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

Prospectus of admission of 2,000 subordinated bonds with a nominal value of EUR 10,000 each, qualifying as Tier 2 capital 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 subordinated 2,000 bonds with a nominal value of EUR 10,000 each, qualifying as Tier 2 capital 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 has been prepared by the Company in accordance with the Regulation (EU) 2017/1129 of the European Parliament and of the Council (the "**Prospectus Regulation**"), Commission Delegated Regulation (EU) 2019/980 (the "**Delegated Regulation**") and the Law of the Republic of Lithuania on Securities (the "**Law on Securities**"). The Bank of Lithuania (the "**LB**") in its capacity as the competent authority in Lithuania under the Prospectus Regulation has approved this document as a prospectus on 27 April 2020. 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.

The approval by the LB of this Prospectus only means that it is meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the quality of the Bonds that are the subject of this Prospectus. The investors have to make their own assessment as to the suitability of investing in the Bonds.

The Prospectus has been drawn up as a simplified prospectus in accordance with Article 14 of Prospectus Regulation.

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.

Subordinated Bonds of the Company – unsecured debt bonds with a fixed-term, non-equity (debt) securities under which the Company has become the debtor of the Bondholders and has assumed obligations for the benefit of the Bondholders. The claim on the principal amount of the Bonds is wholly subordinated to claims of all non-subordinated creditors. The Bonds grants their holders equal rights.

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 LT0000404287. 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
27 April 2020

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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. This Prospectus is a prospectus in the form of a single document within the meaning of the Prospectus Regulation and the Delegated Regulation. Given that the Issuer's Shares have already been admitted to trading on the regulated market (Nasdaq) continuously for a period longer than 18 months, under Article 14 of the Prospectus Regulation and Articles 9 and 15 of the Delegated Regulation, this Prospectus has been prepared as a simplified prospectus and in accordance with Annex 8 (Registration document for secondary issuances of non-equity securities) and Annex 14 (Securities note for retail non-equity securities) of the Delegated Regulation. A financial information of the summary of the Prospectus shall contain the key information set out in Commission Delegated Regulation EU 2019/979.

This Prospectus has been approved by the LB, as competent authority under the Prospectus Regulation on 27 April 2020. The LB only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of quality of the Bonds that are the subject of this Prospectus.

This Prospectus should be read and construed together with any supplement hereto (if any) and with any other documents attached herein and/or incorporated by reference into this Prospectus.

Taking into consideration that this Prospectus contains several hyperlinks to websites, it is also noted that the information on such websites does not form part of the Prospectus and has not been scrutinised or approved by the LB. This shall not apply to hyperlinks to information that is incorporated by reference to this Prospectus (please see Section 1.4 *Information Incorporated by Reference*).

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 Chief Executive Officer 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
CEO 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.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

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 2019 and 31 December 2018 (the "**IFRS Financial Statements**") prepared in accordance with International Financial Reporting Standards (the "**IFRS**") as adopted by the European Union.

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 2019 and 31 December 2018 were audited (please see Section 4.1 *Statutory 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 as percentages do not necessarily add up to 100% 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 31 December 2019. Where not expressly indicated otherwise, all information presented in this Prospectus (including the consolidated financial information of the Group, the facts concerning its operations and any information on the markets in which it operates) 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 31 December 2019, 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 (27 April 2020).

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 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.

Updates. The Company will update the information contained in this Prospectus only by approving and announcing the Supplements to the Prospectus, as is mandatory under applicable law. The Company is under no obligation to update or modify forward-looking statements included in this Prospectus.

Third Party Information and Market Information. The information contained in the Prospectus has been provided by the Issuer and/or received from other sources identified herein. Thus, with respect to certain portions of this Prospectus, some information may have been sourced from third parties. Such information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by such other third parties, no facts have been omitted, which would render the reproduced information inaccurate or misleading. Certain information with respect to the markets in which the Group is 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. Whilst 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 markets or seek professional advice. Information on estimated market shares within certain industries and/or sectors represents the Management's views, unless specifically indicated otherwise.

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 available to the Management as at the date of this Prospectus. Any forward-looking statements included in this Prospectus are subject to risks, uncertainties and assumptions about the future operations of the Group, the macroeconomic 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,* 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 environment. The operations are 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 19 of the Prospectus Regulation:

- The Group's and the Bank's audited consolidated and separate financial statements for the year ended 31 December 2019 together with the consolidated annual report and the independent auditor's report (they may be found at https://www.nasdaqbaltic.com/market/upload/reports/sab/2019_ar_en_eur_con_ias.pdf);
- The Group's and the Bank's audited consolidated and separate financial statements for the year ended 31 December 2018 together with the consolidated annual report and the independent auditor's report (they may be found at https://www.nasdaqbaltic.com/market/upload/reports/sab/2018_ar_en_eur_con_ias.pdf);
- Articles of Association of the Bank (they may be found at https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=868134&messageId=1092379).

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 regulated information base of Lithuania at www.crib.lt.

Documents on Display. Throughout the period or validity 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 business hours. Any interested party may obtain a copy of these documents from the Company without charge. In addition to that, each Bondholder is entitled to receive the copy of the civil contract on 20 December 2019 concluded between the Issuer and the Trustee from the Issuer or from the Trustee, applying among other via an email of the Bank info@sb.lt or an e-mail of the Trustee info@legis.lt.

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 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 used in the Prospectus

In this Prospectus, the definitions in capital letters will have the meanings 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 most importance. Other definitions may be defined elsewhere in the Prospectus.

"Admission"	The 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, with further updates
"Articles of Association"	Articles of Association of the Company

"Bonds"	Subordinated 2,000 Bonds of the Company[1] with a nominal value of EUR 10,000 each, qualifying as Tier 2 instruments (subordinated debt instruments included in the capital structure of the Bank), issued by the Company, registered with Nasdaq CSD under ISIN LT0000404287
"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
"CEO"	The Chief Executive Officer of the Company (Administration Manager)
"Civil Code"	Civil Code of the Republic of Lithuania
"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
"EBRD"	European Bank for Reconstruction and Development
"Delegated Regulation"	Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004
"ECB"	European Central Bank
"EEA"	European Economic Area
"EU"	European Union
"EUR", €, "euro"	The official currency of the European Union Member States that have adopted the single currency, including Lithuania
"General Meeting"	General Meeting of Shareholders of the Company, the supreme body of the Company
"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"	The Company and all its Subsidiaries collectively
"Group Company"	Any entity of the Group (the abbreviation "Group Companies" describes all the Group, i.e. the Company and all direct or indirect Subsidiaries of the Company)
"IFRS"	International Financial Reporting Standards as adopted by the EU
"IFRS Financial Statements"	The Group's and the Bank's audited consolidated and separate financial statements for the years ended 31 December 2019 and 31 December 2018 together with the annual reports and independent auditor's reports on the financial statements and on the annual reports

[1] Subordinated bonds – are securities constituting unsecured and subordinated obligations of the Issuer and rank at the same rate (*pari passu*) among themselves and at least at the same rate (*pari passu*) with all other present and future unsecured and subordinated obligations of the issuer, save for those that have been accorded by law preferential rights; in case of bankruptcy of the issuer the subordinated obligations shall be satisfied only after all claims of other (unsubordinated) creditors are satisfied.

“Key Executives”	CEO (Administration Manager), Deputy Chief Executive Officers (Head of Finance and Risk Management Division and Head of Sales and Marketing Division), Head of Business Development Division, Head of Accounting and Tax Division and Head of Legal and Administration Division
“Law on Banks”	Law of the Republic of Lithuania on Banks
“Law on Companies”	Law of the Republic of Lithuania on Companies
“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
“Law on Securities”	Law of the Republic of Lithuania on Securities
"LB”	The Bank of Lithuania
“Major Shareholders”	Shareholders of the Company, as indicated in Section 4.8 *Major Shareholders*
“Management”	The Management Board collectively with the Key Executives
“Management Board”	The Management Board of the Company
“Market Abuse Regulation”	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse
“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
“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 these Baltic countries, legal entity code 304602060, registered at the address Konstitucijos ave. 29-1, Vilnius, Lithuania
“Prospectus”	This document, prepared for the purpose of the Admission, including its annexes, information incorporated by reference and supplements, if any
“Prospectus Regulation”	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC
“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”	Ordinary registered shares of the Company with the nominal value of EUR 0.29 each issued and outstanding at any time
“Subsidiaries”	Subsidiaries of the Issuer, indicated in the IFRS Financial Statements, incorporated by reference to this Prospectus
“Supervisory Council”	The Supervisory Council of the Company
“Summary”	The summary of this Prospectus
“Terms and Conditions”	Terms and Conditions for the Bank’s Bonds issue, as described in Section 5.3 *Information Concerning the Securities to be Admitted to*

	Trading and in the document, signed by the investors, when subscribing the Bonds
"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

<table>
<tr><th colspan="2">Introduction and warnings</th></tr>
<tr><td colspan="2">This Summary (the “Summary”) is not the prospectus for the the Admission of the Bonds to trading on Nasdaq and should be read merely as an introduction to the same. Any decision to invest in the Bonds by the investors should be based on consideration of the Prospectus as a whole by the investor. The information in the Summary is presented as of the date of announcement hereof, unless indicated otherwise. Civil liability in relation to this Summary attaches only to those persons who have tabled the Summary, including any translation hereof, but where the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, or where 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 the Bonds. Investment into Bonds involves risks and the investor may lose all or part of the investment. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

The abbreviations, used in this Summary shall have the same meanings, as in the Prospectus, unless in this Summary they are described otherwise.</td></tr>
<tr><td>Name and international securities identification number (ISIN) of the Bonds</td><td>Šiaulių Bankas AB subordinated 2,000 Bonds with a nominal value of EUR 10,000 each, qualifying as Tier 2 capital, issued by the Company, registered with Nasdaq CSD under ISIN LT0000404287</td></tr>
<tr><td>The identity and contact details of the Issuer, including its legal entity identifier (LEI)</td><td>Business and legal name of the issuer is Šiaulių Bankas AB (the “Company”, the “Bank” or the “Issuer”). The Company is registered with the Register of Legal Entities of the Republic of Lithuania under code 112025254. The contact details of the Company are the following: address Tilžės st. 149, Šiauliai, Lithuania, phone +370 41 595 607, e-mail info@sb.lt. The Company's LEI is 549300TK038P6EV4YU51</td></tr>
<tr><td>The identity and contact details of the competent authority, which has approved the Prospectus, the date of approval of the Prospectus</td><td>The Bank of Lithuania (the “LB”) in its capacity as the competent authority in Lithuania under the Prospectus Regulation has approved the Prospectus on 27 April 2020. The contact details of the LB are the following: address Gedimino pr. 6, LT-01103 Vilnius, Lithuania (for correspondence Totorių g. 4, LT-01121 Vilnius, Lithuania), phone +370 800 50 500, e-mail pt@lb.lt</td></tr>
<tr><th colspan="2">Key information on the Issuer</th></tr>
<tr><td colspan="2">Who is the Issuer of the securities?

Business and legal name of the Issuer is Šiaulių bankas AB. The Company has been established and is currently operating under the laws of the Republic of Lithuania in the form of a public limited liability company (in Lithuanian: akcinė bendrovė or AB) and is established for an indefinite term. The Company's LEI is 549300TK038P6EV4YU51. The Company is the parent company of the Group. The Group includes the Company and the Subsidiaries of the Company, indicated in the IFRS Financial Statements, incorporated by reference to the Prospectus.

Principal activities of the Issuer:

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.</td></tr>
</table>

Major shareholders:

As at the date of the Prospectus and this Summary, the shareholders holding over 5% of all Shares in the Company are the following:

No.	Shareholder	Number of owned shares and votes directly	Percentage owned directly, %	Votes, held by other persons, acting in concert, %	Total, %
1.	EBRD	156,308,983	26.02	-	26.02
2.	Invalda INVL AB	32,949,246	5.48	0.66[2]	6.14
3	Algirdas Butkus	15,015,248	2.50	2.97[3]	5.47
4	Gintaras Kateiva	31,628,103	5.27	0.02[4]	5.29

The control of the Issuer is exercised by the Issuer's shareholders. The Issuer is not aware of any direct or indirect control links and of any common control agreements between its shareholders.

The identity of key managing directors of the Issuer:

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

In addition, the Company employs several Key Executives: the CEO, Deputy Chief Executive Officers (Head of Finance and Risk Management Division and Head of Sales and Marketing Division), Head of Business Development Division, Head of Accounting and Tax Division and Head of Legal and Administration Division, all of who are also the members of the Management Board.

Members of the Management Board and Key Executives

Name, surname	Position within the Issuer	Beginning of term	End of term
Supervisory Council			
Arvydas Salda	Chairman of the Supervisory Council	31.03.2020	Until 31.03.2024, in any case not later than until the ordinary General Meeting in 2024
Gintaras Kateiva	Member of the Supervisory Council	31.03.2020	
Ramunė Vilija Zabulienė	Member of the Supervisory Council (independent)	31.03.2020	
Darius Šulnis	Member of the Supervisory Council	31.03.2020	
Martynas Česnavičius	Member of the Supervisory Council (independent)	31.03.2020	
Miha Košak	Member of the Supervisory Council (independent)	31.03.2020	
Adriano Arietti	Member of the Supervisory Council (independent, on the date of Prospectus he does not yet have a permision of ECB to become Bank's manager)	31.03.2020	
Management			
Algirdas Butkus	Chairman of the Management Board	31.03.2020	Until 31.03.2024, in any case not later than until the ordinary General Meeting in 2024
Vytautas Sinius	Member of the Management Board, CEO	31.03.2020	
Donatas Savickas	Member of the Management Board, Head of Finance and Risk Management Division	31.03.2020	
Daiva Šorienė	Member of the Management Board, Head of Sales and Marketing Division	31.03.2020	
Vita Urbonienė	Member of the Management Board, Head of Accounting and Tax Division	31.03.2020	

[2] Votes, held by its subsidiary INVL Asset Management UAB.
[3] Votes, held by the controlled entities: prekybos namai "Aiva" UAB – 2.05%, Mintaka UAB – 0,92%.
[4] Votes, held by the spouse Vilinda Kateivienė.

Mindaugas Rudys	Member of the Management Board, Head of Business Development Division	31.03.2020	
Ilona Baranauskienė	Member of the Management Board, Head of Legal and Administration Division	31.03.2020	

Source: the Company

The identity of statutory auditors of the Issuer:

PricewaterhouseCoopers UAB. PricewaterhouseCoopers UAB headquarters are registered at J. Jasinskio str. 16B, LT-03163 Vilnius, Lithuania, tel. +370 5 239 2300, fax +370 5 239 2301, audit licence number is 000173. The audit for the years 2019 and 2018 was executed by auditor Mr. Rimvydas Jogėla, auditor's licence No. 000457.

The General Meeting, held on 31 March 2020 has elected audit company KPMG Baltics UAB, registered at Konstitucijos ave. 29, LT-08105 Vilnius, Lithuania, tel. +370 5 2102 600, fax +370 5 2102659, audit licence number is 001446, for the audit of the consolidated annual financial statements of the Bank and the Group for the years 2020 and 2021.

What is the key financial information regarding the Issuer?

In the tables below the key financial information as at the end of each of the financial years ended 31 December 2019 and 31 December 2018 which have been extracted or derived from the IFRS Financial Statements, incorporated by reference to the Prospectus is indicated. The information has been presented in accordance with Annex III of the European Commission Delegated Regulation 2019/979/EU as deemed most appropriate in relation to the offer Bonds by the Company.

Consolidated Income Statement

(EUR'000)	*Year ended 31 December 2019*	*Year ended 31 December 2018*
	Audited	
Net interest income (or equivalent)	72,412	62,826
Net fee and commission income	16,714	14,199
Net impairment loss on financial assets	13,431	6,500
Net trading income	15,013	7,897
Operating profit before impairment loss	68,144	65,744
Net profit or loss attributable to equity holders of the parent	51,522	52,638

Consolidated Balance sheet

(EUR'000)	*As at 31 December 2019*	*As at 31 December 2018*
	audited	
Total assets	2,508,186	2,261,729
Senior debt	0	20,003
Subordinated debt	20,044	0
Loans and receivables from customers (net)	1,672,175	1,386,255
Deposits from customers	2,033,649	1,845,788
Total equity	310,804	274,738
Non performing loans (based on net carrying amount)/Loans and receivables	5.33%	6.23%
Common Equity Tier 1 capital (CET1) ratio	14.99%	15.11%
Total Capital Ratio	16.19%	15.11%
Leverage Ratio calculated under applicable regulatory framework	8.93%	8.75%

Capital and liquidity position remain robust – prudential requirements are implemented with adequate reserve. According to the data as of 31 December 2019 the Bank complied with all the prudential requirements set out by the LB. With revenues growing faster than expenses, operational efficiency remains strong.

Audit qualifications:

There was no qualification or emphasis of the matter in the auditor's report on the Group's and the Company's consolidated and separate financial statements for the year ended 31 December 2019 and 31 December 2018.

What are the key risks that are specific to the Issuer?

Group specific risk factors:

- *Maintaining capital adequacy ratios.* Capital adequacy is the main indicator for assessment of solvency of credit institutions. Failure to maintain sufficient capital to absorb the losses from all the risks the Group is exposed to may lead to failure of the institution to meet its obligations to its creditors. As of the date of the Prospectus the Group is complying with all applicable capital requirements and its capital adequacy ratio as of 31 December 2019 is 16.19% (31 December 2018 – 15.11%) – i.e. higher than required minimum level of 13.4%. Also, the Bank is subject to a non-binding recommendatory Pillar 2 Guidance (P2G) capital buffer of 1%. 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. In response to COVID-19 situation, supervisory authorities announced that they allow banks to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G), the capital conservation buffer (CCB). The LB announced that from 1 April they release the countercyclical capital buffer for Lithuania of 1%.
- *Counterparty credit risk.* 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. Group's maximum exposure to credit risk before collateral held or other credit enhancements amounted to EUR 2.69 billion as of 31 December 2019 and EUR 2.69 billion as of 31 December 2018. Global pandemic situation negatively affects the financial status of Group's counterparties and their ability to meet their obligations to the Group. It is very likely that significant part of Group's customers will have disruptions in their cash flows and will be unable to meet their obligations by original payment schedules. The Bank is offering temporary payment deferrals to its customers impacted by the COVID-19 situation. As of current moment, there are no reliable estimates of the COVID-19 situation to the macroeconomic situation in general, and to Group's credit risk situation in specific. The estimates and scenarios available to the Group's management at current moment forecast a significant increase in credit losses (impairment expenses), which will reduce the profitability of the Group, but no business continuity issues are expected. However, a major scale deterioration in credit risk could have a material impact on Group's capital levels and lead to insufficiency of capital, which could lead to a failure of the respective Group Company to meet its obligations to its creditors.
- *Loan portfolio concentration risk.* The operations of the Group are subject to loan portfolio concentration risk, which by essence is a risk arising from the overall spread of outstanding accounts over the number and variety of clients. As of 31 December 2019, largest exposure amounted to 14.83% of regulatory capital (31 December 2018: 18.23%, while the limit is <25%. As of 31 December 2019 the top 3 industries with largest exposure were Real Estate with 19.19%, Manufacturing with 15.98%, and Wholesale and Retail Trade with 13.63% share of the total corporate loans value provided by the Group. If the concentrations are mismanaged, severely adverse credit situation in a segment where the Group has excessive concentration could have a material impact on Group's capital levels and lead to a failure of the respective Group Company to meet its obligations to its creditors.
- *Liquidity risk.* It refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments related to financial instruments as they actually fall due. If an institution has insufficient liquidity, it may be unable to meet its obligations to its creditors. As of 31 December 2019 the Bank's financial liquidity coverage ratio was equal to 202% (as of 31 December 2018 277%), when the requirement is set at >=100%, indicating rather low Issuer's liquidity risk. COVID-19 situation raises concerns about the possible liquidity issues, therefore the ECB allows banks to operate temporarily below the required liquidity coverage ratio (LCR) level. As of current moment, no negative trends in Group's liquidity position is observed, and estimates and scenarios available to the

Management at current moment do not forecast material liquidity deterioration due to the coronavirus situation.

- *Dependency on information technology.* 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.

General business risk factors:

- *Risk related to COVID-19 pandemic situation* As of current date, the Bank recognizes that it will be impacted by the global pandemic situation, but the severity of the impact is not certain at the moment. Many households and businesses will be negatively affected by the unprecedented nature and extent of the current health and safety measures. While the definite outcome is still uncertain, there is no doubt that many borrowers, especially from certain sectors, will face financial difficulties as their revenues will shrink significantly and they will face difficulties in servicing loans by initial schedule. Forbearance measures are made available by the Bank to its customers (mortgages can have a 6 months interest-only period, other loans – 3 months). The ECB announced that banks can fully use their capital and liquidity buffers. Banks will be allowed to operate temporarily below the level of capital defined by the Pillar 2 Guidance, the capital conservation buffer, and the liquidity coverage ratio. The LB released the countercyclical capital buffer for Lithuania from 1 April 2020. At this moment, the Group expects that the coronavirus situation will significantly affect its credit risk profile – i.e. impairment losses are expected to increase.
- *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. COVID-19 situation has additionaly contributed to and increased market uncertainties.

Legal and taxation risk factors:

- *Exposure to regulatory actions and investigations.* The Group is subject to extensive and comprehensive regulations imposed both through local and through European legal acts. 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 2019 the LB carried out a scheduled inspection of Company on credit risk management and compliance with requirements of anti-money laundering and counter terrorist financing and passed a resolution obliging the Company to correct violations and deficiencies of legislation and imposed a fine of EUR 880 thousand, which is now being contested in the court by the Bank.
- *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. The most important court proceedings in which the Bank is currently involved are listed in the main part of the Prospectus.

Key information on the securities

What are the main features of the securities?

Their type, class and ISIN:

Subordinated 2,000 Bonds with a nominal value of EUR 10,000 each, qualifying as Tier 2 capital, in the amount EUR 20,000,000 issued by the Company, registered with Nasdaq CSD under ISIN LT0000404287.

Their currency, denomination, par value, the number of securities issued and the term of the securities:

Currency of the issue – EUR.

Maturity Date: 23 December 2029. Nominal value and issue price of the Bond: EUR 10,000. Aggregate principal amount of Bonds: EUR 20,000,000.

Annual Interest Rate of the Bonds: 6.15%. Interest Payment Dates: 23 December of each year from 2020 to 2029.

Payments of amounts (whether principal, interest or otherwise, including on the final redemption) due on the Bonds will be made to the Bondholders thereof, as appearing in Nasdaq CSD at the close of business on the Business Day preceding the due date for such payment.

Payments of amounts (whether principal, interest or otherwise, including on the final redemption) due on the Bonds will be made by the Issuer itself to the Bondholders' accounts indicated, when purchasing the Bonds.

The rights attached to the securities:

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 respective 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.

No Bondholder shall be entitled to exercise any right of set-off against moneys owed by the Issuer in respect of such Bonds.

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.

On 20 December 2019, 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: registration address A. Juozapavičiaus str. 6, Vilnius, Lithuania, address for correspondence Šeimyniškių str. 1A, Vilnius, Lithuania, tel. +370 698 16 674, e-mail info@legis.lt.

Any restrictions on the free transferability of the securities:

The Bonds are freely transferable under laws of the Republic of Lithuania. However, any Bondholder wishing to transfer the Bonds must ensure that any offering related to such transfer would not be qualified as a public offering in the meaning of the applicable law. Ensuring that any offering of the Bonds does not fall under the definition of public offering under the applicable law is the obligation and liability of the Bondholder. The securities account managers may temporarily block the Bonds on a Bondholder's securities account to ensure performance of corporate actions regarding the Bonds. In addition to that, 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. It is the Bondholder's obligation to ensure that the offers and sales of Bonds comply with all applicable securities laws.

Where will the securities be traded?

The Bonds shall be applied for introduction to trading on a Baltic Bond List of Nasdaq once the Prospectus has been approved and announced under the requirements of the applicable law.

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 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.

What are the key risks that are specific to the securities?

- *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. 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.
- *Subordination risks.* The Bonds are subordinated to all unsubordinated claims against the Issuer; however, not to the claims, which are subordinated to the Bonds or which rank at the same rate (pari passu) with the Bonds. The subordination of the Bonds means that upon the recovery, liquidation or bankruptcy of the Issuer, all the claims arising from the Bonds shall fall due in accordance with Terms and Conditions and shall be satisfied only after the full satisfaction of all unsubordinated recognised claims against the Issuer in accordance with the applicable law and in particular the Article 87(7) of the Law on Banks (7th ranking claim from the order of satisfaction of creditors claims).
- *Early redemption risk.* According to the Terms and Conditions, the Bonds may be redeemed prematurely on the initiative of the Issuer, any time, but not earlier than after 5 (five) years from the issue of the Bonds, save for the Regulatory Call, also in case of the Tax Event or Capital Event. 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. On the other hand, the Bondholders are not entitled to request early redemption of Bonds.

- *Regulatory Call (Redemption risk in Tier 2 Bonds).* According to the Terms and Conditions, the Regulatory Call may be executed by the Bank, if the relevant subordinated Bonds are likely to be excluded from Tier 2 capital of the Issuer for the purposes of the capital adequacy rules applicable to the Issuer at the relevant time (other than the capital adequacy rules as in force on the Issue Date of the relevant Bonds), or there is a change in the applicable tax treatment of the Bonds which are material and were not foreseeable at the time of their issuance, i.e. the Issuer may redeem the relevant Bonds, subject to the prior permission of the LB, provided that at the relevant time such permission is required (but without any requirement for the consent or approval of the Bondholders), and upon giving not less than 15 nor more than 30 days' irrevocable notice.
- *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, which would mean that the Investors lost all or part of his/her/its investment into Bonds; (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).

Key information on the admission to trading on a regulated market

Under which conditions and timetable can I invest in this security?

Not applicable with respect to the provisions related to public offering, as this Prospectus was not prepared for the public offering of the Bonds (or any part thereof). It was prepared solely for the purpose of the Admission of the Bonds of the Issuer to trading on Nasdaq.

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.

Estimate of the total expenses of the issue and offer:

Following the preliminary calculations, the Issuer's fixed expenses, related to the Admission, shall comprise of approximately 0.07% of the issue price of Bonds (including, without limitation, state fee for approval of the Prospectus, admission fees to the Nasdaq Vilnius and fees for preparation of the Prospectus).

The Issuer does not intend to charge any expenses to the investors, related to 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. Investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. This Prospectus also contains forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those anticipated in the forward-looking statements as a result of various factors, including but not limited to the risks described below and elsewhere in this Prospectus.

It cannot be excluded that over time the list of the risks specified below will no longer be complete or comprehensive. Consequently, these risks cannot be considered as the only risks to which the Group is exposed as at the date of the Prospectus. The Group may be exposed to additional risks and adverse factors of which the Group is unaware or which are believed to be immaterial as at the date of the Prospectus. The occurrence of events described as risks may result in a decline in the market price of the Bonds and, consequently, Investors who purchase the Bonds could lose a part or all of their investment.

3.1 General Business Risks

Risk related to COVID-19 pandemic situation

As of current date, the Bank recognizes that it will be impacted by the global pandemic situation, but the severity of the impact is not certain at the moment. Many households and businesses will be negatively affected by the unprecedented nature and extent of the current health and safety measures. While the definite outcome is still uncertain, there is no doubt that many borrowers, especially from certain sectors, will face financial difficulties as their revenues will shrink significantly and they will face difficulties in servicing loans by initial schedule.

Forbearance measures are made available by the Bank to its customers (mortgages can have a 6 months interest-only period, other loans – 3 months). Additional challenges arise from the organization of operations in the light of the quarantine situation and taking precautionary measures to ensure the safety of customers and employees. The regulators understand the challenge and relax the regulatory requirements. The ECB announced that banks can fully use their capital and liquidity buffers. Banks will be allowed to operate temporarily below the level of capital defined by the Pillar 2 Guidance, the capital conservation buffer, and the liquidity coverage ratio. The LB has released the countercyclical capital buffer for Lithuania from 1 April 2020. At this moment, the Group expects that the coronavirus situation will significantly affect its credit risk profile – i.e. impairment losses are expected to increase.

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. COVID-19 situation has additionaly contributed to and increased market uncertainties.

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 year ended on 31 December 2019 net interest income accounted to 61.11 % of the Groups total operating income[5] (59.90% in 2018). 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.

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 31 December 2019, securities portfolio accounted for 23.94% of Group's assets (31 December 2018: 31.83%). 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. Regarding the floctuations on the markets, related to COVID-19 the value of portfolio of debt decurities of the Bank, held as a liquidity reserve, during the months of March and April decreased approximately by EUR 10 million (approx. 2%). In addition to that, the liquidity of part of securities, held by the Bank also reduced. Thus, liquid funds from this portfolio may be currently received by the Bank only through operations of monetary policy of the ECB, by pledging eligible securities, rather than by selling the secutities on the market.

Foreign currency risk

Foreign currency risk arises primarily from the acquisition of securities denominated in foreign currencies or from foreign currency receivables and liabilities. Foreign exchange rates may be affected by complex political and economic factors, including relative rates of inflation, interest rate levels, the balance of payments between countries, the extent of any governmental surplus or deficit, and from the monetary, fiscal and trade policies pursued by the governments of the relevant currencies. Devaluation, depreciation or appreciation of foreign currency may have significant adverse effect on the value of the Group's assets denominated in foreign currency or increase the euro value of the Group's foreign currency liabilities. The Group's foreign currency risk management is based on monitoring the risk exposure against the limits established for single open currency position. Positions are monitored on a daily basis and the risk management policy is focused on maintaining substantially closed foreign exchange positions. The Group also calculates Overall net open position (ONOP), which is the higher of the total short or total long positions. As of 31 December 2019 the Group's ONOP was equal to 0.22% of Group's capital (0.17% as of 31 December 2018). 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.

[5] 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.

Real estate market risk

As a part of Group's business activities, the Group finances entities operating in Lithuanian real estate sector. As of 31 December 2019 credit exposure to entities operating in real estate and rent and in construction sectors accounted to 14.60% (as of 31 December 2018 14.23%) 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 31 December 2019 real estate with the fair value of EUR 2,522 million (as of 31 December 2018 EUR 1,901 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.

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. This risk is material specifically for the Issuer as:

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

3.2 Group Specific Risk Factors

Maintaining capital adequacy ratios

Capital adequacy is the main indicator for assessment of solvency of credit institutions. Failure to maintain sufficient capital to absorb the losses from all the risks the Group is exposed to may lead to failure of the institution to meet its obligations to its creditors. As of the date of the Prospectus the Group is complying with all applicable capital requirements and its capital adequacy ratio as of 31 December 2019 is 16.19% (31 December 2018 – 15.11%) – i.e. higher than required minimum level of 13.4%. Also, the Bank is subject to a non-binding recommendatory Pillar 2 Guidance (P2G) capital buffer of 1%. 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. In response to COVID-19 situation, supervisory authorities announced that they allow banks to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G), the capital conservation buffer (CCB). The LB announced that from 1 April they release the countercyclical capital buffer for Lithuania of 1%.

Counterparty credit risk

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. Group's maximum exposure to credit risk before collateral held or other credit enhancements amounted to EUR 2.69 billion as of 31 December 2019 and EUR 2.69 billion as of 31 December 2018. Global pandemic situation negatively affects the financial status of Group's counterparties and their ability to meet their obligations to the Group. It is very likely that significant part of Group's customers will have disruptions in their cash flows and will be unable to meet their obligations by original payment schedules. The Bank is offering temporary payment deferrals to its customers impacted by the COVID-19 situation. As of current moment, there are no reliable estimates of the COVID-19 situation to the macroeconomic situation in general, and to Group's credit risk situation in specific. The estimates and scenarios available to the Group's management at current moment forecast a significant increase in credit losses (impairment expenses), which will reduce the profitability of the Group, but no business continuity issues are expected. However, a major scale deterioration in credit risk could have a material impact on Group's capital levels and lead to insufficiency of capital, which could lead to a failure of the respective Group Company to meet its obligations to its creditors.

Loan portfolio concentration risk

The operations of the Group are subject to loan portfolio concentration risk, which by essence is a risk arising from the overall spread of outstanding accounts over the number and variety of clients. As of 31 December 2019, largest exposure amounted to 14.83% of regulatory capital (31 December 2018: 18.23%), while the limit is <25%. As of 31 December 2019 the top 3 industries with largest exposure were Real Estate with 19.19%, Manufacturing with 15.98%, and Wholesale and Retail Trade with 13.63% share of the total corporate loans value provided by the Group. The above concentration risk may have a material adverse effect on the Group's operations, financial condition and results of operations. If the concentrations are mismanaged, severely adverse credit situation in a segment where the Group has excessive concentration could have a material impact on Group's capital levels and lead to a failure of the respective Group Company to meet its obligations to its creditors.

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments related to financial instruments as they actually fall due. If an institution has insufficient liquidity, it may be unable to meet its obligations to its creditors. As of 31 December 2019 the Bank's financial liquidity coverage ratio was equal to 202% (as of 31 December 2018 277%), when the requirement is set at >=100%, indicating rather low Issuer's liquidity risk.

COVID-19 situation raises concerns about the possible liquidity issues, therefore the ECB allows banks to operate temporarily below the required liquidity coverage ratio (LCR) level. As of current moment, no negative trends in Group's liquidity position is observed, and estimates and scenarios available to the Group's management at current moment do not forecast material liquidity deterioration due to the coronavirus situation.

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.

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.

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.

Subordination risks

The Bonds are subordinated to all unsubordinated claims against the Issuer; however, not to the claims, which are subordinated to the Bonds or which rank at the same rate (pari passu) with the Bonds. The subordination of the Bonds means that upon the recovery, liquidation or bankruptcy of the Issuer, all the claims arising from the Bonds shall fall due in accordance with Terms and Conditions and shall be satisfied only after the full satisfaction of all unsubordinated recognised claims against the Issuer in accordance with the applicable law and in particular the Article 87(7) of the Law on Banks (7th ranking claim from the order of satisfaction of creditors claims). Therefore, upon the recovery, liquidation or bankruptcy of the Issuer, the Bondholders are not entitled to any payments due under the Terms and Conditions until the full and due satisfaction of all the unsubordinated, i.e. higher ranking claims against the Issuer. The subordination may have an adverse effect on the Issuer's ability to meet all its obligations arising from the Bonds.

Early redemption risk

According to the Terms and Conditions, the Bonds may be redeemed prematurely on the initiative of the Issuer, any time, but not earlier than after 5 (five) years from the issue of the Bonds as described in Section 5.3 *Information Concerning the Securities to be Admitted to Trading*, save for the Regulatory Call, also in case of the Tax Event or Capital Event, as indicated in the same Section. 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. The Bonds may, however, be redeemed prematurely by the Issuer only if the LB has granted its consent to the early redemption. The decision on granting the consent involves certain amount of discretion by the LB and the early redemption is therefore beyond the control of the Issuer. On the other hand, the Bondholders are not entitled to request early redemption of Bonds.

Regulatory Call (Redemption risk in Tier 2 Bonds)

According to the Terms and Conditions, the Regulatory Call may be executed by the Bank, if the relevant subordinated Bonds are likely to be excluded from Tier 2 capital of the Issuer for the purposes of the capital adequacy rules applicable to the Issuer at the relevant time (other than the capital adequacy rules as in force on the Issue Date of the relevant Bonds), or there is a change in the applicable tax treatment of the Bonds which are material and were not foreseeable at the time of their issuance, i.e. the Issuer may redeem the relevant Bonds, subject to the prior permission of the LB, provided that at the relevant time such permission is required (but without any requirement for the consent or approval of the Bondholders), and upon giving not less than 15 nor more than 30 days' irrevocable notice.

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, which would mean that the Investors lost all or part of his/her/its investment into Bonds; (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.

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 (by their own or with a help of their 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 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. Therefore, investors may not be able to sell their Bonds at all or at a price that will provide them with a yield comparable to similar financial instruments that are traded on a developed and functioning secondary market. Further, if additional and competing financial instruments are introduced on the markets, this may also result in a material decline in the market price and value of 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.

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.

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 direct, subordinated, unsecured and unguaranteed obligations of the Issuer, ranking at the same rate (pari passu) without any preference among each other. 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.

Amendments to the Bonds bind all Bondholders

The Law on Protection of Interests of Bondholders requires and the Terms and Conditions of the Bonds 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.

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 Lithuania may be different from the insolvency laws of an Investor's home jurisdiction (when it it not Lithuania) and the treatment and ranking of holders of Bonds issued by the Issuer and Issuer's other creditors and shareholders under the insolvency laws of Lithuania 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.

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.

The penalty of EUR 880,000 was imposed by LB which is currently being contested in court

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

Most of the breaches and deficiencies identified by the LB had been eliminated by the Bank before the inspection findings were discussed by the Board of the LB. In addition to that, the Bank has not detected any cases where breaches and deficiencies identified in the LB inspection report would have been used for money laundering and terrorist financing purposes. Thus, the Management Board has decided to contest the above resolution of the Board of the LB and, for this purpose, has filed a complaint with the Vilnius Regional Administrative Court. The Bank may not evaluate, what decision the court will take in this case.

Possible uncertainties related to application of EU's General Data Protection Regulation (the "GDPR")

The Group Companies' have adopted internal rules and implemented procedures related to data processing operations necessary to comply with GDPR. Notwithstanding, due to complexity and novelty of regulation and lack of relevant supervisory authority practice / court case law, certain regulatory aspects are subject to various interpretations. Such uncertainties in legal framework, as well as possible human errors pose the Group Companies to face a certain risk of being not fully compliant with GDPR and potentially subject to sanctions. 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 which was enacted or substantively enacted at the end of the reporting period may be subject to varying interpretations. Consequently, tax positions taken by the Issuer and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Starting from the year 2020 fiscal periods remains open to review by the authorities in respect of taxes for three calendar years after the year of review as a general rule, and for five and ten years in particular cases set forth by Lithuanian tax legislation. The Issuer 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 this Prospectus. The Group's uncertain tax positions are reassessed by the Issuer at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by the Issuer 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 Issuer's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Litigation risks

In the course of their ordinary business operations, the Group Companies 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 Companies 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.

Please see Section 4.9.2 *Legal and Arbitration Proceedings* for more information regarding the legal proceedings, in which the Group Companies are involved.

IV INFORMATION ABOUT THE ISSUER

4.1 Statutory Auditors

The IFRS Financial Statements for the years ended 31 December 2019 and 31 December 2018 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

The General Meeting, held on 31 March 2020 has elected audit company KPMG Baltics UAB, registered at Konstitucijos ave. 29, LT-08105 Vilnius, Lithuania, tel. +370 5 2102 600, fax +370 5 2102659, audit licence number is 001446, for the audit of the consolidated annual financial statements of the Bank and the Group for the years 2020 and 2021.

4.2 Information about the Issuer

Table 1: Key information about the Issuer

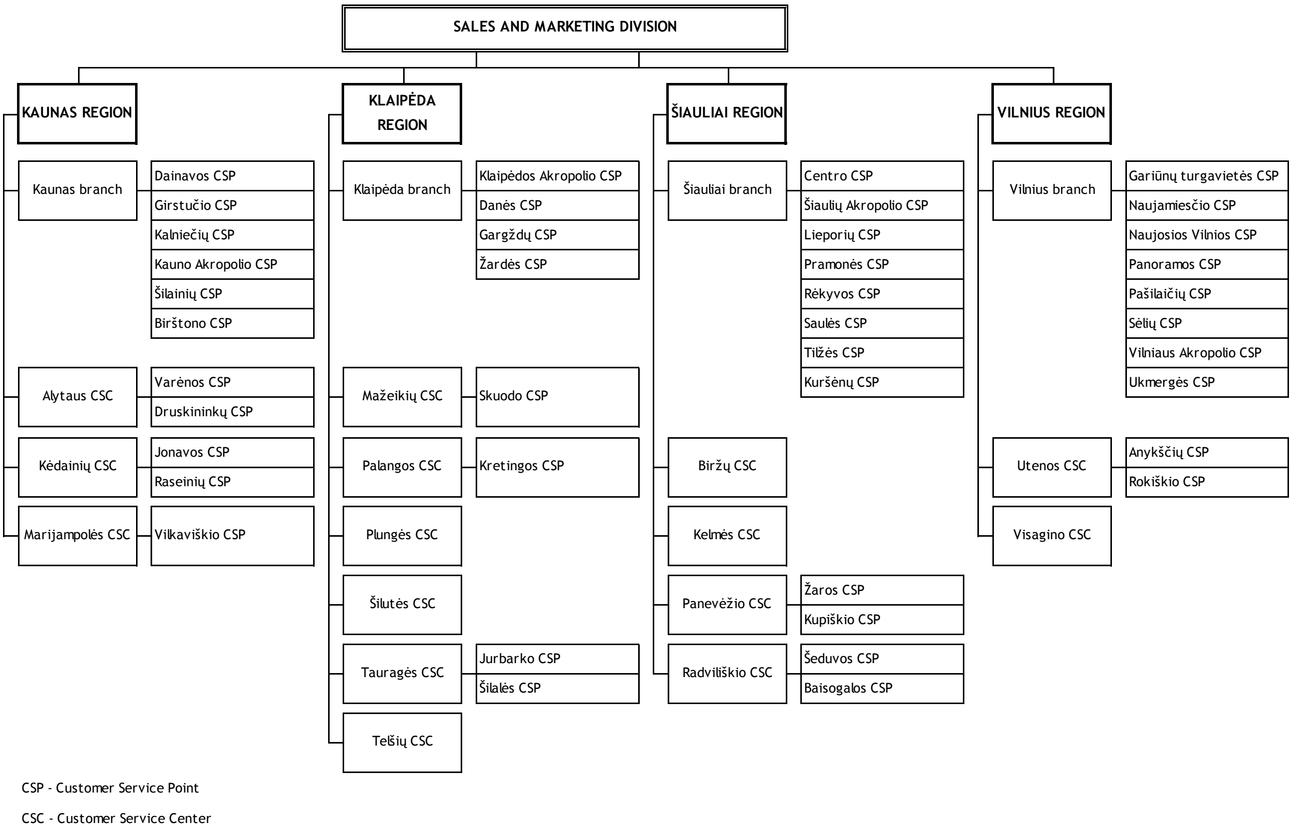
Legal and commercial name of the Issuer	Akcinė bendrovė Šiaulių bankas and Šiaulių bankas AB respectively
Legal form of the Issuer	Public limited liability company
Place of registration of the Issuer (registered office)	Tilžės str. 149, Šiauliai, Lithuania
Corporate ID code of the Issuer	112025254
LEI	549300TK038P6EV4YU51
Legislation under which the Issuer operates	The laws of the Republic of Lithuanian
Date of incorporation of the Issuer	4 February 1992
Operating period	Indefinite
Telephone number	+370 41 595 607
E-mail	info@sb.lt
Website	www.sb.lt The information on the website does not form part of the Prospectus, unless certain of this information is incorporated by reference into the Prospectus (please see Section 1.4 *Information Incorporated by Reference*)

4.3 Business Overview

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[6] facility (risk sharing credits as well as credits with the portfolio guarantee), under innovative business facility InnovFin[7], 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 31 December 2019 the Bank had 60 customer service outlets.

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

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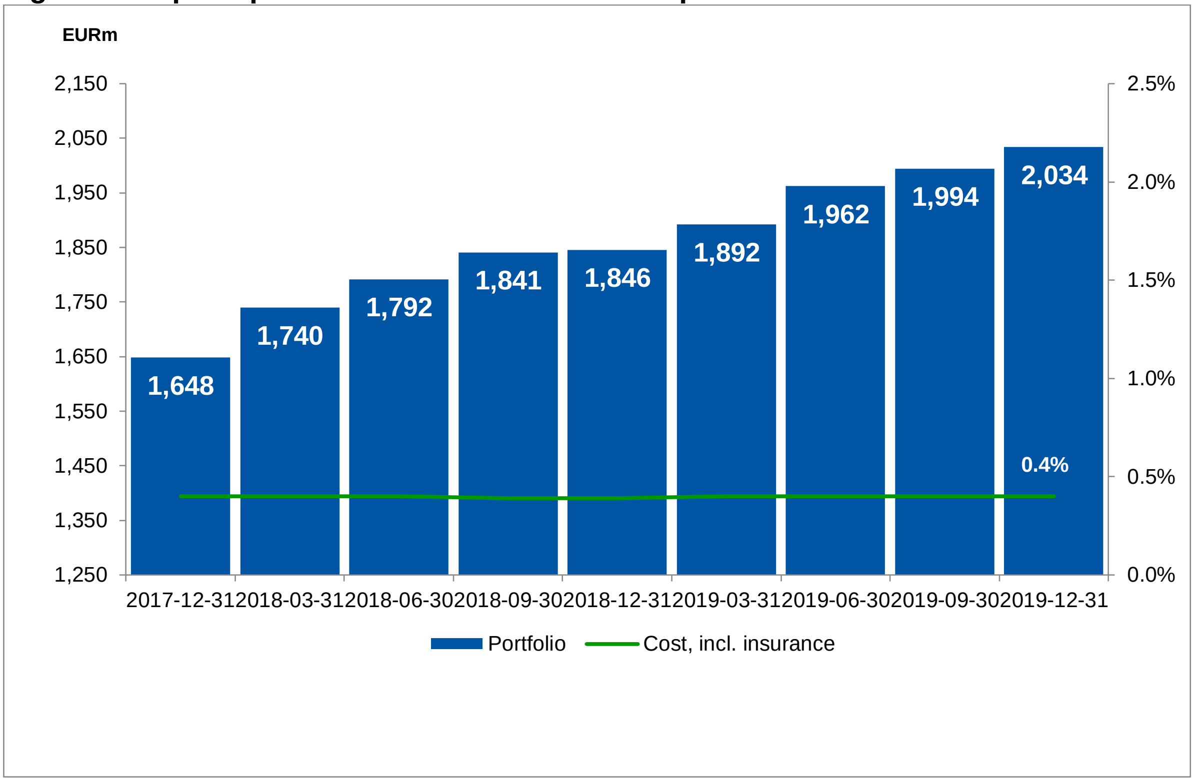
[6] JEREMIE is a joint initiative set up in 2007 by the European Commission (Directorate-General for Regional and Urban Policy) in co-operation with the European Investment Bank Group and other financial institutions to enhance cohesion across the EU. The JEREMIE instrument was set up to deploy part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

[7] The InnovFin – EU Finance for Innovators programme, which was launched in 2014 by the European Commission and the EIB Group, with the purpose to offer a new generation of financial instruments and advisory services to help innovative firms access finance more easily across Europe and beyond.

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

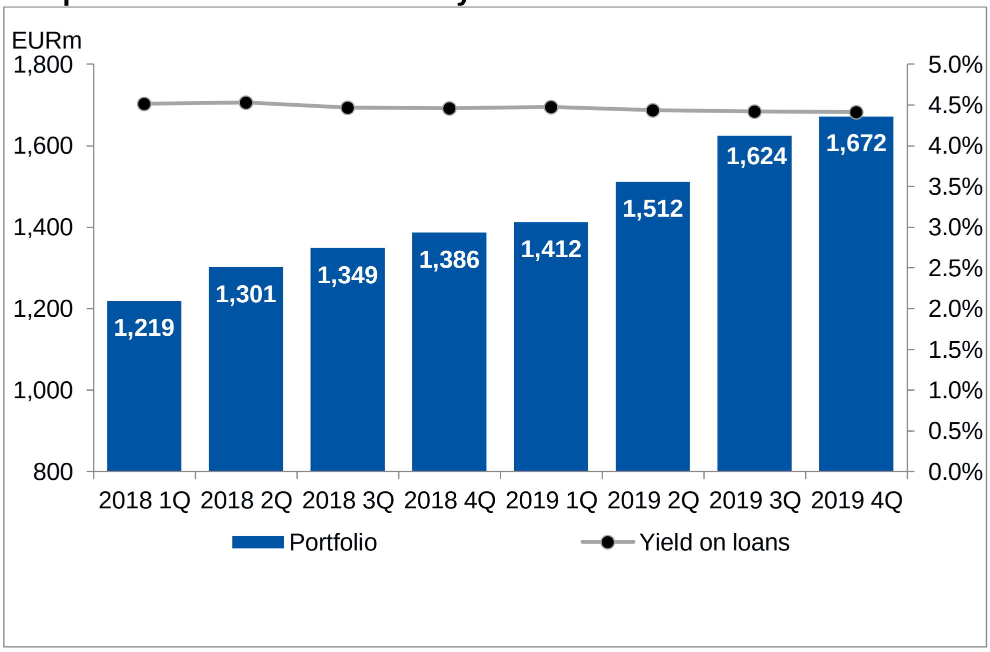


Source: the Company

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).

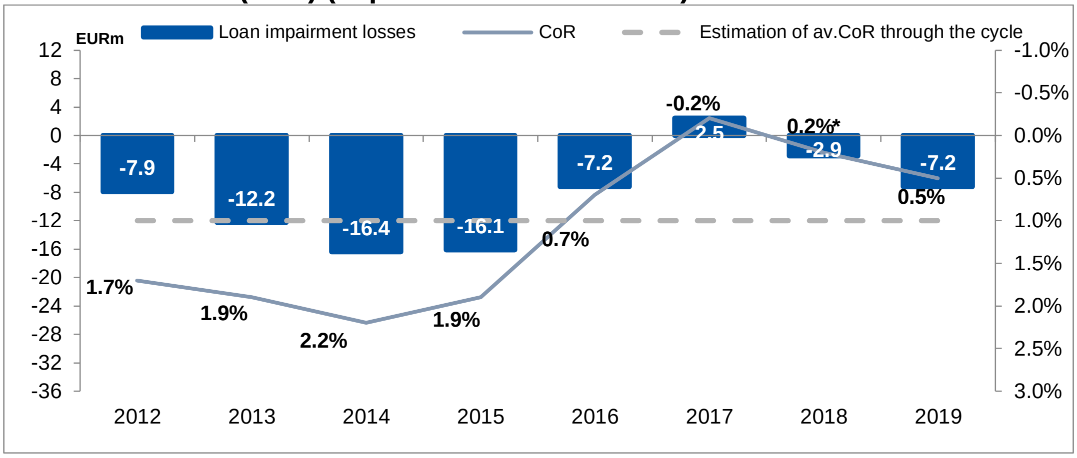
In 2019 more than EUR 770 million of new loan agreements were signed, in 2018 – more than EUR 700 million. Despite downward pressure on loan interest rates, the Bank manages to keep a stable yield.

Figure 3. Loan portfolio in EUR million and yields



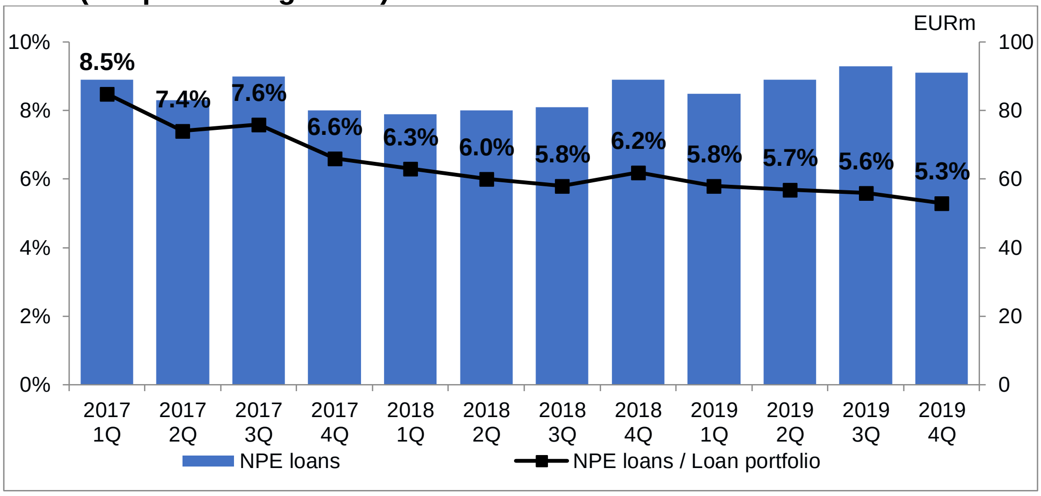
Source: the Company

Figure 4. Risk cost ratio (CoR) (impairment loss to loans) [8]



Source: the Company

Figure 5. NPE (not performing loans)[9]

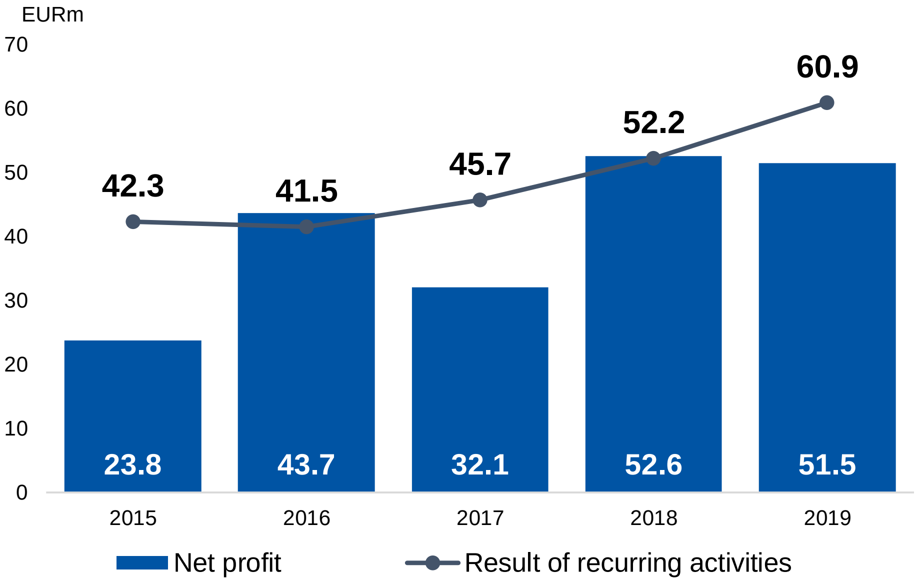


Source: the Company

[8] Cost of risk (CoR) = Allowance for impairment losses on loans for the year (presented in the income statement) / average total loan portfolio (calculated as a average of the total assets (presented in statement of financial position) for the last four quaters). The ratio shows the percentage loan loss provisions from total loan portfolio – lower ratio shows better loan portfolio quality.

[9] NPEs are recognized according to principles laid out in Commission Implementing Regulation (EU) No 680/2014.

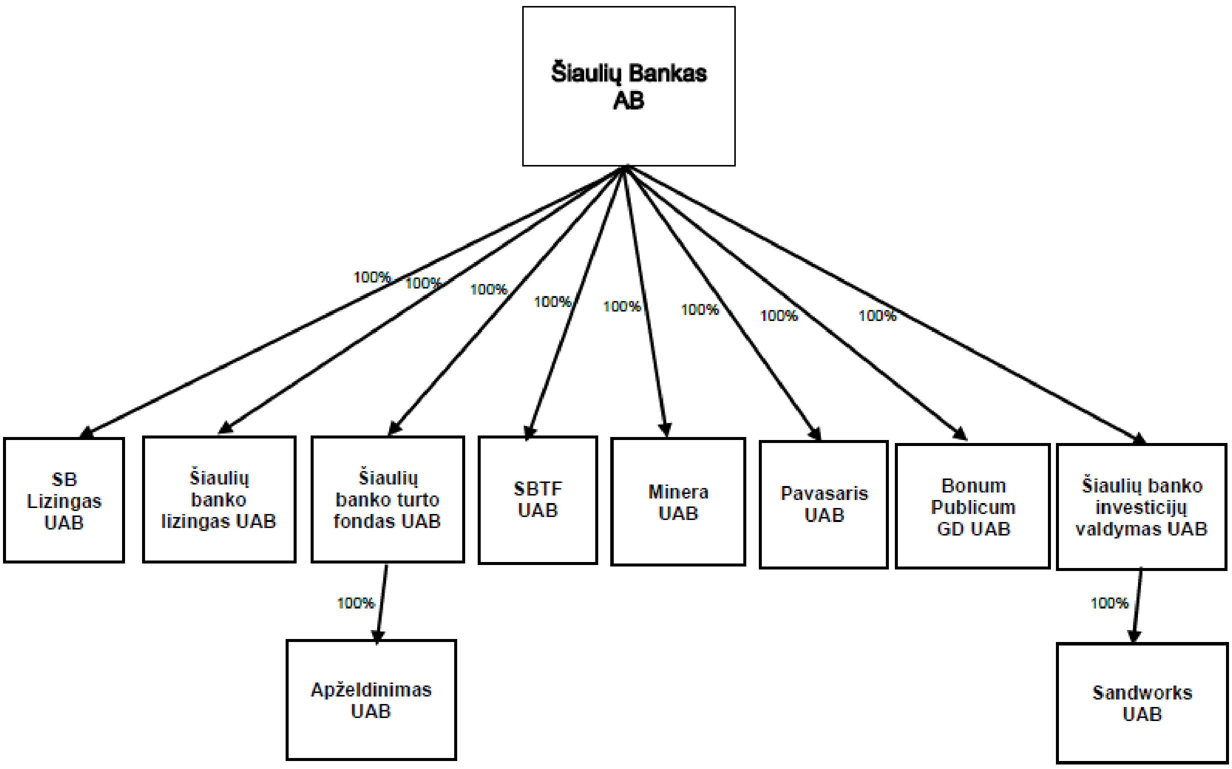
Figure 6. Net Profit earned by the Group, EUR million



Source: IFRS Financial Statements

4.4 Organisational Structure

Figure 7. 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 2. 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(*)
Apželdinimas UAB	Lithuania	Subsidiary	100(**)

Source: IFRS Financial Statements

** 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 3. 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 1992
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	Lazdynų str. 21, 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	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 have been no:
(i) 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 2019;
(ii) significant change in the financial performance of the Group since the end of the last financial period for the year ended 31 December 2019 to the date of the Prospectus;
(iii) 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, except the uncertainties, related to COVID-19 pandemic. For more information on this issue please see a risk factor, named "Risk related to COVID-19 pandemic situation", as well as the notification on material event of the Bank, dated 17 March 2020[10].

4.6 Profit Forecasts and Estimates

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 (which also includes the supervisory body), i.e. Supervisory Council, Management Board and CEO (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 CEO, submitting proposals to revoke decisions of the Management Board or the CEO, etc.

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

The CEO 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.

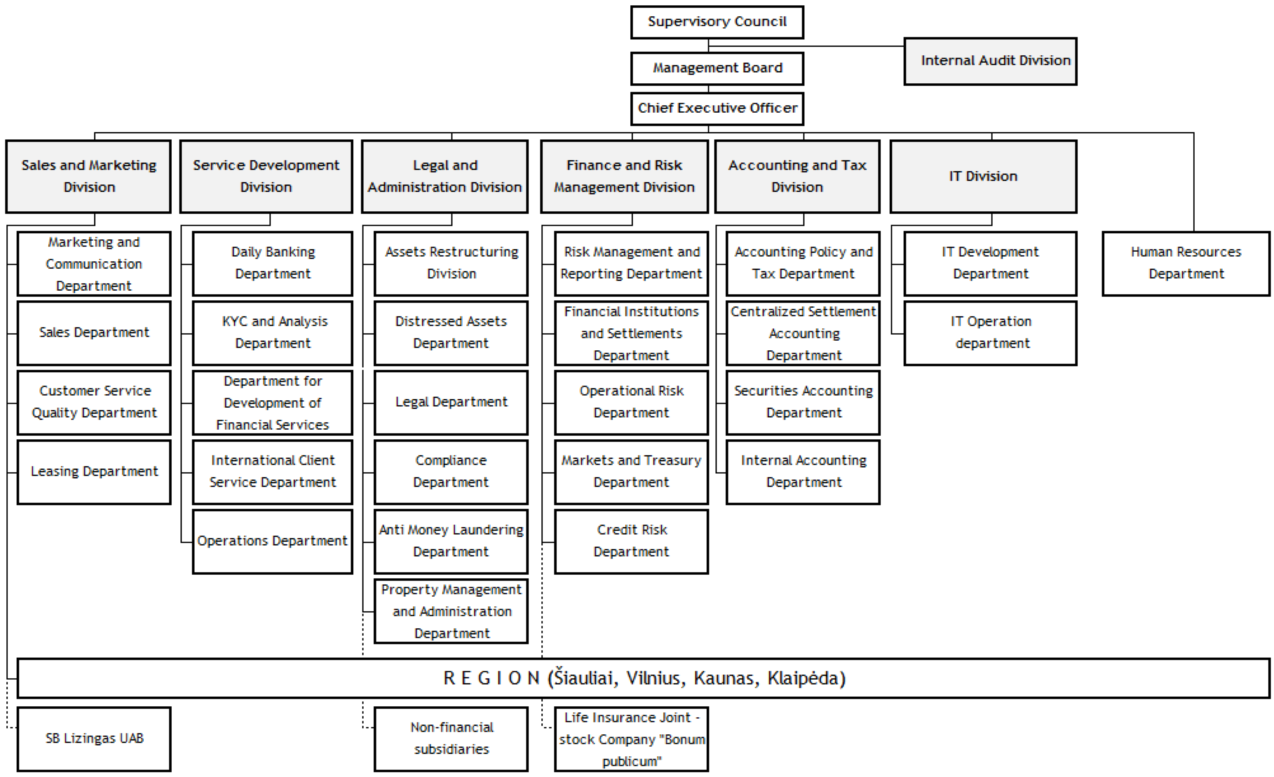
In addition, the Company employs several Key Executives: the CEO (Administration Manager), Deputy Chief Executive Officers (Head of Finance and Risk Management Division and Head of Sales and Marketing Division), Head of Business Development Division, Head of Accounting and Tax Division and Head of Legal and Administration Division. They all, excluding Head of IT, are also the members of the Management Board. Head of Finance and Risk Management Division and Head of Sales and Marketing Division also work as deputies CEO.

4.7.1 Internal Management Structure of the Company

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

[10] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=928229&messageId=1169491.

Management system of the Issuer



4.7.2 Members of the Administrative, Supervisory and Management Bodies

Table 4. 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	31.03.2020	Until 31.03.2024, in any case not later than until the ordinary General Meeting in 2024
Gintaras Kateiva	Member of the Supervisory Council	31.03.2020	
Ramunė Vilija Zabulienė	Member of the Supervisory Council (independent)	31.03.2020	
Darius Šulnis	Member of the Supervisory Council	31.03.2020	
Martynas Česnavičius	Member of the Supervisory Council (independent)	31.03.2020	
Miha Košak	Member of the Supervisory Council (independent)	31.03.2020	
Adriano Arietti	Member of the Supervisory Council (independent, on the date of Prospectus he does not yet have a permision of ECB to become Bank's manager)	31.03.2020	
Management Board			
Algirdas Butkus	Chairman of the Management Board	31.03.2020	Until 31.03.2024, in any case not later than until the ordinary General Meeting in 2024
Vytautas Sinius	Member of the Management Board, CEO	31.03.2020	
Donatas Savickas	Member of the Management Board, Head of Finance and Risk Management Division	31.03.2020	
Daiva Šorienė	Member of the Management Board, Head of Sales and Marketing Division	31.03.2020	

Name, surname	Position within the Issuer	Beginning of term	End of term
Vita Urbonienė	Member of the Management Board, Head of Accounting and Tax Division	31.03.2020	
Mindaugas Rudys	Member of the Management Board, Head of Business Development Division	31.03.2020	
Ilona Baranauskienė	Member of the Management Board, Head of Legal and Administration Division	31.03.2020	

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. In addition to that, Arvydas Salda currently also serves as a consultant of Šiaulių Banko Turto Fondas UAB and a Board member at Klaipėdos LEZ Valdymo Bendrovė UAB. Arvydas Salda individually holds 1.84% of Shares in the Bank.

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. In addition to that, Gintaras Kateiva currently also serves as a Chairman of the Board of Litagra UAB and Director of Litagros Mažmena UAB. Gintaras Kateiva individually holds 5.27% of Shares in the Bank and collectively with other persons acting in concert 5.29% 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. In addition to that, she currently serves as a Director of ArsDomina VšĮ. 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 has held different positions in INVL Asset Management IPAS (Latvia), INVL Atklatais Pensiju Fonds AB (Latvia), LP Grupė UAB (former name Litagra), INVL Asset Management UAB, Invalda INVL Investments UAB, bank Finasta AB, MP Pension Funds Baltic UAB, INVL Baltic Farmland AB, INVL Technology AB, INVL Baltic Real Estate AB and in many other companies.

He currently serves as a President and member of the Board of Invalda INVL AB, Chairman of the Board of INVL Asset Management UAB, member of the Board of INVL Baltic Farmland AB and member of the Board of Litagra UAB. He is also a member of the Supervisory Council since 2016. Darius Šulnis individually holds no Shares in the Bank. Invalda INVL AB collectively with other persons acting in concert indirectly holds 6.14% of Shares.

Martynas Česnavičius (born in 1972). Education – in 1995 graduated from the Vilnius University where he gained Economist qualification. He has held different positions in Laisvas Nepriklausomas Kanalas UAB, Kitron ASA, Litagra UAB, Atradimų Studija UAB, Malsena Plius UAB, Snaigė AB, Sanitas AB, TEO LT AB and in other companies.

Martynas Česnavičius currently serves as a Consultant of Pro Finance UAB, member of the Boards of companies managed by KJK management S.A. investment fund (KJK Investments S.à r.l. (Luxembourg); KJK Fund III Management S.à r.l. (Luxembourg); KJK Investicije (Slovenia); KJK Investicije 2 d.o.o. (Slovenia); KJK Investicije 3 d.o.o. (Slovenia); KJK Investicije 4 d.o.o. (Slovenia); KJK Investicije 5 d.o.o. (Slovenia); KJK Investicije 7 d.o.o. (Slovenia); KJK Investicije 8 d.o.o. (Slovenia); Kovinoplastika d.d. (Slovenia); Leader 96 Eood (Bulgaria)), Director of Investment management and member of the Board of D investicijų valdymas UAB, member of the Board of Amber Trust II S.C.A. (Luxembourg); Amber Trust management (Luxembourg); Rigas dzirnavnieks (Latvia); Balti Veski (Estonia); Baltic Mill AB. Martynas Česnavičius serves as a member of the Supervisory Council since 2016, he acts as an independent member of the Supervisory Council since 2020. Martynas Česnavičius individually holds no Shares in the Bank. However, collectively with other persons acting in concert he indirectly holds 0.35% 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. He has held different positions in Gorenje Group, NLB d.d. (Slovenia's largest financial institution), VTB Capital Plc, UBS Investment Bank, Citigroup Global Markets, Barclays de Zoete Wedd, Credit Suisse First Boston, UBS AG, in London, Milan and Zurich. Miha Košak currently serves as a member of the Supervisory Board of Abanka d.o.o. (Slovenia), also consults and executes independent activities as: member of the Advisory Board of Fraport Slovenia (largest Slovenian International Airport); Trustee of the British Slovene Society; member of the Board of the British-Slovenian Chamber of Commerce; member of the Advisory Council of Emona Capital LLP; member of the Strategic Board of Elan Inventa d.o.o. He serves as a member of the Supervisory Council of the Bank since 2017. Miha Košak holds no Shares in the Bank.

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

His work experience and previous positions includes:

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

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

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

Previously he has also worked for twelve years in New York in various positions encompassing commercial and investment banking. Currently he serves as a member of the Board of Directors of Banque Centrale Populaire (BCP) (Morocco) and member of the Supervisory Board of ATF Bank (Kazakhstan). Adriano Arietti 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 2.59% of Shares in the Bank and collectively with other persons acting in concert 5.47% 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 0.19% of Shares in the Bank.

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 0.10% of Shares in the Bank.

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.

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 0.04% of Shares in the Bank.

Mindaugas Rudys (born in 1982). Education – in 2007 graduated from the Vilnius University, where he gained a Bachelor in International Economics. In 2014 he also graduated from Mykolas Romeris University, where he gained Masters in Economics and in 2015 from Baltic Management Institute he gained Executive Masters in Business Administration. He is a member of the Board since 2020 and the Head of Business Development Division of the Bank since 2018. Mindaugas Rudys individually holds 0.03% of Shares in the Bank.

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 0.01% of Shares in the Bank.

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 CEO 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 174,210,616.27 and is divided into 600,726,263 ordinary registered Shares with a nominal value of EUR 0.29 each. All the Shares issued by the Company entitle 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 5. 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	156,308,983	26.02	-	26.02
2.	Invalda INVL AB	32,949,246	5.48	0.66[11]	6.14
3	Algirdas Butkus	15,015,248	2.50	2.97[12]	5.47
4	Gintaras Kateiva	31,628,103	5.27	0.02[13]	5.29

Source: the Company

[11] Votes, held by its subsidiary INVL Asset Management UAB.
[12] Votes, held by the controlled entities: prekybos namai “Aiva” UAB – 2.05%, Mintaka UAB – 0,92%.
[13] Votes, held by the spouse Vilinda Kateivienė.

Table 6. 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	5.27	121,072	-	5.29
2.	Algirdas Butkus	Chairman of the Board	15,015,248	2.50	17,836,020	Prekybos namai Aiva UAB – 2.05 Mintaka UAB – 0.92	5.47
3.	Arvydas Salda	Chairman of Supervisory Council	11,072,419	1.84	-	-	1.84
4.	Martynas Česnavičius	Member of Supervisory Council	-	-	2,108,160	Pro Finance UAB – 0.35	0.35
5.	Vytautas Sinius	Member of the Board	1,116,222	0.19	-	-	0.19
6.	Donatas Savickas	Member of the Board	588,885	0.10	-	-	0.10
7.	Vita Urbonienė	Member of the Board	234,682	0.04	-	-	0.04
8.	Mindaugas Rudys	Member of the Board	167,568	0.03	-	-	0.03
9.	Daiva Šorienė	Member of the Board	149,627	0.02	-	-	0.02
10.	Ilona Baranauskienė	Member of the Board	56,039	0.01	-	-	0.01

Source: the Company

Apart from the information, indicated in this Section, the Company has no information about any other possible control over the Issuer, as well as the arrangements, the operation of which may at a subsequent date result in a change in control of the issuer. Disregarding this, as it was indicated in the notification on material event of the Bank, dated 10 April 2020[14], on this date, as part of the annual variable remuneration for 2019, employees of the Bank were granted an option right to receive 2,491,317 Shares free of charge on 14 April 2023. The Bank also confirmed 930,696 Shares (one third of the number of Shares granted in 2019) for the results of operations in 2018, to be delivered to employees on 15 April 2022. After execution of these Share option rights the structure of shareholders of the Bank may slightly change.

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

4.9.1 IFRS Financial Statements

IFRS Financial Statements (the consolidated of the Group and stand alone of the Bank) are incorporated by reference to this Prospectus. In the tables below are provided only the consolidated

[14] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=934032&messageId=1176648.

IFRS Financial Statements. 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 related notes.

The statement of the financial position of the Group for the years ended 31 December 2019 and 31 December 2018 based on the audited IFRS Financial Statements is provided in the table below.

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

Balance Sheet	31 December 2019	31 December 2018
ASSETS		
Cash and cash equivalents	184,917	89,304
Securities in the trading book	40,427	60,182
Due from other banks	280	2,090
Derivative financial instruments	986	1,197
Loans to customers	1,514,578	1,262,167
Finance lease receivables	157,597	124,088
Investment securities at fair value	14,059	21,107
Investment securities at amortized cost	545,849	638,655
Investments in subsidiaries and associates	-	-
Intangible assets	4,288	3,359
Property, plant and equipment	12,216	8,630
Investment property	7,570	9,760
Current income tax prepayment	44	1,477
Deferred income tax asset	1,419	1,251
Inventories	8,780	16,312
Other financial assets	7,875	13,213
Other non-financial assets	7,301	8,937
Total assets	**2,508,186**	**2,261,729**
LIABILITIES		
Due to other banks and financial institutions	74,395	69,152
Derivative financial instruments	945	1,048
Due to customers	2,033,649	1,845,788
Debt securities in issue	20,044	20,003
Special and lending funds	7,060	3,192
Subordinated loan	-	-
Current income tax liabilities	1,579	233
Deferred income tax liabilities	917	598
Liabilities related to insurance activities	33,497	27,967
Other financial liabilities	18,128	13,501
Other non-financial liabilities	7,168	5,509
Total liabilities	**2,197,382**	**1,986,991**
EQUITY		
Share capital	174,211	174,211
Share premium	3,428	3,428
Reserve capital	756	756
Statutory reserve	14,468	10,369
Financial assets revaluation reserve	(9)	(492)

Balance Sheet	31 December 2019	31 December 2018
Reserve for acquisition of own shares	10,000	-
Other equity	1,536	-
Retained earnings	106,414	86,466
Non-controlling interest	-	-
Total equity	**310,804**	**274,738**
Total liabilities and equity	**2,508,186**	**2,261,729**

Source: IFRS Financial Statements

The statement of the comprehensive income of the Group for the years ended 31 December 2019 and 31 December 2018 based on the audited IFRS Financial Statements is provided in the table below.

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

Profit and Loss Statement	2019	2018
Interest revenue calculated using the effective interest method	73,401	64,839
Other similar income	7,223	6,421
Interest expense and similar charges	(8,212)	(8,434)
Net interest income	**72,412**	**62,826**
Fee and commission income	22,791	19,518
Fee and commission expense	(6,077)	(5,319)
Net fee and commission income	**16,714**	**14,199**
Net gain from trading activities	15,013	7,897
Net loss from changes in fair value of subordinated loan	-	9,043
Net gain from derecognition of financial assets	2,442	582
Net gain (loss) from disposal of tangible assets	3,462	2,449
Revenue related to insurance activities	6,962	6,465
Other operating income	1,498	1,426
Salaries and related expenses	(22,842)	(21,085)
Depreciation and amortization expenses	(3,595)	(1,982)
Expenses related to insurance activities	(8,764)	(3,930)
Other operating expenses	(15,158)	(12,146)
Operating profit before impairment losses	**68,144**	**65,744**
Allowance for impairment losses on loans and finance lease receivables	(7,158)	(2,941)
Allowance for impairment losses on other assets	(1,234)	(4,802)
(Allowance) / reversal of allowance for impairment losses on investments in subsidiares	-	-
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	-	-
Profit before income tax	**59,752**	**58,001**
Income tax expense	(8,230)	(5,363)
Net profit for the period	**51,522**	**52,638**
Net profit attributable to:		
Owners of the Bank	51,522	52,638
Non-controlling interest	-	-

Profit and Loss Statement	2019	2018
Basic earnings per share (in EUR per share) attributable to owners of the Bank	0.09	0.10
Diluted earnings per share (in EUR per share) attributable to owners of the Bank	0.09	0.10

Sources: IFRS Financial Statements

The statement of changes in equity of the Group for the years ended 31 December 2019 and 31 December 2018 based on the audited IFRS Financial Statements is provided in the table below.

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

Statement of changes in equity	Share capital	Share premium	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total
1 January 2018	**131,366**		**756**	**(368)**	**7,177**	**-**	**-**	**61,953**	**200,884**
Transfer to statutory reserve	-	-	-	-	3,192			(3,192)	-
Reversal of deferred income tax previously recognized direcly in equity	-	-	-	-	-	-	-	(1,127)	(1,127)
Conversion of subordinated loan to share capital	16,572	3,428	-	-	-	-	-	4,732	24,732
Payment of dividends	-	-	-	-	-	-	-	(2,265)	(2,265)
Increase in share capital through bonus issue of shares	26,273	-	-	-	-	-	-	(26,273)	-
Total comprehensive income:	-	-	-	(124)	-	-	-	52,638	52,514
Net profit	-	-	-	-	-	-	-	52,638	52,638
Other comprehensive income	-	-	-	(124)	-	-	-	-	(124)
31 December 2018 (restated)	**174,211**	**3,428**	**756**	**(492)**	**10,369**	**-**	**-**	**86,466**	**274,738**
Impact of change in accounting principles	-	-	-	-	-	-	-	(54)	(54)
1 January 2019	**174,211**	**3,428**	**756**	**(492)**	**10,369**	**-**	**-**	**86,412**	**274,684**
Transfer to statutory reserve	-	-	-	-	4,099	-	-	(4,099)	-
Transfer to reserve for acquisition of own shares	-	-	-	-	-	10,000	-	(10,000)	-
Recognition of other equity	-	-	-	-	-	-	1,536	-	1,536
Payment of dividends	-	-	-	-	-	-	-	(17,421)	(17,421)

Statement of changes in equity	Share capital	Share premium	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total
Total comprehensive income:	-	-	-	483	-	-	-	51,522	52,005
Net profit	-	-	-	-	-	-	-	51,522	51,522
Other comprehensive income	-	-	-	483	-	-	-	-	483
31 December 2019	**174,211**	**3,428**	**756**	**(9)**	**14,468**	**10,000**	**1,536**	**106,414**	**310,804**

Source: IFRS Financial Statements

The statement of the cash flows of the Group for the years ended 31 December 2019 and 31 December 2018 based on the audited IFRS Financial Statements is provided in the table below.

Table 10. Statement of the cashflows, EUR thousand

Cashflow statement	2019	2018
Operating activities		
Interest received on loans and advances	65,043	54,403
Interest received on finance leases	6,907	5,599
Interest received debt securities in the trading book	1,035	1,247
Interest paid	(7,233)	(8,053)
Fees and commissions received	22,701	19,532
Fees and commissions paid	(6,032)	(5,282)
Net cash inflows from trade in securities in the trading book	37,464	(11,909)
Net inflows from foreign exchange operations	8,005	5,637
Net inflows from derecognition of financial assets	2,442	582
Net inflows from disposal of tangible assets	5,236	8,373
Cash inflows related to other activities of Group companies	8,460	7,891
Cash outflows related to other activities of Group companies	(8,764)	(3,976)
Recoveries on loans previously written off	2,183	1,582
Salaries and related payments to and on behalf of employees	(23,662)	(20,422)
Payments related to operating and other expenses	(12,013)	(12,100)
Income tax paid	(4,808)	(10,704)
Net cash flow from operating activities before change in operating assets and liabilities	**96,964**	**32,400**
Change in operating assets and liabilities:		
Decrease in due from other banks	1,810	128
(Increase) in loans to customers	(260,253)	(176,866)
Increase in financel lease receivable	(34,824)	(32,632)
Decrease (increase) in other financial assets	5,338	(2,728)
Decrease (increase) in other non-financial assets	6,178	(8,873)
Increase (decrease) in due to banks and financial institutions	5,275	13,215
Increase in due to customers	186,968	197,499
Increase (decrease) in special and lending funds	3,868	(10,144)
Increase (decrease) in other financial liabilities	6,058	1,625
Increase (decrease) in other non-financial liabilities	1,439	1,339
Change	**(78,143)**	**(17,437)**
Net cash flow from (used in) from operating activities	**18,821**	**14,963**

Cashflow statement	2019	2018
Investing activities		
Acquisition of property, plant and equipment, investment property and intangible assets	(5,527)	(2,328)
Disposal of property, plant and equipment, investment property and intangible assets	5,109	3,555
Acquisition of debt securities at amortized cost	(48,246)	(133,985)
Proceeds from redemption or sale of debt securities at amortized cost	122,242	70,184
Interest received on debt securities at amortized cost	14,864	13,900
Dividends received	42	37
Acquisition of investment seurities at fair value	(7,469)	(7,408)
Sale or redemption of investment securities at fair value	14,328	2,459
Interest received on investment securities at fair value	382	251
Net cash flow (used in) from investing activities	**95,725**	**(53,005)**
Financing activities		
Payment of dividends	(17,382)	(2,272)
Interest on debt securities in issue	(120)	(120)
Issue of debt securities	20,000	-
Redemption of debt securities issued	(20,000)	-
Principal elements of lease payments	(1,431)	-
Net cash flow (used in) financing activities	**(18,933)**	**(2,392)**
Net increase (decrease) in cash and cash equivalents	**95,613**	**(40,434)**
Cash and cash equivalents at 1 January	**89,304**	**129,738**
Cash and cash equivalents at end of the period	**184,917**	**89,304**

Sources: IFRS Financial Statements

Table 11. APMs, EUR thousand

	Year ended 31 December	
	2019	2018
Net interest income		
Growth, %	15	10
Net fee and commission income		
Growth, %	18	30

Sources: IFRS Financial Statements, the Company

PRUDENTIAL STANDARDS	Year ended 31 December	
	2019	2018
LIQUIDITY RATIOS		
LCR,% (the Bank)	202	277
SOLVENCY RATIOS		
Capital adequacy ratio, %	16.19	15.11

Source: the Company

Bank is subject to regulatory Liquidity coverage ratio (LCR). The Bank complied with this ratio with a substantial cushion (requirement for the LCR is set at 100%).

Capital and liquidity position remain robust – prudential requirements are implemented with adequate reserve. According to the data as of 31 December 2019 the Bank complied with all the prudential requirements set out by the LB. With revenues growing faster than expenses, operational efficiency remains strong.

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*	**Year ended 31 December**	
	2019	**2018**
PROFITABILITY RATIOS		
ROAA,%	2.13	2.40
ROAE,%	17.60	22.32
Cost to Income,%	42.50	37.32
Recurring activities result, EUR thousand	60,864	52,244

Sources: IFRS Financial Statements, the Company

Performance measures calculated using IFRS Financial Statements 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 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 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 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 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	The ratio indicates the amount of cost used to earn one euro of income. Lower cost to income ratio is considered as better.

	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	
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.
Cost of risk (CoR), %	Allowance for impairment losses on loans / average total loan portfolio *100% Allowance for impairment losses on loans for the period / average total loan portfolio (calculated as a average of the total assets for the last four quaters)	The ratio shows the percentage loan loss provisions from total loan portfolio – lower ratio shows better loan portfolio quality.

Since the end of the last period for which the Company's audited consolidated financial information exists (31 December 2019), there have been no significant change in the financial position of the Group.

Summary of Independent Auditor's Reports

The IFRS Financial Statements for the years ended 31 December 2019 and 31 December 2018, 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 2019 and 31 December 2018 give a true and fair view of the separate and consolidated financial position of the Bank and the Group as at 31 December 2019 and 31 December 2018, 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.

4.9.2 Legal and Arbitration Proceedings

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

The court investigates criminal case in which three employees of the Bank are charged

As it was indicated by the Bank in the material event notification, dated 8 February 2019, upon completion of the pre-trial investigation regarding the circumstances of usage of the credit issued by the Bank (see Bank’s material event notification, dated 5 June 2018), the lawsuit was transferred to the Klaipėda Regional Court.

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

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

The ongoing process does not affect the continuity of the Bank’s performance and its daily operations. 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 may not evaluate, what decision the court will take in this case.

The first instance court did not uphold the claim against the Bank and its employee; the civil case will be heard by the appellate court

The court did not uphold the claim for damages in amount of approx. 10 million euros against eight defendants, including the Bank and one of its employees.

Since 2004 the Bank granted 6 million euros credits to the borrower – the company “Grimeda”. “Grimeda” had ceased to fulfill its obligations to the Bank since 2015. As a consequence, the Bank terminated credit agreements unilaterally in 2016 and the borrower (plaintiff) applied to the court declaring that the credit agreements were terminated unlawfully and demanding to set a new schedule for credit repayments. The court rejected plaintiff’s claim and the plaintiff appealed. It is noteworthy that “Grimeda” started the procedures of legal restructuring in 2017, and since 2019 – the case of bankruptcy.

The Bank reasonably expects the appellate court shall uphold the judgment of the first instance court.

The claim of EUR 300,000 against the Bank

A legal entity registered in the Republic of Germany brought an action against the Bank, following which a plaintiff claimed for compensation for the damages suffered. The claim for damages is based on the fact that the plaintiff suffered a loss of EUR 300,000 as a result of the breaches of anti-money laundering and counter terrorist financing legislation made by the Bank.

In the Bank’s view, the claim is unfounded: the damages to the plaintiff resulted from third party fraud, i.e. due to circumstances beyond the Bank's actions and / or inaction.

The plaintiff suffered a loss of EUR 300,000 as a result of the fraud and, as stated in the claim, not only sued the Bank to the court, but also made a claim to the pre-trial registration office of her place of registration (Germany), also to Klaipėda District Prosecutor's Office, where pretrial investigation was started, and also applied the LB with the complaint.

The LB imposed a fine for non-compliance with the requirements of anti-money laundering and counter terrorist financing (AMLCTF)

As it was indicated in the notifications on material events of the Bank, dated 30 December 2019 and 30 January 2020, the LB carried out a scheduled inspection of the Bank on credit risk management and compliance with requirements of anti-money laundering and counter terrorist financing (AMLCTF). After examining the inspection report, the Board of the LB passed a resolution which obligated the Bank to remedy breaches of legislation and deficiencies in the field of credit risk management, eliminate breaches and deficiencies identified by the LB in the field of AMLCTF requirement implementation and imposed a penalty of EUR 880 thousand.

Most of the breaches and deficiencies identified by the LB had been eliminated by the Bank before the inspection findings were discussed by the Board of the LB. The Bank continues its scheduled targeted actions to strengthen the area of AMLCTF which have been started even before the inspection. In addition to that, the Bank has not detected any cases where breaches and deficiencies identified in the LB inspection report would have been used for money laundering and terrorist financing purposes. The Bank has decided to contest the above resolution of the Board of the LB and, for this purpose, has filed a complaint with the Vilnius Regional Administrative Court. The Bank may not evaluate, what decision the court will take in this case.

4.9.3 Regulatory Disclosures

The summary of the information, disclosed under the Market Abuse Regulation over the last 12 months, which is relevant as at the date of the Prospectus includes the following (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, webinars, discussions on financials, which are announced in the IFRS Financial Statements, announcements, which relate to the notifications, which were announced earlier and have been updated with the later notifications, etc.):

1. On 30 January 2020 the Company informed[15], that the Management Board resolved to contest the resolution of the Board of the LB regarding the calculation and imposition of a sanction (a fine of EUR 880,000) and, for this purpose, has filed a complaint with the Vilnius Regional Administrative Court.

2. On 9 January 2020 the Company informed[16], that the Bank has signed an agreement with the Lithuanian branch of Danske Bank A/S for the acquisition of the retail loan portfolio of EUR 125 million. The transaction is scheduled to be completed within four months after signing of the agreement. The Bank will acquire the retail loan portfolio including it's liabilities of the Lithuanian branch of Danske Bank A/S. Most of the portfolio consist of the mortgage loans. The Bank increased its activity in the mortgage segment last year – new automated processes were implemented and the team of employees was strengthened, therefore this transaction is a consistent step with the Bank's plan to become an active participant in the mortgage market.

3. On 23 December 2019 the Bank informed[17], that by the decision of the Management Board, on 21 December 2019 the Issuer redeemed EUR 20 million Bond issue (ISIN code LT0000432015) prior to its maturity date, i.e. it executed a call option in accordance with the terms and conditions of the bond issue.

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[15] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=919509&messageId=1158727.
[16] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=917542&messageId=1156158.
[17] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=916386&messageId=1154643.

4. On 5 December 2019 the Bank informed[18], that it was classified as significant entity directly supervised by the ECB as one of the three largest credit institutions in Lithuania. The ECB will directly supervise the Bank as from 1 January 2020.

5. On 12 August 2019 the Bank informed[19], that it engaged Wood & Co to assist in review of strategic alternatives.

6. On 29 May 2019 the Bank informed[20], that it has transferred 1,176,485 own Shares to the employees of the Bank and the Subsidiaries as a deferred part of variable remuneration for 2015, 2016 and 2017.

7. On 17 May 2019 the Bank informed[21], that International rating agency Moody's Investors Service announced about upgrade of ratings of the Bank. Long-term deposit rating increased from Baa3 to Baa2, rating outlook is stable.

4.10 Material Contracts

Neither the Company nor any Subsidiary has entered into a material contract other than contracts entered into in the ordinary course of business, which could result in any Group member being under an obligation or an entitlement that is material to the Issuer's ability to meet its obligations to Bondholders in respect of the Bonds being issued.

[18] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=914115&messageId=1151688.
[19] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=899273&messageId=1132451.
[20] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=892134&messageId=1123065.
[21] https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=890678&messageId=1121153.

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:	2,000 subordinated Bonds with a nominal value of EUR 10,000 each (of an aggregate principal amount of EUR 20,000,000), qualifying as Tier 2 instrument (subordinated debt instrument included in the capital structure of the Bank), issued by the Company on 23 December 2019
Type of securities:	Subordinated bonds of the Company – unsecured debt bonds with a fixed-term, non-equity (debt) securities under which the Company shall become the debtor of the Bondholders and shall assume obligations for the benefit of the Bondholders
ISIN:	LT0000404287
Currency of Bonds:	EUR
Legislation, under which the Bonds shall be created:	The Civil Code, 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:	2,000
Nominal value and issue price per Bond:	EUR 10,000
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:	6.15% per annum (act/act)
Issue date:	23 December 2019
Interest payment date:	23 December each year from 2020 to 2029. 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 23 December 2020 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.
Maturity Date:	23 December 2029. 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. The Bondholders do not have a right to require to redeem the Bonds prior to the Maturity Date
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 (unless early redeemed, as indicated below)
Early redemption as a result of Tax Event[22]:	Upon the occurrence of a Tax Event, as indicated in the Terms and Conditions, signed when subscribing the Bonds, but subject to having

[22] "Tax Event" means:
- any amendment to, or change in, the laws or treaties (or any regulations thereunder) of the Taxing Jurisdiction affecting taxation;

	obtained the relevant supervisory authority permission if such permission is then required under the applicable regulations, the Issuer may, at its option, having given not less than 30 days' notice to the Bondholders redeem all (but not some only) of the outstanding Bonds at any time at a redemption amount equal to their outstanding principal amount together with interest (if any) accrued up to but excluding the date of redemption
Early redemption as a result of Capital Event[23]:	Upon the occurrence of a Capital Event, as indicated in the Terms and Conditions, signed when subscribing the Bonds, but subject to having obtained the relevant supervisory authority permission if such permission is then required under the applicable regulations, the Issuer may, at its option, having given not less than 30 days' notice to the Bondholders at any time redeem all (but not some only) of the outstanding Bonds at a redemption amount equal to their outstanding principal amount, together with interest accrued up to but excluding the date of redemption
Optional Early Redemption (Call):	After 5 years have passed from the Issue Date of the Bonds and having obtained the relevant supervisory authority permission if such permission is then required under the applicable regulations, the Issuer may, having given not less than 30 days' notice to the Bondholders redeem fully Bonds at their outstanding principal amount, together with accrued interest thereon. The appropriate notice shall be signed by a duly authorized officer of the Issuer and shall specify: (i) whether Bonds are to be redeemed in whole or in part only and, if in part only, the aggregate outstanding principal amount of the Bonds which are to be redeemed; (ii) the due date for such redemption, which shall be not less than 30 days after the date on which such notice is validly given; and (iii) the amount at which such Bonds are to be redeemed, which shall be their outstanding principal amount together with accrued interest thereon. Any such notice shall be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified
Cancellation of the redeemed Bonds:	All Bonds redeemed will be cancelled and may not be reissued or resold nor can the Issuer use any voting rights arising from the Bonds, if at any time should the Bonds be partially repurchased

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

which amendment or change is effective or such governmental action, pronouncement, interpretation or decision is announced, on or after the Issue Date of the Bonds and as a result of which:
- the Issuer is, or will be, subject to additional taxes, duties or other governmental charges with respect to such Bonds or is not, or will not be, entitled to claim a deduction in respect of payments in respect of such Bonds in computing its taxation liabilities (or the value of such deduction would be materially reduced); or
- the treatment of any of the Issuer's items of income or expense with respect to such Bonds as reflected on the tax returns (including estimated returns) filed (or to be filed) by the Issuer will not be respected by a taxing authority, which subjects the Issuer to additional taxes, duties or other governmental charges.

[23] "Capital Event" means the determination by the Issuer, after consultation with the Supervisory Authority, that the outstanding principal amount of the Bonds ceases or would be likely to cease to be included in whole or in any part, or count in whole or in any part, towards the Tier 2 Capital of the Issuer in the essence of CRR.

Payments:	Payments of amounts (whether principal, interest or otherwise, including on the final redemption) due on the Bonds will be made to the Bondholders thereof, as appearing in Nasdaq CSD at the close of business on the Business Day preceding the due date for such payment (the "Record Date"). Payment of amounts due on the final redemption of the Bonds will be made simultaneously with deletion of the Bonds. If the due date for payment of the final redemption amount of the Bonds is not a Business Day, the Bondholder thereof will not be entitled to payment thereof until the next following Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with the Terms and Conditions. Payments of amounts (whether principal, interest or otherwise, including on the final redemption) due on the Bonds will be made by the Issuer itself to the Bondholders' accounts indicated, when purchasing the Bonds
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 17 May 2019 Moody's Investors Service announced that it upgraded ratings of the Bank. Long-term deposit rating was improved to Baa2 from Baa3, the rating outlook is stable. Moody's specified that the higher rating for the Bank has been driven by a continued strengthening of the Bank's capitalisation and sustained improvement in profitability supported by lending growth and good margins
Listing (Admission) of Bonds:	The Issuer is obliged in the Terms and Conditions to list the Bonds in regulated market (Nasdaq Bond List) 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 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. 52, dated 20 December 2019
Transfer restrictions:	The Bonds are freely transferrable. However, any Bondholder wishing to transfer the Bonds must ensure that any offering related to such transfer would not be qualified as a public offering in the meaning of the applicable law. Ensuring that any offering of the Bonds does not fall under the definition of public offering under the applicable law is the obligation and liability of the Bondholder. The securities account managers may temporarily block the Bonds on a Bondholder's securities account to ensure performance of corporate actions regarding the Bonds. In addition to that, 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. It is the Bondholder's obligation to ensure that the offers and sales of Bonds comply with all applicable securities laws
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
Acknowledgement of bail-in powers:	Notwithstanding and to the exclusion of any other term of the Bonds or any other agreements, arrangements or understanding between the Issuer and any Bondholder, by its acquisition of the Bonds, each Bondholder acknowledges and accepts that any liability arising under the Bonds may be subject to the exercise of Bail-in powers by the relevant resolution authority and acknowledges, accepts, consents to and agrees to be bound by: 1) the effect of the exercise of any Bail-in powers by the relevant resolution authority, which exercise (without limitation) may include and result in any of the following, or a combination thereof: (i) the reduction of all, or a portion, of the relevant amounts in respect of the Bonds; (ii) the conversion of all, or a portion, of the relevant amounts in respect of the Bonds into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the Bondholder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Bonds; (iii) the cancellation of the Bonds or the relevant amounts in respect of the Bonds; (iv) the amendment or alteration of the amount of interest payable on the Bonds, or the date on which interest becomes payable, including by suspending payment for a temporary period; and 2) the variation of the terms of the Bonds, as deemed necessary by the relevant resolution authority, to give effect to the exercise of any Bail-in Powers by the relevant resolution authority.

	For more information on this issue, please see Section 3.3 *Risks related to the Bonds*, risk factor Bail-in
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 respective 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.

No Bondholder shall be entitled to exercise any right of set-off against moneys owed by the Issuer in respect of such Bonds.

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 CEO has the right to conclude and to terminate the contract with the Trustee.

On 20 December 2019, 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: registration address A. Juozapavičiaus str. 6, Vilnius, Lithuania, address for correspondence Šeimyniškių str. 1A, Vilnius, Lithuania, tel. +370 698 16 674, e-mail info@legis.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, applying among other via an email of the Bank info@sb.lt or an e-mail of the Trustee info@legis.lt.

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 respective 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, the Enterprise Insolvensy 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. For full description of the respective provisions please see the Law on Protection of Interests of Bondholders and the contract, concluded with the Trustee.

Main Rights of the Trustee

1) to receive the lists 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 bankruptcy administration services (in this particular case), 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 CEO or his 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, to which the quorum requirement shall not be aplicable.

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 as a general rule 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.

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 as well as on www.nasdaqbaltic.com, as well as in Central Regulated Information Base (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.

Purchases

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 in the Republic of Lithuania

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

The information contained within this Section is limited to Lithuanian withholding and income tax issues and prospective purchasers of Bonds are advised to consult their own tax advisers concerning the overall Lithuanian tax consequences of the ownership of Bonds.

A "**resident individual**" means an individual whose permanent place of residence is in Lithuania, or whose personal, social or economic interests are located in Lithuania or who is present in Lithuania for more than 183 days in the relevant tax period or more than 280 days in two consecutive tax periods and at least 90 days in one of these tax periods, and a "**resident entity**" means an entity which is legally established in Lithuania, and a "**non-resident individual**" means an individual whose permanent place of residence is outside Lithuania, whose personal, social or economic interests are located outside Lithuania and who is present in Lithuania for less than 183 days in the relevant tax period and less than 280 days in two consecutive tax periods and less than 90 days in one of these tax periods, and a "**non-resident entity**" means an entity which is legally established outside Lithuania. Taxation of interest income and capital gains received by non-resident entities acting through a permanent establishment in Lithuania is the same as that of resident entities defined above, therefore, it is not separately outlined in the further Sections of this Prospectus. For relevant details on the taxation of Lithuanian permanent establishments as Bondholders, please refer to the taxation of resident entities. Taxation of non-resident individuals acting through a fixed base in Lithuania is the same as that of resident individuals defined above, if such a non-resident individual earns interest income performing activity through a fixed base in Lithuania.

Withholding Tax, Income Tax

<u>*Taxation of interest*</u>

Payments to individuals

Payments in respect of interest on the Bonds (including, to the extent applicable, the difference between the redemption price and the issue price of the Bonds) to a resident individual will be subject to personal income tax at progressive tax rates of (i) 15 per cent, up to the total amount of income (excluding income from employment, self-employment, dividends, renumeration of board members and certain other types of income) received by an individual during a calendar year not exceeding the sum of 120 Lithuanian gross average salaries (in 2020, this figure shall be EUR 148,968) and (ii) 20 per cent, which will apply to any income (excluding income from employment, self-employment, dividends, renumeration of board members and certain other types of income) received by an individual during a calendar year, exceeding the aforementioned threshold.

The total amount of interest (including interest on the Bonds) received during a calendar year up to EUR 500 will be exempt from the personal income tax. The personal income tax is to be paid by a resident individual himself/herself.

When interest is earned by a non-resident individual, the Issuer as an interest-paying entity will withhold and pay the 15 per cent personal income tax. If it turns out at the end of the year that the Lithuanian-source income of a non-resident individual that is taxable in Lithuania (interest, royalties, income from sports and entertainment activities, capital gains and rent from real estate located in Lithuania, capital gains from movable property registerable in Lithuania) exceeded the sum of 120 Lithuanian gross average salaries and, as a result, a part of the amount is subject to the 20 per cent rate, the individual will pay the difference himself/herself.

Separate double taxation treaties with the Republic of Lithuania can provide for a lower tax rate for non-residents.

Payments to entities

Payments in respect of interest on the Bonds (including, to the extent applicable, the difference between the redemption price and the issue price of the Bonds):

(i) to a resident entity will be included into calculation of its taxable profit. Taxable profit will be subject to the 15 per cent corporate income tax (5 per cent for small-sized entities). Banks and credit unions, including branches of foreign banks in Lithuania, for the fiscal years 2020 – 2022 shall pay additional 5 per cent corporate income tax on profits (subject to special calculation rules) exceeding EUR 2 million;

(ii) to a non-resident entity, which is registered or otherwise organized in a state of the EEA or in a country with which the Republic of Lithuania has concluded and brought into effect a double tax treaty, will not be subject to the withholding tax in Lithuania;

(iii) to a non-resident entity other than those listed above will be subject to the 10 per cent withholding tax.

If the Issuer as an interest-paying entity is unable to identify the Bondholder (including either as a legal entity or an individual, tax resident or non-tax resident) and determine such Holder's eligibility for a lower tax rate or exemption from the withholding tax, payments of interest in respect of the Bonds (which also includes as interest, if applicable, the difference between the redemption price and the issue price of the Bonds) to any such Bondholder will be subject to the 15 per cent personal income tax to be withheld and paid by the Issuer.

Taxation on Disposition of Bonds

Payments to individuals

Capital gains (i.e. the difference between the sale price and acquisition costs) on disposal of the Bonds received by a resident individual will be subject to progressive tax rates of (i) 15 per cent, up to the total amount of income (excluding income from employment, self-employment, dividends, renumeration of board members and certain other types of income) received by a resident individual during a calendar year not exceeding the sum of 120 Lithuanian gross average salaries (in 2020, this figure shall be EUR 148,968) and (ii) 20 per cent, which will be applied to any income (excluding income from employment, self-employment, dividends, renumeration of board members and certain other types of income) received by a resident individual during a calendar year, exceeding the aforementioned threshold. Any capital gains received from the sale of securities (including the Bonds) during a calendar year up to total amount of EUR 500 will be exempt from the personal income tax. The tax exemption will not apply if the sale proceeds are received from entities established in a tax haven or from individuals whose permanent place of residence is in a tax haven.

The disposition of the Bonds by non-resident individuals will not be subject to any Lithuanian income or capital gains tax.

Payments to entities

Capital gains (i.e. the difference between the sale price and acquisition costs) on disposal of the Bonds received by a resident entity will be included into calculation of its taxable profit. Taxable profit will be subject to the 15 per cent corporate income tax (5 per cent for small-sized entities). Banks and credit unions, including branches of foreign banks in Lithuania, for the fiscal years 2020 – 2022 shall pay additional 5 per cent corporate income tax on profits (subject to special calculation rules) exceeding EUR 2 million.

The disposition of the Bonds by non-resident entities will not be subject to any Lithuanian income or capital gains tax.

Registration and Stamp Duty

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

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.

The Bonds were offered to the investors non-publicly following the exemption of Article 1(4) of the Prospectus Regulation. Six investors have acquired and hold all the Bonds issued.

5.5 Admission to Trading

As of the date of this Prospectus, all the existing Bonds of the Issuer (2,000 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 0.07% of the issue price of Bonds (including, without limitation, state fee for approval of the Prospectus, admission fees to the Nasdaq Vilnius and 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

Documents Available

Throughout the period of validity of this Prospectus, the documents, indicated in Section 1.4 *Information Incorporated by Reference* will be available to the investors.

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 – Baa2 – medium grade; Obligations rated Baa2 are subject to moderate credit risk;

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

3) rating outlook – Stable. 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.

No Market Maker for the Bonds

The Company has not signed any market maker agreement regarding market making for the Bonds, to be admitted to trading on Nasdaq.