

As it was indicated by the Bank in the material event notification, dated 5 June 2018, the General Police Commissariat of Klaipėda district has been investigating the circumstances of the credit issued by the Bank 6 years ago relating to the possible unlawful conduct of businessman Vladimir Romanov as well as related natural persons and legal entities.

In 2012, prior to the announcement of Ūkio bankas bankruptcy, the Bank issued a credit to the company associated with V. Romanov, repayment of which was secured by a real estate mortgage. At the moment, the credit agreement has expired and will have no impact on the results of the Bank's performance.

In the course of the investigation, the General Police Commissariat of Klaipėda district expressed suspicions to several employees of the Bank's administration. The allegations are likely to be brought on the basis of the testimonials of persons related to V. Romanov and the suspects in this investigation.

It should be emphasized that in 2012 issuing the credit the Bank complied with all requirements and procedures set out for credit institutions relating to issue of credits.

The ongoing process does not affect the continuity of the Bank's performance and its daily operation. The Bank meets all the requirements and standards set out for the Bank's activities and the obligations assumed with regard to the clients are and will be fulfilled. The Bank has informed the LB about the ongoing investigation.

The Bank is collaborating with the investigative institutions, it considers the expressed allegations as a formal procedural event carried out by the law enforcement authorities and believes that investigation of the situation and required necessary investigative actions carried out by the law enforcement authorities will lead to the elimination of suspicions against the employees.

In accordance with the legislation on pre-trial investigations, the Bank cannot disclose more information during the process of investigation until the relevant authorities have given the respective permission.

The LB imposed a fine for a consumer credit advertisement

As it was indicated by the Bank in the material event notification, dated 30 August 2018, on 29 August 2018 the Bank received a notification regarding resolution of the Board of the LB dated 28 August 2018 to impose a fine amounting to 0.03% from the total annual operating income of 2017, i.e. EUR 28,113 of the Bank. The LB, following Article 4 (1) of the Law on Consumer Credit of the Republic of Lithuania, imposed the fine based on the fact that the information provided in the standard sample of the Bank’s consumer credit advertisement announced on television was shown in a smaller font compared to the information of the promotional text and was displayed too short.

The imposed fine will have no effect on the Bank's results and financial position. Advertising its financial services the Bank complies with the principles of responsible lending, seeks and will seek in the future to duly fulfil legislative requirements set for advertisements of financial services.

Please also note that the analogous investigation is currently been executed regarding the Subsidiary SB lizingas UAB. Until there is no binding decision with this respect, the Bank may not predict the outcome of this investigation.

4.9.3 Significant Changes in the Issuer’s Financial or Trading Position

Since the end of the last period for which the Company’s audited consolidated financial information exists (31 December 2017), the main financial and operational development of the Issuer has been as follows (as indicated in the publicly disclosed information of the Company on the stock exchange information system of Nasdaq as material events; not mentioning regular announcements re convocation of the General Meetings, their adopted decisions, transactions in Shares of the Bank, concluded by the managers, etc.):

1. On 23 January 2018 the Company informed[10], that at the request of the Subsidiary Šiaulių Banko Lizingas UAB, on 22 January 2018 the LB passed a resolution to delist Šiaulių Banko Lizingas UAB from the List of Public Consumer Credit Providers. The rights and liability of Šiaulių Banko Lizingas UAB under the effective consumer credit agreements have been transferred to other consumer credit providers such as the Subsidiary SB Lizingas UAB and the Bank.

[10] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=819893&messageId=1030450.

2. On 4 April 2018 the Company informed[11], that in order to pay a part of the variable remuneration to the employees' group in the Bank's shares as set out in the requirements of the Variable Remuneration Policy of the LB, the transactions of the Bank's share purchase have been concluded on Nasdaq on 3 April 2018 in compliance with the joint orders of the employees' group. 1,624,394 units of the Shares purchased through these transactions pay the Bank and entities of Bank's financial group, thus, fulfilling the obligation to pay part of the variable remuneration in Shares of the Bank.

3. On 5 June 2018 the Company informed on the ongoing investigation[12] (for more information on this issue please see the link, indicated in the footnote or in Section 4.9.2 *Legal and Arbitration Proceedings* above).

4. On 22 June 2018 the Company informed[13], that under the resolution of the Board of the LB from 30 June 2019 onwards a countercyclical capital buffer rate of 1.0 (one) per cent shall apply in the Republic of Lithuania. A countercyclical capital buffer rate of 0.5 per cent shall apply from 31 December 2018. The current capital buffer of the Bank is sufficient; therefore increase of the countercyclical capital buffer rate from 0.5 per cent to 1.0 per cent would not require any additional measures to ensure the fulfilment of the new requirement.

5. On 7 August 2018 the Company informed[14], that on 6 August 2018 the Bank received loan conversion notice from EBRD on the implementation of the right to convert the loan granted to the Bank under Subordinated Convertible Loan Agreement, concluded on 23 February 2013. Under this agreement EBRD has a right, at its sole discretion, to demand the Bank to convert the loan into ordinary Shares of the Bank. The Bank received demand to convert the whole outstanding principal amount of the loan, which on the date amounts to EUR 20,000,000, conversion price should be equal to EUR 0.35 per Share.

6. On 30 August 2018 the Company informed on the imposed fine by the LB for a consumer credit advertisement[15] (for more information on this issue please see the link, indicated in the footnote or in Section 4.9.2 *Legal and Arbitration Proceedings* above).

7. On 8 October 2018 the Company informed[16], that as it was informed on 8 October 2018, the Bank's shareholders – Prekybos namai Aiva UAB, Mintaka UAB, Įmonių grupė Alita AB, Gintaras Kateiva, Arvydas Salda, Algirdas Butkus, Kastytis Jonas Vyšniauskas, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius and the EBRD – have signed the agreement to terminate the Shareholders' Agreement dated 3 June 2005. The termination of the Shareholders' Agreement has been prompted by the fact that at the time of signing the goals related to the improvement of the Bank's corporate governance and the implementation of the measures provided for in the Bank's Institution Building Plan have been achieved – the Bank has become a national financial institution specializing in small and medium business financing. During the period of validity of the Agreement, the Bank's capital base and indicators have significantly strengthened. The agreement provides that the Shareholders' Agreement will be deemed to expire on that date when 57,142,857 ordinary registered Shares of Bank with a nominal value of 0.29 euro each, issued seeking to implement EBRD's right to convert the subordinated convertible loan of EUR 20 million granted to the Bank, shall be transferred to the EBRD's securities account.

8. On 18 October 2018 the Company informed[17], that the Bank and the EBRD signed the Framework Agreement, whereby the Bank undertakook to apply the best practices in accordance with the EBRD's policies and guidelines in the areas of environmental compliance, labour relations, social responsibility, fraud and corruption prevention and disclosure of information.

[11] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=832251&messageId=1046440.
[12] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=843418&messageId=1060715.
[13] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=845650&messageId=1063642.
[14] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=850385&messageId=1069689.
[15] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=853473&messageId=1073694.
[16] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=858037&messageId=1079608.
[17] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=859288&messageId=1081208.

9. On 9 November 2018 the Company informed[18], that at the meeting held on 8 November 2018 the Supervisory Council approved the Bank's Dividend Policy (which is attached to the notification). Taking into account the assumptions set out in the policy, the Bank will aim to allocate at least 25 per cent of the Group's annual profit for dividends.

4.10 Material Contracts

In the two years preceding the date of this Prospectus neither the Company nor any Subsidiary has entered into a material contract other than contracts entered into in the ordinary course of business. Furthermore, there are no other agreements entered into by any of the Group companies (except being entered into in the ordinary course of business), which contains any provision under which any Group company has any obligation or entitlement which is material to the Group as at the date of the Prospectus.

[18] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=862806&messageId=1085622.

V DEBT SECURITIES NOTE

5.1 Interest of Natural and Legal Persons Involved in the Issue/Offer

Not applicable. Taking into consideration that this Prospectus was prepared solely for the purpose of the Admission of the Bonds of the Issuer to trading on Nasdaq as well as that there is no public issue/offer of the Bonds (or any part thereof), there are no interests, including conflicting ones related to the Admission of the Bonds to trading on Nasdaq.

5.2 Reasons for the Issue and Use of Proceeds

Not applicable, as this Prospectus was prepared solely for the purpose of the Admission of the Bonds of the Company to trading on Nasdaq.

There is no public issue/offer of the Bonds (or any part thereof). Furthermore, no proceeds will be received by the Company as a result of the Admission.

5.3 Information Concerning the Securities to be Admitted to Trading

Description of the issued Bonds of the Company

Securities to be admitted to trading on Nasdaq:	200,000 Bonds with a nominal value of EUR 100 each (of an aggregate principal amount of EUR 20,000,000), issued by the Company on 21 December 2017
Type of securities:	Transferable debt security representing the Issuer's non-secured and unsubordinated debt obligation that ranks at least at the same rate *pari passu* with all the other unsecured and unsubordinated debt obligations of the Issuer. The Bonds are non-convertible into the equity of the Issuer
ISIN:	LT0000432015
Currency of Bonds:	EUR
Legislation, under which the Bonds shall be created:	The Civil Code of the Republic of Lithuania, the Law on Companies, the Law on Securities, Law on Banks and other related legal acts. All the relations of the Company and the investors in connection with the Bonds shall be determined in accordance with the laws of the Republic of Lithuania, including without limitation, the Law on Companies, Law on Banks and the Law on Protection of Interests of Bondholders. Any disputes, relating to or arising in relation to the Bonds shall be finally settled solely by the courts of the Republic of Lithuania of competent jurisdiction.
Number of Bonds:	200,000
Nominal value and issue price per Bond:	EUR 100
Total nominal value of Bonds:	EUR 20,000,000
Form of Bonds:	The Bonds are registered in book-entry form. According to the Law on Markets in Financial Instruments 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), shall be made by Nasdaq CSD. Entity to be in charge of keeping the records is the Bank itself
Interest rate:	0.60% per annum (act/act)
Issue date:	21 December 2017
Interest payment date:	21 December each year. If such day is not a Business Day, the interest payment day shall be the next Business Day following such date, when

	the Issuer has to pay interest for the Bonds. The first interest payment date shall be 21 December 2018 and the last interest payment date shall be the Maturity Date. Interest Calculation Date (fixing date) – 1 Business Day before interest payment date. On Interest Calculation Date Nasdaq CSD, after request of the Issuer, shall set the list of Bondholders who are eligible for Interest or redemption payment. Interest period shall mean (i) in respect of the first interest period, the period from (and excluding) the issue date to (but including) the first interest payment date, and (ii) in respect of subsequent interest periods, the period from (and excluding) an interest payment date to (but including) the next succeeding interest payment date. Interest (yield) shall be calculated on the "act / act" basis as specified by the International Capital Market Association. A formula for calculation of the Interest shall be the following: AI = F x C x Fractional number of days; AI = accrued interest in EUR; F = nominal value of the Bond; C = Annual interest rate payable on Bonds; Fractional number of days: Number of days in the period, which falls on a leap year / 366; Number of days in the period, which falls on a non-leap year / 365. The Interest shall be paid by the Issuer itself to the Bondholders' accounts indicated, when purchasing the Bonds.
Maturity Date:	21 December 2020. Following a performance of the redemption payment to the account of the Bondholder, in particular the Issuer having made a successful money transfer to the bank of the Bondholder (and the Bondholder having received corresponding money transfer on its account indicated by it, when purchasing the Bonds), the relevant Bonds possessed by the said Bondholder shall be considered redeemed and shall be removed from the securities accounts. If the Maturity Date is a holiday, the Issuer shall make redemption payment on the first Business Day after the holiday observing the terms and conditions stated in this clause. However, if the nearest Business Day after the holiday falls in the next month, Redemption Payment shall be made on the Business Day preceding the holiday. The Bondholders, eligible for redemption payments, will be indicated on the last interest calculation date in the Bondholders list, compiled by Nasdaq CSD. The redemption payments shall be paid by the Issuer itself.
Redemption price of the Bonds:	On the day of redemption, the Bonds shall be repaid in full at their nominal value, with the cumulative interest accrued
Early redemption:	The Issuer has the right to redeem outstanding Bonds prior to the Maturity Date (*call option*) and the Bondholders shall not have rights to demand early redemption of the Bonds (*put option*), except in occurrence of the Event of Insolvency or in occurrence of Event of Default (for more information please see in this Section below). The Issuer may redeem all, but not only some, of the outstanding

	Bonds (*call option*) in full on 21 December 2019 at an amount per Bond equal to 100 per cent of the nominal value together with accrued, but unpaid interest. Redemption shall be made by the Issuer giving not less than 15 Business Days' notice on the redemption. Any such notice is irrevocable. Upon expiry of such notice and the fulfilment of the conditions precedent (if any), the Issuer shall be bound to redeem the Bonds in full at the applicable amounts.
Early redemption price:	100 per cent of the nominal value together with accrued, but unpaid Interest
Credit ratings assigned to the Issuer or the Bonds and status thereof:	The Bonds are not rated and shall not be assigned with the credit ratings as a result of the Admission. As indicated in the material event notification, dated 24 October 2017, On 23 October 2017 Moody's Investors Service announced that it upgraded ratings of the Bank. Long-term deposit rating was improved to Baa3 from Ba1, the rating outlook adjusted to positive. Moody's indicated that the higher rating was provided to the Bank due to improved operating environment in Lithuania, stable bank's profit indicators and increased capitalization.
Listing (Admission) of Bonds:	The Issuer is obliged in the Terms and Conditions to list the Bonds in regulated market (Nasdaq or similar regulated market which meets the regulated market criteria set in MiFID II directive and regulation) within 12 months from the issue date. The Admission of the Bonds to trading on Nasdaq is subject to the approval of the Prospectus by the LB, announcement thereof as well as of summary translation of the Prospectus into Lithuanian by the Company and adoption of the decision by the Board of Nasdaq regarding admission of Bonds to trading on Nasdaq. The Issuer shall submit an application to Nasdaq Board regarding Admission of the Bonds to trading on Nasdaq (the Baltic Bond List). The Company shall take implement all the measures, established in Nasdaq rules, needed that the Bonds would be admitted to trading on Nasdaq as soon as practicably possible. The Management expects that the Bonds shall be admitted to trading on Nasdaq within 1 (one) month as from approval and announcement of the Prospectus. Disregarding this, the Management will put its best endeavours so that this term would be as short as practicable possible. The Issuer shall also put its best efforts to ensure that the Bonds remain listed on Nasdaq. The Issuer shall, following a listing or Admission to trading, take all reasonable actions on its part required as a result of such listing or trading of the Bonds. The Issuer will cover all costs which are related to the Admission of the Bonds to Nasdaq.
No collateral:	The Issuer will not provide any collateral
No cross default:	No cross default provision
No negative pledge:	No negative pledge provision
Decision by which the Bonds are issued:	The Bonds were issued and will be applied for admission to trading on Nasdaq based on the decision of the Management Board No. 50, dated 12 December 2017

Transfer restrictions:	The issued Bonds are freely transferable and encumberable. However, the Bonds cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under Lithuanian laws, including, without limitation, in the United States of America, Australia, Canada, Hong Kong and Japan
Taxation:	All payments to be made in connection with the Bonds shall be calculated and paid taking into account any taxes and other deductions mandatory under applicable law. For more information, related to taxation of the Bonds, please see Section *Taxation* below
Estimated Expenses Charged to the investors:	No expenses or taxes will be charged to the investors by the Issuer in respect to the Admission of the Bonds. 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 Bonds, the holding of the Bonds or any other operations in relation to the Bonds. The Issuer will not compensate the Bondholders for any such expenses

Rights of the Bondholders

A Bond is a fixed-term non-equity (debt) security under which the Company which is the Issuer of the Bond becomes the debtor of the Bondholder and assumes obligations for the benefit of the Bondholder. The Bonds are incorporeal and shall be fixed by entries in the securities accounts of their holders. The Bonds shall grant their holders equal rights.

As from the Maturity Date of the Bonds, Bondholders shall have a right to receive from the Company the nominal value of Bonds and the interest, as indicated above, i.e. he/she/it shall have a right to require, that the Bonds would be redeemed for their redemption price.

Bondholders shall have the rights provided in Law on Protection of Interests of Bondholders, the Civil Code, the Law on Companies, the Law on Banks and other laws regulating the rights of bondholders, as well as the rights specified in the decision to issue Bonds. The Bondholders shall have the following main rights:

- to receive the cumulative interest accrued annually;
- to receive the nominal value of Bonds and the cumulative interest accrued on the Maturity Date of the Bonds;
- to sell or transfer otherwise all or part of the Bonds;
- to bequeath all or part of owned Bonds to the ownership of other persons (applicable only towards natural persons);
- to participate in the Bondholders' Meetings;
- to vote in the Bondholders' Meetings;
- to initiate the convocation of the Bondholders' Meetings following the procedure and in cases provided for in the Law on Protection of Interests of Bondholders;
- to adopt a decision to convene the Bondholders' Meeting following the procedure and in cases provided for in the Law on Protection of Interests of Bondholders;
- to obtain the information about the Issuer, the issue of Bonds or other information related to the protection of his/her/its interests;
- to receive the copy of the contract concluded between the Issuer and the Trustee;
- other rights, established in the applicable laws or in the documents of establishment of the Issuer.

The rights of Bondholders shall be executed during the term of validity of Bonds according to the order, indicated in this Prospectus and the applicable Lithuanian laws.

Representation of Bondholders

Law on Protection of Interests of Bondholders foresees that before issuing Bonds offered for public trading, a company must conclude a civil contract with a trustee of the bond holders (the "Trustee") for representation of bondholders' interest. Under this contract, the Trustee shall undertake to safeguard the interests of the holders of a certain bonds issue in their relations with the Issuer and the Issuer shall undertake to pay remuneration thereto. The Manager has the right to conclude and to terminate the contract with the Trustee.

On 9 October 2018, the Issuer has concluded the civil contract with the Trustee (Legisperitus UAB), which meets the requirements established for the trustees in the Law on Protection of Interests of Bondholders. Contact data of this Trustee is the following: address A. Juozapavičiaus str. 6, Vilnius, Lithuania, tel. +370 698 16 674, e-mail info@legisperitus.lt. As indicated above, each Bondholder is entitled to receive the copy of the civil contract concluded between the Issuer and the Trustee from the Issuer or from the Trustee.

The Company shall pay to the Trustee the fee, indicated in the above contract. The fee shall be paid until full execution of the obligations, indicated in the decision to issue the Bonds, except for the cases when the contract ceases earlier.

A contract on protection of Bondholders' interests expires:

1) when the Company properly discharges all its obligations to Bondholders;
2) when an auditor (in this particular case) loses the right to provide relevant services or when the Trustee acquires the legal status of a "legal entity in bankruptcy" or "liquidation";
3) in other cases, set in the contract on protection of Bondholders' interests;
4) in other cases, set in the Law on Protection of Interests of Bondholders, in the Civil Code of the Republic of Lithuania, the Enterprise Bankruptcy Law of the Republic of Lithuania.

Below please find a brief description of certain provisions of the above contract with the Trustee as well as of the applicable Lithuanian laws, related to rights and obligations of the Trustee, etc.

Main Rights of the Trustee

1) to receive the list of Bondholders from the Issuer;
2) to receive the copy of the Issuer's decision to issue the Bonds;
3) to get acquainted with the documents and information which are necessary to fulfil its functions and to receive the copies of such documents;
4) after having obtained the consent of the Bondholders' Meeting, to conclude contracts with third parties when it is necessary to ensure the protection of the interest of Bondholders;
5) to bring an action to the court for the purpose of safeguarding the rights of the Bondholders.

Trustee, acting on behalf of and for the benefit of Bondholders, has the right to exercise rights of a pledgee and mortgagee when Bonds issued by the Company are secured with a pledge or mortgage, respectively.

Main Obligations of the Trustee

1) to take actions in order that the Company fulfilled its obligations towards the Bondholders;
2) to convene Bondholders' Meetings;
3) to publish information regarding the Bondholders' Meetings being convened under procedure of the Law on Protection of Interests of Bondholders;
4) to provide the Bondholders' Meetings with all relevant documents and information;
5) to provide Bondholders' Meeting, in which the question is being addressed regarding approval of the enforcement measures in respect of Issuer's outstanding commitments to Bondholders, the recommendatory opinion, whereby the reasoned opinion to approve or reject the enforcement measures suggested by the Issuer is provided;

6) to execute the decisions of the Bondholders' Meetings;
7) no later than within 5 (five) Business Days as from the day of receipt of a request of the Bondholder(s) to provide information, to gratuitously present all the information about the Issuer, the issue of Bonds or other information related to the protection of his/her/its/their interests;
8) no later than within 3 (three) Business Days as from the day of receipt of a request of the Bondholder(s) to provide a contract concluded between the Issuer and the Trustee, to gratuitously provide to the Bondholder(s) the copy of such contract;
9) to provide the Bondholder(s) with all other information related to the protection of his/her/its/their interests;
10) no later than on the next Business Day to inform the Issuer that the Trustee has lost the right to provide audit services, or acquired legal status “in bankruptcy” or “in liquidation”.

Bondholders’ Meetings

The right to convene the Bondholders’ Meeting shall be vested in the Trustee, the Bondholders who hold no less than one-tenth of the Bonds of the same issue, providing voting right in the Bondholders’ Meeting and the Issuer. As a general rule, the Bondholders’ Meetings are convened by a decision of the Trustee. The Bondholders and Trustee shall have the right to attend the Bondholders’ Meetings. The Trustee must attend the Bondholders’ Meeting in cases when the Bondholders who hold no less than one-tenth of the Bonds of the same issue providing voting right in the Bondholders’ Meeting approve such a need. The Manager or its authorised person may also attend the Bondholders’ Meeting, unless the Bondholders who hold no less than one-tenth of the Bonds of the same issue providing voting right in the Bondholders’ Meeting contradict thereto.

All expenses in relation to the convening and holding the Bondholders’ Meeting shall be covered by the Issuer.

A notice of convocation of the Bondholders’ Meeting no later than 15 (fifteen) Business Days before the date of the Bondholders’ Meeting shall be published on the Company’s website www.sb.lt as well as a material event notification via Nasdaq information system. If any of the Bondholders expressed his/hers/its request to get notifications on the convocation of the Bondholders’ Meetings via email and provided the email address, the notice of convocation of the Bondholders’ Meeting no later than 15 (fifteen) Business Days before the date of the Bondholders’ Meeting shall also be send via the indicated email. The notice of convocation of the Bondholders’ Meeting shall specify the details of the Issuer, the ISIN of the Bonds, time, place and agenda of the meeting.

The Trustee is obliged to announce on the convocation of the Bondholders’ Meetings on its website (https://legis.lt/) as well.

The Bondholders’ Meeting may be convened without observing the above terms, if all the Bondholders of the same issue, the Bonds held by which carry voting right in the Bondholders’ Meeting, consents thereto in writing.

A Bondholders’ Meeting may take decisions and shall be held valid if attended by the Bondholders who hold more than ½ of Bonds of the same issue, providing voting right in the Bondholders’ Meeting. After the presence of a quorum has been established, the quorum shall be deemed to be present throughout the Bondholders’ Meeting. If the quorum is not present, the Bondholders’ Meeting shall be considered invalid and a repeated Bondholders’ Meeting shall be convened.

A repeated Bondholders’ Meeting shall be convened after the lapse of at least 5 (five) Business Days and not later than after the lapse of 10 (ten) Business Days following the day of the Bondholders’ Meeting which was not held. The Bondholders must be notified of the repeat Bondholders’ Meeting not later than 5 (five) Business Days before the repeat Bondholders’ Meeting following the order, indicated above.

One Bond of the Company carries one vote. A decision of the Bondholders' Meeting shall be considered taken if more votes of the Bondholders, participating in the Bondholders' Meeting and having a voting right have been cast for it than against it, unless this Law on Protection of Interests of Bondholders requires a larger majority.

The Trustee shall chair the Bondholders' Meetings, unless that meeting decides otherwise. The meeting must also elect the secretary thereof. Minutes of the Bondholders' Meeting shall be taken. The minutes shall be signed in 2 (two) copies (to the Company and to the Trustee) by the chairman and the secretary of the Bondholders' Meeting.

The decisions of the Bondholders' Meeting shall be published on the website of the Trustee after the Bondholders' Meeting as soon as possible and without any delay, except parts of the decisions, which include confidential information.

The Bondholders' Meeting shall take the following decisions, which bind all the Bondholders:

1) to remove the Trustee from its position and appoint a new trustee, which meets the requirements of the applicable laws and to also oblige the Issuer to terminate the contract with the existing Trustee and to conclude the contract with the new appointed trustee;
2) to indicate to the Trustee that the violation committed by the Issuer is minor, thus, there is no necessity to take action regarding protection of rights of Bondholders;
3) to approve the enforcement measures in respect of the Issuer's failed commitments to Bondholders, suggested by the Issuer. This decision shall be adopted by a qualified majority of no less than ¾ of Bondholders, participating in the Bondholders' Meeting and having a voting right;
4) to determine, which information the Trustee will have to provide to the Bondholders' Meetings periodically or at the request of the Bondholders and to establish the procedure of provision such information;
5) to adopt other decisions which according to the provisions of Law on Protection of Interests of Bondholders are assigned to the competence of the Bondholders' Meeting.

Resolutions passed at the Bondholders' Meeting shall be binding on all Bondholders of the same issue, except for the cases, when in the decision of the Bondholders' Meeting the instructions to the Trustee are provided to execute certain actions.

Disputes regarding the decisions, adopted in the Bondholders' Meetings shall be settled in the court. The claim may be brought to the court by the Trustee, the Company or any Bondholder, if there are suspicions, that the content of the decision and/or its form, and/or its adoption procedure contradict to the laws regulating these issues or infringes the legitimate interests of the Bondholders. The term of 20 (twenty) Business Days is established for provision of such claims as from the the date on which the claimant found out or had to find out the respective decision.

Events of Default

Upon occurrence of the following events or circumstances (whether each of them separately or together), if they are not remedied within 10 Business Days, shall give each Bondholder the right to request early redemption of the Bonds by the Issuer (the "Event of Default"):
(i) The Issuer does not pay on the interest payment date or Maturity Date any amount due and payable;
(ii) The Issuer defaults on any loan or other financing arrangement to which the Issuer is a party to and the outstanding amount of such a default exceeds EUR 5,000,000 (cross default);
(iii) The Issuer does not comply with the undertaken representations and warranties and failure to comply with such provisions could materially and adversely affect the rights or interests of the Bondholders;
(iv) The Issuer does not list the Bonds on the regulated market within 12 months as from the issue date of the Bonds;

(v) The Issuer does not comply with any other provisions of the Bond documents and failure to comply with such provisions could materially and adversely affect the rights or interests of the Bondholders;

The Event of Default is only capable of remedy if it is not intentional or caused by gross negligence on the part of the Issuer and is practicably capable of being remedied. If the Event of Default is not capable of remedy, the Bondholders have the right to submit the early redemption request immediately and without giving the Issuer 10 Business Days to remedy the Event of Default.

Issuer shall notify the Bondholders of the aforesaid Event of Default as soon as possible but not later than within 5 Business Days of becoming aware of such an Event of Default.

Upon receiving the early redemption request in accordance the Issuer undertakes to pay the Bondholder, who has submitted such request, the nominal value of the Bonds held by the respective Bondholder and all the unpaid Interest calculated on the Bonds held by such Bondholder until the day (included) on which the redemption request was submitted. The Issuer shall pay the respective sums within 5 Business Days of receiving the redemption request to the account of the Bondholder.

Event of Insolvency

At any time after the Event of Insolvency (in respect of the Issuer shall mean, that (a) it is declared to be insolvent and (or) bankruptcy proceedings have been initiated against the Issuer and the relevant decision or ruling has come into force, and (or) an administrator has been appointed; (b) it submits application for its liquidation and (or) a decision to liquidate has been passed; (c) restructuring proceedings have been initiated against the Issuer and the relevant ruling has come into force) has occurred the Bondholder shall have the rights to submit to the Issuer a notification on immediate redemption of its Bonds, irrespective of their non-maturity (put option); in such a case, provided the redemption does not infringe mandatory provisions of the applicable law, the Issuer shall be obliged to redeem the respective Bonds by paying the nominal value of the Bonds and the unpaid interest calculated thereon within 5 Business Days of receipt of such a notification.

Penalties

In case of delay with any payment by the Issuer in relation to the Bonds the Issuer undertook to pay to the harmed Bondholder a default interest on the overdue amount from the due date up to (but including) the date of actual payment at the rate of 0.02% of the delayed amount per each delayed day.

Notices

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

Purchasers

The Issuer and any of its Subsidiaries may at any time purchase the Bonds in any manner and at any price on the secondary market. Bonds 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 Bondholders' Meetings and will not be taken into account in determining how many Bonds are outstanding for the purposes of these terms of the Prospectus.

Force Majeure

The Issuer and/or Nasdaq CSD shall be entitled to postpone the fulfilment of their obligations hereunder, in case the performance is not possible due to continuous existence of any of the Force Majeure circumstances under the applicable laws.

In such case the fulfilment of the obligations may be postponed for the period of the existence of the respective circumstances and shall be resumed immediately after such circumstances cease to exist, provided that the Issuer and/or Nasdaq CSD shall put all best efforts to limit the effect of the above referred circumstances and to resume the fulfilment of their obligations, as soon as possible.

Further Issues

The Issuer may from time to time, without the consent of and notice to the Bondholders, create and issue further bonds. Thus, this Section shall not limit the Issuer's right to issue any other bonds.

Taxation

The following is a general summary of certain tax consideration in the Republic of Lithuania in relation to the Bonds. It is not exhaustive and does not purport to be a complete analysis of all tax consequences relating to the Bonds, as well as does not take into account or discuss the tax implications of any country other than the Republic of Lithuania. The information provided in this Section shall not be treated as legal or tax advice; and prospective investors are advised to consult their own tax advisors as to the tax consequences of the subscription, ownership and disposal of the Bonds applicable to their particular circumstances.

This summary is based on the laws of Lithuania as in force on the date of this Prospectus and is subject to any change in law that may take effect after such date, provided that such changes could apply also retroactively.

On 28 June 2018, amendments to relevant tax laws of the Republic of Lithuania were passed by the Parliament of the Republic of Lithuania. These amendments shall apply as of 1 January 2019. Accordingly, the below information on certain Lithuanian taxes provides information on tax laws applicable until 1 January 2019 and to be applicable as of 1 January 2019.

Taxation of the Bondholders Individuals

<u>Resident and Non-resident Individuals</u>

Please note that taxation of individuals in Lithuania changed as a result of the implementation of Law No. XIII-1335 of the Republic of Lithuania on Amending Articles 2, 6, 16, 20, 21 and 27 of Law No. IX-1007 of the Republic of Lithuania on Personal Income Tax, dated 28 June 2018 (in Lithuanian: *2018 m. birželio 28 d. Lietuvos Respublikos gyventojų pajamų mokesčio įstatymo Nr. IX-1007 2, 6, 16, 20, 21 ir 27 straipsnių pakeitimo įstatymas Nr. XIII-1335*), which was adopted by the Parliament of the Republic of Lithuania on 28 June 2018.

Following the above amendment of the law, capital gains received from the sale of Bonds by the Lithuanian residents are subject to the personal income tax, until 1 January 2019, at the rate of 15% and, as of 1 January 2019, at progressive tax rates of (i) 15%, if the total amount of income (excluding income from employment, self-employment and dividends) received by a Lithuanian resident during a calendar year does not exceed the sum of 120 statistical Lithuanian gross average salaries (this figure according to the data of the 2nd quarter of 2018 is EUR 111,204) and (ii) 20%, which will be applied to any income (excluding income from employment, self-employment and dividends) received by a Lithuanian resident during a calendar year, exceeding the aforementioned threshold. Please also note that the capital gains, received from sale of securities will not be taxed, if its amount does not exceed EUR 500 per year.

However, only permanent residents of Lithuania have an obligation to declare and pay personal income tax. Non-resident has to declare the received income only in case, if he intends to apply a non-taxable minimum of EUR 500, indicated above.

An individual will be considered as a resident of Lithuania during the calendar year for taxation purposes if he/she meets at least one of the criteria laid out in paragraph 1 of Article 4 of the Law On Personal Income Tax of the Republic of Lithuania, i.e.:

- if the individual's permanent place of residence is in Lithuania during the calendar year;
- if the individual's place of personal, social or economic interests is in Lithuania rather than in a foreign country during the calendar year;
- if the individual is present in Lithuania for a period or periods in the aggregate of 183 days or more during the calendar year;
- if the individual is present in Lithuania for a period or periods in the aggregate of 280 days or more during successive calendar years and who stayed in Lithuania for a period or periods in the aggregate of 90 days or more in any of such periods (in such case a person is deemed to be a resident of Lithuania for both years of presence in Lithuania).

Taxation of the Bondholders Entities

Resident Entities

An entity will be considered as a resident of Lithuania for tax purposes if it is established and registered in the Republic of Lithuania. This may also include permanent establishments of foreign entities in Lithuania.

In accordance with provisions of the Law of the Republic of Lithuania on Corporate Income Tax any income of a Lithuanian entity (legal person) from the Bonds, including an interest, shall be considered as a taxable income of the entity. Having disposed of the Bonds a Lithuanian entity shall recognize the gain (the difference between the Bonds purchase and sale price). The income from the Bonds interest and the gain from the disposal of the Bonds shall be included into the overall taxable result of the Lithuanian entity which shall be subject to taxation in the manner set forth in the Law of the Republic of Lithuania on Corporate Income Tax.

Non-Resident Entities

Referring to the provisions of the Law of the Republic of Lithuania on Corporate Income Tax, only interest shall be regarded as income of a foreign entity generated not through permanent establishment in the territory of Lithuania.

Income of a foreign entity which is registered or otherwise organised in a state of the EEA or in a state with which a treaty for the avoidance of double taxation has been concluded and brought into effect shall not be subject to taxation.

A 10 percent withholding tax rate shall be imposed on the income of a foreign entity which is not registered or otherwise organised in a state of the EEA or in a state with which a treaty for the avoidance of double taxation has been concluded and brought into effect. In this case, the person paying interest shall charge and pay corporate income tax in Lithuania on the interest paid to foreign entities.

5.4 Terms and Conditions of the Offer

Not applicable. This Prospectus was not prepared for the public offering of the Bonds (or any part thereof) and was prepared solely for the purpose of the Admission of the Bonds of the Issuer to trading on Nasdaq.

5.5 Admission to Trading

As of the date of this Prospectus, all the existing Bonds of the Issuer (200,000 units) are not listed on the regulated market. This Prospectus was prepared solely for the purpose of the Admission of the Bonds to trading on Nasdaq.

This Prospectus was not prepared for a public offering of the Bonds (or part thereof).

The Admission of the Bonds to trading on Nasdaq is subject to the approval of the Prospectus by the LB, announcement thereof as well as of summary translation of the Prospectus into Lithuanian by the Company and adoption of the decision by the Board of Nasdaq regarding admission of Bonds to trading on Nasdaq.

The Issuer shall submit an application to Nasdaq Board regarding Admission of the Bonds to trading on Nasdaq (the Baltic Bond List) as soon as practically possible. The Company shall take implement all the measures, established in Nasdaq rules, needed that the Bonds would be admitted to trading on Nasdaq as soon as practicably possible.

The Management expects that the Bonds shall be admitted to trading on Nasdaq within 1 (one) month as from approval and announcement of the Prospectus. Disregarding this, the Management will put its best endeavours so that this term would be as short as practicable possible.

The Issuer shall also put its best efforts to ensure that the Bonds remain listed on Nasdaq. The Issuer shall, following a listing or Admission to trading, take all reasonable actions on its part required as a result of such listing or trading of the Bonds.

The Issuer will cover all costs which are related to the Admission of the Bonds to Nasdaq.

The Issuer does not intend to apply for admission of the Bonds (or part thereof) to trading on other regulated markets or equivalent markets.

5.6 Expenses of the Admission

Following the preliminary calculations, the Issuer's fixed expenses, related to the Admission, shall comprise of approximately 0.05% of the issue price of Bonds (including, without limitation, the fixed fees (if any) for the Lithuanian legal counsel, state fee for approval of the Prospectus, fees to the Nasdaq CSD and Nasdaq, fees for preparation of the Prospectus).

The Issuer does not intend to charge any expenses to the investors, related to the Admission.

5.7 Additional Information

Ratings applied to the Company

A credit rating is an indicator providing investors (creditors) with concise information on the potential level of the debtor's capacity to discharge its financial commitments. A high credit rating indicates a lower risk of the debtor's (issuer's) default, and, accordingly, a lower cost of borrowing.

According to the assessment of International rating agency Moody's Investors Service Ltd., registered and as from 31 October 2011 licensed in the United Kingdom, legal entity identifier 549300SM89WABHDNJ349 ("Moody's"), the following ratings apply to the Issuer:

1) a long-term deposit rating – Baa3 – medium grade; Obligations rated Baa are subject to moderate credit risk;

2) a short-term deposit rating – P-3 – Issuers rated Prime – 3 have an acceptable ability to repay short-terms obligations;

3) rating outlook – Positive. A Moody's rating outlook is an opinion regarding the likely rating direction over the medium term. Rating outlooks fall into the following four categories: Positive, Negative, Stable, and Developing (Contingent upon an event),

Please note that as indicated in Section 5.3 *Information Concerning the Securities to be Admitted to Trading*, the Bonds are not rated and shall not be assigned with the credit ratings as a result of the Admission.