

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

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

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

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

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

**PROHIBITION OF SALES TO UK RETAIL INVESTORS:** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("FSMA") and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA ("UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore

**offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.**

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

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

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

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

BASE PROSPECTUS



AKCINĖ BENDROVĖ ŠIAULIŲ BANKAS

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

EUR 250,000,000

Euro Medium Term Note Programme

Under this EUR 250,000,000 Euro Medium Term Note Programme (the "**Programme**"), described in this base prospectus (the "**Base Prospectus**" or the "**Prospectus**"), Akcinė bendrovė Šiaulių bankas (the "**Bank**", the "**Company**" or the "**Issuer**") may from time to time issue restricted senior preferred notes (the "**Restricted Senior Preferred Notes**" or the "**Notes**") denominated in Euro. It should be noted that the Programme was authorised by the resolution of the Management Board of the Issuer, dated 22 September 2021, and the Programme was lastly extended to continue further for the unlimited amount of time by the resolution of the Management Board of the Issuer, dated 14 November 2023. Therefore, the total amount of the Programme (i.e., up to EUR 250,000,000) has not been changed and the Notes which will be further issued under the Programme described in this Prospectus will be consolidated and form a single series with Notes under ISIN LT0000405771. At the date of this Prospectus, securities issued under the Programme amount to EUR 160,000,000 in terms of aggregate nominal amount.

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

Application(-s) will be made for the Notes issued under the Programme to be admitted to listing on the bond list (the "**Bond List**") and to trading on the regulated market (the "**Regulated Market**") of Nasdaq Vilnius AB ("**Nasdaq Vilnius**"). The Regulated Market of Nasdaq Vilnius is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments (as amended, "**MiFID II**"). In order to execute admission of each separate Tranche of Notes to the Bond List of Nasdaq Vilnius as soon as possible following their placement to the investors. Considering that each separate Tranche of Notes to be issued under the present Prospectus will be issued as tap issues and to be consolidated and form a single series with Notes under LT0000405771, which are listed on the Bonds List of Nasdaq Vilnius.

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

This Base Prospectus is valid for 12 (twelve) months after the date hereof. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

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

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

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

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

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

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

Arranger and Dealer

Luminor Bank AS

represented within the Republic of Lithuania by Luminor Bank AS Lithuanian branch

Base Prospectus dated 14 November 2023

## IMPORTANT NOTICES

### Responsibility for this Base Prospectus

The Issuer accepts responsibility for the information contained in this Base Prospectus and any Final Terms. To the best of the knowledge and belief of the Company the information contained in this Prospectus is in accordance with the facts and the Base Prospectus contains no omissions likely to affect its import.

### Final Terms

Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to each such Tranche called final terms (the "**Final Terms**") as described under "*Final Terms*" below. In the event of any inconsistency between Terms and Conditions in this Base Prospectus and the relevant Final Terms, the relevant Final Terms shall prevail.

### Other relevant information

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

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

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

### Unauthorised information

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

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

### Restrictions on distribution

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus

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

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

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

**IMPORTANT – UK RETAIL INVESTORS** – The Final Terms in respect of any Notes may include a legend entitled "Prohibition of Sales to UK Retail Investors", which means that the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA ("**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

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

## **Programme limit**

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed EUR 250,000,000. At the date of this Prospectus, securities issued under the Programme amount to EUR 160,000,000 in terms of aggregate nominal amount. As such, up to EUR 90,000,000 are remaining to be issued under the Programme.

## **Certain definitions**

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

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

## **Language**

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

## **Ratings**

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

## **Benchmarks Regulation**

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

## **Stabilisation**

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

**Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## PRESENTATION OF FINANCIAL INFORMATION

References in this Base Prospectus to the financial statements for 2022 and 2021 of the Issuer and of the Group are to the audited consolidated financial statements of the Issuer for the years ended 31 December 2022 and 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”). References in this Base Prospectus to the financial statements for 9-month period, ended 30 September 2023 are to the condensed interim financial statements (unaudited) of the Issuer and of the Group for the 9-month period, ended 30 September 2023 that also includes comparative financial information for the 9-months period, ended 30 September 2022 (except with respect to items of financial position that are compared with financial information of 31 December 2022) incorporated by reference in this Base Prospectus, which have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union (“**IAS**”).

References in this Base Prospectus to the financial statements for 9-month period, ended 30 September 2022 are to the condensed interim financial statements (unaudited) of the Issuer and of the Group for the 9-month period, ended 30 September 2022, which have been prepared in accordance with IAS.

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

### **Alternative Performance Measures**

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

## CONTENTS

<b>IMPORTANT NOTICES</b> .....	i
<b>PRESENTATION OF FINANCIAL INFORMATION</b> .....	v
<b>OVERVIEW OF THE PROGRAMME</b> .....	1
<b>RISK FACTORS</b> .....	5
<b>INFORMATION INCORPORATED BY REFERENCE</b> .....	24
<b>FINAL TERMS</b> .....	25
<b>TERMS AND CONDITIONS OF THE NOTES</b> .....	26
<b>FORM OF FINAL TERMS OF THE NOTES</b> .....	46
<b>HISTORICAL FINANCIAL INFORMATION OF THE ISSUER</b> .....	53
<b>KEY FINANCIAL RATIOS AND ALTERNATIVE PERFORMANCE MEASURES OF THE ISSUER</b> .....	60
<b>USE OF PROCEEDS</b> .....	64
<b>DESCRIPTION OF THE ISSUER</b> .....	65
<b>MARKET ENVIRONMENT</b> .....	95
<b>TAXATION</b> .....	97
<b>SUBSCRIPTION AND SALE</b> .....	99
<b>GENERAL INFORMATION</b> .....	101

## OVERVIEW OF THE PROGRAMME

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

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

<b>Issuer:</b>	Akcinė bendrovė Šiaulių bankas
<b>Programme Approval:</b>	The Programme was approved by the decision of the Management Board, dated 25 October 2022.
<b>Programme Amount:</b>	Up to €250,000,000 aggregate nominal amount of Notes outstanding at any one time. At the date of this Prospectus there is issued and listed €160,000,000 aggregate nominal amount of Notes under ISIN LT0000405771.
<b>Arranger:</b>	Luminor Bank AS, represented within the Republic of Lithuania by Luminor Bank AS Lithuanian branch (the " <b>Arranger</b> ")
<b>Description:</b>	Euro Medium Term Note Programme
<b>Dealer:</b>	Luminor Bank AS, represented within the Republic of Lithuania by Luminor Bank AS Lithuanian branch (the " <b>Dealer</b> ")
<b>Currency:</b>	Notes will be denominated in Euros
<b>Method of Issue:</b>	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
<b>Denominations:</b>	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) (subject to compliance with all applicable legal and/or regulatory and/or central bank requirements), save that the minimum denomination of each Note will be €100,000 and (if so decided) integral multiples of EUR 1,000 in excess thereof.
<b>Maturities:</b>	Any maturity, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
<b>Listing and Trading:</b>	<p>Application(-s) will be made for Notes issued under the Programme to be admitted during the period of twelve months after the date hereof to listing on the Bond List and to trading on the Regulated Market of Nasdaq Vilnius.</p> <p>Nevertheless, in order to execute admission of each separate Tranche of Notes to the Bond List of Nasdaq Vilnius as soon as possible following their placement to the investors but not later than in one month, and in order to execute admission of each separate Series of Notes to the Bond List of Nasdaq Vilnius – in three months following their placement.</p>

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

	part at any time at their principal amount, together with interest accrued (if any) to the date fixed for redemption as described in Condition 6(b) ( <i>Redemption for tax reasons</i> ). Early redemption will otherwise be permitted only to the extent specified in the relevant Final Terms.
	Upon the occurrence of a MREL Disqualification Event, the Issuer (subject to Condition 6(h) ( <i>Conditions to Redemption or Repurchase</i> )) may, at its option, redeem all (but not some only) of the Notes at their outstanding aggregate principal amount together with interest (accrued to but excluding the date of redemption) as described in Condition 6(e) ( <i>Early Redemption of Restricted Senior Preferred Notes as a result of a MREL Disqualification Event</i> ).
	There are additional restrictions on the early redemption of Restricted Senior Preferred Notes, as mentioned in Condition 6(h) ( <i>Conditions to Redemption or Repurchase</i> ).
<b>Substitution and Variation:</b>	The Issuer may substitute or vary the terms of all (but not some only) of the Restricted Senior Preferred Notes as provided in Condition 14 ( <i>Substitution and Variation</i> ) (including changing the governing law of Condition 16 ( <i>Acknowledgement of Bail-in and Loss Absorption Powers</i> )) without any requirement for the consent or approval of Noteholders.
<b>Taxation:</b>	All interest payments in the case of Restricted Senior Preferred Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Lithuania or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, in respect of interest, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as described in Condition 8 ( <i>Taxation</i> ).
<b>Events of Default and Cross Acceleration:</b>	The Restricted Senior Preferred Notes provide for events of default in certain circumstances, but do not contain a cross-default or cross-acceleration provision.
<b>Clearing Systems:</b>	The Lithuanian branch of Nasdaq CSD, SE (" <b>Nasdaq CSD</b> ") (the merged central securities depository of Lithuania, Latvia, Estonia and Iceland).
<b>Risk Factors:</b>	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its respective obligations under the Notes are discussed under " <b>Risk Factors</b> " below.
<b>Governing Law:</b>	The Notes shall be governed by Lithuanian law.
<b>Ratings:</b>	The Notes issued under the Programme may be rated by Moody's Investors Service (" <b>Moody's</b> "). Moody's is established in the EEA and registered under Regulation (EC) No 1060/2009, as amended (the " <b>CRA Regulation</b> ").

<b>Selling Restrictions:</b>	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Japan and the Republic of Italy, see " <i>Subscription and Sale</i> " below.
------------------------------	---

## RISK FACTORS

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

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

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

### **General geopolitical risks**

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

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

The current geopolitical situation in Russia and Belarus, including sanctions and embargos, poses an economic risk to the Baltic region. In February 2022, Russia initiated military operations in Ukraine.

The United States, the United Kingdom and the EU have implemented substantial economic sanctions against Russia, which have material impacts on energy prices, energy supply, and potentially the functioning of the banking system in Europe. These effects, in turn, may lead to changes in economic or regulatory policy. Potential escalations of the conflict and new sanctions, adding to the already elevated price pressures, negatively affected economic activity. Any such policy changes or negative impact on economic activity in Lithuania, or in the countries where its customers and counterparties operate, could have a direct negative impact on the Issuer's strategy, its growth potential, its fees and commissions, and profit margins and, consequently, could have a material adverse effect on its business, financial condition and results of operations. The Issuer is closely monitoring the situation and its direct and indirect impacts.

Effects, which come from the impacts to the economy as a whole (energy prices, global economic slowdown), might potentially have the largest adversely effect on customers' ability to service the loans and on cost for funding resources. Issuer uses stress testing scenarios to assess such potential impacts. The severity of this risk is judged as high even though Issuer's exposures to Russian, Ukrainian and Belarus counterparties are low (direct credit exposure is below EUR 0.1 million and indirect credit exposure affected by second order effect comprises less than 5% of total Issuer's loan portfolio) due to uncertainties of the future knock-on effects of this conflict on its risk management framework.

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

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

All of the foregoing factors could have a material adverse effect on the Issuer's business, financial condition and results of operations.

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

## **General business risks**

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

As a part of Group's business activities, the Group finances entities operating in Lithuanian real estate sector. As of 30 September 2023, credit exposure to entities operating in real estate and rent and in construction sectors accounted to 19.5% (as of 30 September 2022 19.2%) of total gross loans provided by the Group before taking into account collateral held. In addition to that, the Group uses real estate as a main type of collateral securing both corporate and individual loans provided. As of 30 September 2023, real estate with the fair value of EUR 4,471 million (as of 30 September 2022 EUR 3,908 million) was used as a collateral for loans provided.

Potential negative development of Lithuanian real estate market could have a negative impact on both real estate market prices and transaction volume. Such decreases in prices and volumes could have an adverse effect on Group's debtors operating in real estate sector and could degrade the value and liquidity of real estate used by the Group as a collateral which in turn could have negative effect on the Group's financial position. In 2022 new risk factor in real estate/construction sector appeared – increase of prices of raw materials raised some concerns regarding the borrowers that have previously signed fixed-price contracts. Monitoring of borrowers in mentioned sectors has increased; so far, no material impact is foreseen, but if the situation escalates further, this could adversely affect the ability of such borrowers to service the loans and the financial position of the Group respectively.

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

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

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

The operations of the Group are inherently exposed to interest rate risk. The amount of net interest income earned by the Group materially affects the revenues and the profitability of the operations of the Group – during the financial year ended 31 December 2022 net interest income accounted to 74.8% of the Groups total operating income (63.4% during the financial year ended 31 December 2021) and during the nine months period ended 30 September 2023 net interest income accounted to 80.5% of the Groups total operating income (74.7% during the nine months period ended 30 September 2022). Interest rates are affected by numerous factors beyond the control of the Group, which may be not estimated adequately. Such factors include the changes in the overall economic environment, level of inflation, that in turn could influence the European Central Bank's ("ECB") monetary policy decisions, which can lead to the interest rate fluctuations.

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

Despite the fact that the management of the Issuer uses adequate interest rate risk management methods and tools, due to the unforeseen fluctuations of market interest rates there may be a mismatch between the interest income earned from the lending and crediting operations of the Group and the interest costs paid on the interest-bearing liabilities, which may have material adverse effect on the Group's operations, financial condition and results of operations.

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

Securities risk is the risk to incur losses from the investment in securities. The Group has a substantial securities portfolio – as of 30 September 2023, securities portfolio accounted for 19,3 % of Group's assets (27.4% as of 30 September 2022). The investment grade debt securities make up the largest part of the Group's securities portfolio (96.1% as of 30 September 2023 and 95,7% as of 30 September 2022). Largest share of the securities portfolio serves as a secondary liquidity reserve. The Group uses internal risk limit system that combines various maturity/rating, geographical region, value at risk, capital requirements, issuer, portfolio limits to manage securities risk. However, certain geopolitical, economic or other factors may lead to a situation when the unforeseen market fluctuations or disappearance of the active market for securities may have a material adverse effect on the Group's liquidity, financial condition and results of operations. If necessary, the Issuer prefers to raise liquid funds from debt securities portfolio, through operations of monetary policy of the ECB, by pledging eligible securities.

#### ***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, and together with current market players, could significantly change competitive landscape of the industry raising the industry standards in terms of digital channel presence. Such changes could have an adverse effect on the Issuer's business operations and profitability position in the medium to long term. This risk is material specifically for the Issuer as:

- the main provider of the information system IS Forpost, used by the Issuer, may not be able to sustain competition from other market participants due to decrease of subjects, using the system;
- some of the systems, developed partially by the Issuer itself (e.g., trade and accounting of the securities) do not have reliable maintenance.

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

Foreign currency risk arises primarily from the acquisition of securities denominated in foreign currencies or from foreign currency receivables and liabilities. Foreign exchange rates may be affected by complex political and economic factors, including relative rates of inflation, interest rate levels, the balance of payments between countries, the extent of any governmental surplus or deficit, and from the monetary, fiscal and trade policies pursued by the governments of the relevant currencies. Devaluation, depreciation or appreciation of foreign currency may have significant adverse effect on the value of the Group's assets denominated in foreign currency or increase the euro value of the Group's foreign currency liabilities. The Group's foreign currency risk management is based on monitoring the risk exposure against the limits established for single open currency position. Positions are monitored on a daily basis and the risk management policy is focused on maintaining substantially closed foreign exchange positions. The Group also calculates Overall net open position (ONOP), which is the higher of the total short or total long positions. As of 30 September 2023, the Group's ONOP was equal to 0.03% of Group's capital ((0.08% as of 30 September 2022).

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

The Issuer is mostly exposed to transitional risk related to impact on Issuer's loan portfolio:

- financial loss which may result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy, e.g., adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences could impact the ability of Group's borrowers especially in SME sector to service the loans;
- income sensitivity from climate-relevant sectors which could have negative impact on commission income in the long term.

The Issuer has constructed the relevant metrics for monitoring this risk and is continuously upgrading its risk management.

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

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

This risk is the risk of potential loss which may arise from counterparty's inability to meet its obligations to the Group. The risk affects cash and cash equivalents held with third parties (such as deposits with banks and other financial institutions), bonds, derivatives, but mostly credit exposures to customers, including outstanding loans as well as other receivables and commitments. Group's maximum exposure to credit risk before collateral held or other credit enhancements amounted to EUR 4.85 billion as of 30 September 2023 and EUR 4.41 billion as of 30 September 2022.

Third order effects, which come from Russia-Ukraine war as the impacts to the whole economy (energy prices, global economic slowdown), might potentially have the largest adversely effect on customers' ability to service the loans and on cost for funding resources. The Issuer is closely monitoring the situation related Russia-Ukraine war and its direct and indirect impacts. The Issuer has no direct exposure to clients in war-affected countries. The Issuer assessed its indirect exposure to credit portfolio for the second order effects (i.e., Lithuanian counterparties with supply, sales or ownership ties with Russia, Ukraine and Belarus) and found out that the overall second order effect is limited – customers with the risk assessed as medium or above comprise less than 5% of total Issuer's loan portfolio. Monitoring has been increased for those customers that according to the assessment could have potential adverse effects. Issuer uses stress testing scenarios to assess such potential impacts. The severity of this risk is judged as high even though Issuer's direct and indirect exposures are low due to uncertainties of the future knock-on effects of this war on Issuer's risk management framework.

There is no full clarity regarding further development scenarios of Russia-Ukraine war, and uncertainties regarding further global, country and sector development, growing interbank lending rates trends, therefore there is a significant probability that some of the Group's customers will have disruptions in their cash flows and will be unable to meet their obligations by original payment schedules and the Group might incur additional credit losses. A major scale deterioration in credit risk could have a material impact on Group's capital levels and lead to insufficiency of capital, which could lead to a failure of the respective Group Company to meet its obligations to its creditors.

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

The operations of the Group are subject to loan portfolio concentration risk, which by essence is a risk arising from the overall spread of outstanding accounts over the number and variety of clients. As of 30 September 2023, largest exposure amounted to 15.37% of regulatory TIER1 capital (30 September 2022: 10.29% of TIER1), while the limit is <25%. As of 30 September 2023, the top 3 industries with largest exposure were Real Estate with 27%, Administrative and Support Services with 15% and Manufacturing with 13%, share of the total gross corporate non-financial loans value provided by the Group. The above concentration risk may have a material adverse effect on the Group's operations, financial condition and results of operations. If the concentrations are mismanaged, severely adverse credit situation in a segment where the Group has excessive concentration could have a material impact on Group's capital levels and lead to a failure of the respective Group Company to meet its obligations to its creditors.

### ***Liquidity risk***

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments related to financial instruments as they actually fall due. If an institution has insufficient liquidity, it may be unable to meet its obligations to its creditors. As of 30 September 2023, the Issuer's financial liquidity coverage ratio was equal to 183.39% (as of 30 September 2022 – 155.82%), when the requirement is set at  $\geq 100\%$ .

The Issuer relies on deposits from retail and corporate customers in order to service most of its liquidity needs. The Issuer relies on deposit-based funding (customer deposits amount to 77.5% of total liabilities as of 30 September 2023 (as of 30 September 2022 76.5%). The volume of such liquidity is, however, dependent on factors which are beyond the Issuer's control, such as changes in household savings ratios, the propensity to save by making bank deposits and changes in the tax regime applicable to bank deposits. The Issuer's liquidity position may also be affected negatively by a large and unexpected outflow of deposits.

Refinancing risk of the Issuer will become more significant as the borrowings increase, and the Issuer will face the risk of not being able to raise funds from money and/or capital markets on acceptable terms, which may have an adverse effect on the Issuer's business operations, its performance or financial position.

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

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

It is also possible that the Issuer will acquire or merge with companies or their portfolios in the future, in order to expand its business operations, for example, or to have new resources at its disposal. As on 22 November 2022, the Issuer and Akcinė bendrovė "Invalda INVL", legal entity code 121304349, registered at address Gynėjų str. 14, Vilnius, the Republic of Lithuania, signed an agreement to merge segments of their retail businesses. Following the provisions of the signed agreement, the transaction is expected to be completed until the end of 2023. The goal of the merger is to gain a larger market and customer base and achieve economies of scale. Regardless, for the implementation of this merger, the approval of the BoL is needed as well as certain anticipated changes in the activities of parties (for more information on this transaction, see *Description of the Issuer–Major shareholders of the Issuer and General Information–Material Contracts*).

Growth built on company or portfolio acquisitions is associated with certain risks, such as assessing the feasibility of planned investments and the integration of the business operations and new employees acquired. If the Issuer does not succeed in implementing such measures, future company acquisitions may have an adverse effect on the Issuer's business operations, its performance or its financial position. Furthermore, with any business development initiatives, possible company or portfolio acquisitions and changes to the operating model, there is a risk that the initiative, acquisition, or change may, regardless of the Issuer's efforts, not bring the desired benefits. Moreover, there is a risk that such initiatives, acquisitions and changes may result in inefficiencies, stoppages, or delays in the Issuer's operations, negatively affect the Issuer's customers' satisfaction (potentially leading to loss of clients), reputation and awareness of the Issuer's brand. The occurrence of any such effect could have a material adverse effect on the Issuer's business, financial condition, and results of operations of the Issuer.

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

The Group has developed and uses a variety of information technology (IT) systems and web-based solutions in carrying out its everyday business operations and providing services to its clients. This means that the Group is exceedingly open to IT related risks over which it has no control, including system-wide failures of communication infrastructure, quality and reliability of equipment and software supplied by third parties and other similar risks. Furthermore, should the Group experience a significant security breakdown or other significant disruption to its information technology systems, sensitive information could be compromised, which in turn could result in civil and administrative liability of the Group before its customers, counterparties and state authorities. In addition to that, potential illegal attacks on the Group's

internal IT systems may limit access to both online and offline services of the Group, which would have material adverse effect on further operations of the Group and its financial position. The Group may, despite its efforts, fail to mitigate all IT systems related risks or fail to take appropriate and effective countermeasures if its systems fall under attack, which in turn may have material adverse effect on the Group's operations, financial position and results.

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

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

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

As staff costs comprise the main part of operating costs (nine-months of 2023 – 49.9%, nine-months of 2022 – 56.1%, 2022 – 51.6%, 2021 – 42.07%), increased staff-related risks could materially adversely affect the Issuer's business, financial condition and results of operations, also increase in staff costs greater than the market expectations could lead to potentially worse evaluations from investors, rating agencies and other stakeholders and impair the possibilities to generate capital / attract funding.

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

The Issuer's credit ratings do not always mirror the risk related to individual Notes under the Programme. Currently, the Issuer has a long-term deposit rating of Baa1 and stable outlook from Moody's. Any credit rating agency may lower its ratings or withdraw the rating if, in the sole judgement of the credit rating agency, the credit quality of the Issuer has declined or is in question. In addition, at any time a credit rating agency may revise its relevant rating methodology with the result that, among other things, any rating assigned to the Issuer may be lowered. If any of the ratings assigned to the Issuer is lowered or withdrawn, the market value of the Notes may be reduced. Furthermore, such ratings may not reflect the potential impact of all risks related to the structure, market, and other factors that may affect the financial standing of the Issuer. Accordingly, a credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. The Issuer's ratings may also decline if sovereign credit rating of Lithuania is downgraded regardless of any direct correlation with the Issuer's activities.

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

#### ***Operational risk***

Issuer is exposed to Operational risk arising from inadequacy or failure of internal procedures, employees, process or information system failures and flaws or due to external risks including legal risk and reputational risk. In addition, the operational risk embraces risk of corporate fraud and misconduct.

This encompasses (i) internal risks including theft and fraud by employees, development and process failures, business interruptions or break-downs in information systems and (ii) external risk factors such as property damage and fraud by customers. The operational risk may have material adverse effect on the Group's operations, financial position and results.

Issuer seeks to reduce these operational risks through controls and procedures including special attention dedicated on strengthening of the operational risk culture via internal trainings to all employees. However, these measures may be inadequate to address significant operational risks. Any inadequate or failed internal or external risk-related processes may affect the Issuer's strategy, its growth potential, its fees and

commissions, and profit margins and, consequently, could have a material adverse effect on its business, financial condition and results of operations. Losses from operational risk could damage the Issuer's capital position or reputational risk event could trigger a bank run, where a large number of depositors could withdraw their funds, which would, which would deteriorate the Issuer's liquidity position.

### **Environmental, Social and Governance („ESG factors“) risk**

The Issuer is exposed to the risk of negative financial impact stemming from the current or prospective impacts of ESG factors on its counterparties or invested assets.

The environmental risk is further mainly defined as Climate-related and environmental risk, consisting of physical and transition risk:

- Physical risk, which is the risks of any negative financial impact on the institution stemming from the current or prospective impacts of the physical effects of environmental factors on its counterparties or invested assets.
- Transition risk, which is the risks of any negative financial impact on the institution stemming from the current or prospective impacts of the transition to an environmentally sustainable economy on its counterparties or invested assets.

Other environmental risks include, for example, pollution, biodiversity, energy efficiency, land use, environmental compliance, waste and water management, etc.

The social risk is further defined as risk related to employees, health and well-being, pay gap, also community impact, better services, etc.

The governance risk is further defined as diversity in the governing bodies and managerial positions, risk management culture, compliance, litigation risk etc.

Although ESG factors risk has been incorporated into the monitoring of existing financial and non-financial risks, the Group monitors it on a separate basis as well.

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

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

The results of the Issuer are affected by the macroeconomic conditions and trends in the financial markets in general as well as by the economic condition in Lithuania in particular. The economy of Lithuania is small and open economy that is closely linked to the global economy and especially to the macroeconomic conditions in the Eurozone countries and Russia. Lithuania is member of the European Union and the North Atlantic Treaty Organisation. Any deterioration in the economic environment of Lithuania where the Issuer operates, or in the countries where its customers and counterparties operate, could have a direct negative impact on the Issuer's strategy, its growth potential, its fees and commissions, and profit margins and, consequently, could have a material adverse effect on its business, financial condition and results of operations.

During recessionary periods, there may be less demand for loan products and a greater number of the Issuer's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. Fluctuations in interest rates and in ratings in the Eurozone influence its performance.

Among others, the macroeconomic framework could be influenced by: (i) new international trade policies; (ii) global geopolitical tensions (including recent developments in connection with conflicts between Russia and Ukraine and the resulting sanctions imposed on Russia and Russian financial and economic players, by the EU and other various countries); (iii) future developments of the ECB monetary policy in the Euro area, the Federal Reserve system in the Dollar area, and the policies implemented by other countries aimed at promoting competitive devaluations of their currencies; (v) the sustainability of the sovereign debt of certain countries and related recurring tensions on the financial markets; and (vi) the volatile trend in the price of oil and gas.

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

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

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

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

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

The Issuer could continue to experience security breaches or unexpected disruptions to its systems and services in the future. Such security breaches and unexpected disruptions could in turn result in liability towards the Issuer's customers and/or third parties and consequently have an adverse effect on the Issuer's business, reputation, financial condition and results of operations.

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

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

Being a Lithuanian bank, the Issuer's reputation and perception are affected by the international reputation of Lithuania and the Baltics, especially regarding how companies from these countries, particularly financial institutions, are perceived globally. Baltic financial institutions have faced significant attention in recent years due to money laundering allegations. Since 2018 allegations related to money laundering have been raised against several significant credit institutions in the Baltic states and, various proceedings have been initiated by authorities in Estonia and abroad to investigate such allegations.

Furthermore, in 2018 concerns about money laundering and terrorist financing have been raised by MONEYVAL<sup>1</sup> regarding Latvia as a regional financial center due to identified large financial flows passing through Latvia. MONEYVAL and the FATF<sup>2</sup> have evaluated Latvia's progress in addressing deficiencies in its anti-money laundering measures. While Latvia has made improvements and was no longer subject to enhanced surveillance by the FATF, it remains under enhanced follow-up by MONEYVAL.

---

<sup>1</sup> Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

<sup>2</sup> Financial Action Task Force

Similar evaluation reports were issued by MONEYVAL for Lithuania, highlighting threats related to money laundering – including increased corruption, significant share of shadow economy, evidence of organized crime and widespread use of cash. In December 2022 MONEYVAL published its third follow-up report which showed further improvements Lithuania made in its AML/CFT framework, specifically, improvements in transparency of legal persons and in powers of customs authorities were noted. Overall, Lithuania has achieved full compliance with eight of the 40 FATF recommendations and retains minor deficiencies in the implementation of 27 recommendations where it has been found “largely compliant”. Five recommendations remain “partially compliant”, and Lithuania has no “non-compliant” rating.

Estonia's effectiveness in combating money laundering and terrorist financing was rated as mostly moderately effective in MONEYVAL's fifth round mutual evaluation report. Issues such as strengthening preventative measures by the private sector and improving the quality of beneficial ownership information were highlighted. Estonia is subject to MONEYVAL's enhanced follow-up reporting process as a result of the report.

Eight Nordic-Baltic Constituency countries, including Estonia, Latvia, and Lithuania, have engaged the IMF<sup>3</sup> to conduct a regional analysis of money laundering and terrorist financing threats and vulnerabilities. The IMF presented the final report of its findings and recommendations in September 2023. The report gives an overall positive assessment of the region's AML/CFT framework and efforts in its development. It also highlights Lithuania's progress in the area of money laundering and terrorist financing. At the same time, it is noted that Lithuania must ensure close cooperation and coordination between institutions when addressing the emerging challenges.

While no money laundering allegations have been made against the Issuer, the reputation of other Baltic financial institutions may still affect its ability to raise funding from international markets on favorable terms. There is also a risk that some of the Issuer's direct or indirect counterparties (e.g., correspondent banks) and/or customers may wish to terminate or limit the scope of their business relationships with Baltic financial institutions, including the Issuer, or subject Baltic financial institutions, including the Issuer, to more rigorous control. Furthermore, it is possible that the Issuer's business partners or public authorities (for example FATF and/or the European Commission) may apply mandatory enhanced due diligence measures against financial institutions established and/or operating in any or all of the Baltic countries, thus affecting business operations of the Issuer.

### ***Competition risk***

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

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

High levels of competition in the banking industry could also lead to increased pricing pressure on the Issuer's products and services, which would have a material adverse effect on the business, financial condition and results of operations of the Issuer. In particular, increased competition for deposits may lead to a higher loans-to-deposit ratio and an increase of the Issuer's cost of funding (during last 12 months deposit cost of funding increased to 0.83% from 0.18%).

---

<sup>3</sup> Nordic-Baltic Constituency of the International Monetary Fund

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

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

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

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

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

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

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

The Issuer's screening and monitoring approach, supporting processes and systems may not fully prevent the execution or facilitation of transaction(s) which have exposure to money laundering, sanctions and/or terrorism financing offences.

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

The Issuer has developed a regular reporting routine and has defined additional need-based escalation topics to Management containing both qualitative and quantitative components. Nevertheless, risks may arise where the Issuer has not sufficiently defined the content of reporting principles. The occurrence and realisation of the above-mentioned risks could have a severely negative impact on the Issuer, its financial standing, reputation and business due to the enforcement activities of state supervisory authorities and adverse public opinion.

Geopolitical situation rose significant sanctions risk with the Russia-Ukraine war that started at the end of February 2022. The Issuer has 2 customers - legal entities incorporated in Lithuania with Russian or Belorussian sanctioned subject's ownership/ control, which are subjects to the EU asset freeze prohibitions. Required EU regulations' restrictions were applied on customers: The Issuer has taken the appropriate mitigating measures by freezing the assets and subjecting the relevant counterparties to enhanced monitoring. All business relationships with these entities originated before their owners/ controlling persons

were sanctioned. Transactions can be executed only according to Regulations, with authorization of National Competent Authority. The Issuer is looking for ways to discontinue these relationships.

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

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

In recent years, the regulation of banking operations and the financial sector in general has undergone extensive changes in Lithuania, in the European Union and internationally. Implementation of new guidelines and regulations (for example Basel III reforms) increases Compliance risk as well as the administrative burden, resulting in increased costs and lower profitability. Currently undetermined changes of capital buffers requirements can have an impact banking operations, for example, and can lead to further costs and obligations for the Issuer. Changes may also be imposed on rules governing how the Issuer runs its business. New regulation may force the Issuer to reduce its level of risk, its volume of business and the lending ratio in some operations.

There have been ongoing regulatory changes and upcoming new requirements that are focusing ESG factors. The Issuer is constantly following the ESG factors-related regulatory requirements and making efforts to comply with them on time. However, given the complexity and dynamics of changes in ESG factors-related regulations, and as part of them are upcoming, there is a risk that the Issuer may not to comply with all such ESG factors-related regulatory requirements on full scope. Failure to comply with such ESG factors requirements may have an adverse impact on the Issuer through the imposition of fines and other regulatory sanctions as well as through reputational damage.

The Law on Temporary Solidarity Contribution was adopted, which aims to establish a temporary solidarity contribution in Lithuania, directed to a part of the net interest windfall of credit institutions. According to clarifications received from tax authorities regarding calculation of this contribution, amount of temporary solidarity contribution calculated for the 2<sup>nd</sup> quarter of 2023 by the Bank is equal to EUR 2.2 million (although EUR 2.7 million of solidarity contribution will be declared and paid for the 3<sup>rd</sup> quarter of 2023, due to yearly recalculation of contribution no additional contribution was accrued in financial reporting for the 3<sup>rd</sup> quarter of 2023) however this amount could change if tax authorities clarifications would be amended or forecasted results used in calculation would change.

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

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

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

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

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

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

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

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

All banks are subject to capital, liquidity coverage and other requirements that banks must observe. These requirements serve as safeguards that help ensure safe and sound banking activities. Banks are subject to capital and own funds, SREP capital, additional capital buffers, liquidity and the large exposure requirements.

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

Capital adequacy is the main indicator for assessment of solvency of credit institutions. Failure to maintain sufficient capital to absorb the losses from all the risks the Group is exposed to may lead to failure of the institution to meet its obligations to its creditors. As of the date of the Prospectus the Issuer is complying with all applicable capital requirements. Its CET1 ratio as of 30 September 2023 is 18.82% (30 September 2022 – 15.69%), i.e., higher than the required minimum level of 11.12%; overall capital adequacy ratio as of 30 September 2023 is 21.34% (30 September 2022 – 16.52%) – i.e., higher than required minimum level of 15.51%.

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

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

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

#### **Risks associated with the Notes**

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

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

Any Notes that will be issued under the Base Prospectus may be subjected to the said bail-in and loss absorption tool. So, if the Issuer is subjected to resolution measures in the future, then the value of such Notes may be written down (up to zero) as a result of the imposition of the bail-in and loss absorption tool by the Competent Authority. Furthermore, the Notes may be subject to modifications or the disapplication of provisions in the Conditions of the Notes, including alteration of the principal amount or any interest payable on the Notes, the maturity date or any other dates on which payments may be due, as well as the suspension of payments for a certain period.

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

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

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

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

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

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

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

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

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

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

Although an application will be made for the Notes to be admitted to listing on Nasdaq Vilnius there can be no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

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

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

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

### ***The Issuer is not prohibited from issuing further debt, which may rank pari passu with or senior to the Notes***

There is no restriction on the amount of debt that the Issuer may issue that ranks senior to the Notes or on the amount of securities that it may issue that rank *pari passu* with the Notes. The issue of any such debt or securities may reduce the amount recoverable by Noteholders in the event of voluntary or involuntary liquidation or bankruptcy of the Issuer.

### ***Fixed rate interest risks***

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

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

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

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

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

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

Holders of Restricted Senior Preferred Notes shall not be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of such Notes. Therefore, such Noteholders will

not be entitled (subject to applicable law) to set off the Issuer's obligations under such Notes against obligations owed by them to the Issuer.

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

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

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

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

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

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

In respect of Restricted Senior Preferred Notes, no Successor Rate, Alternative Rate or Adjustment Spread will be adopted, nor will any other amendment to the terms and conditions of any Series of Notes be made

to effect the Benchmark Amendments, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice such Notes being MREL Eligible Liabilities (in each case for the purposes of, and in accordance with, the relevant Applicable Banking Regulations) or in the determination of the Issuer, the same could reasonably be expected to result in the Competent Authority and/or the Resolution Authority treating a future Interest Payment Date as the effective maturity of such Notes, rather than the relevant Maturity Date for the purposes of qualification as eligible liabilities and/or loss absorbing capacity of the Issuer.

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

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

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

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

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

On 15 May 2014, the European Union Council adopted the European Union directive establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended by the Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, the "**Bank Recovery and Resolution Directive**" or "**BRRD**"). The BRRD sets out the necessary steps and powers to ensure that bank failures across the European Union are managed in a way which mitigates the risk of financial instability and minimises costs for taxpayers. The BRRD is designed to provide authorities with a harmonised set of tools and powers to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contemplates that powers will be granted to the designated resolution authorities including (but not limited to) the introduction of a statutory "**write-down and conversion power**" (exercisable in relation

to Tier 1 capital instruments and Tier 2 instruments) and a 'bail-in and loss absorption' power (exercisable in relation to other securities that are not Tier 1 or Tier 2 capital instruments), which will give the designated resolution authority under Directive 2014/59/EU and Regulation (EU) No 806/2014, as amended (the "**Relevant Resolution Authority**"), the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the Notes) of a failing financial institution and/or to convert certain debt claims (which could include the Notes) into another security, including equity instruments of the surviving Issuer entity, if any. The Lithuanian legislation implementing the BRRD, the Law on Financial Sustainability of the Republic of Lithuania (the "**Law on Financial Sustainability**"), entered into force on 3 December 2015 and was amended in December 2021 and June 2022. For more information on the implementation of the BRRD in Lithuania, see "*The Lithuanian resolution legislation implementing the BRRD Directive*" below.

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

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

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

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

Under Article 5(1) of the SRM Regulation, the Resolution Board has been granted those responsibilities and powers granted to the member states' resolution authorities under the BRRD for those banks subject to direct supervision by the ECB. The SRM Regulation mirrors the BRRD and, to a large part, refers to the BRRD so that the Resolution Board is able to apply the same powers that would otherwise be available to the relevant national resolution authority. These resolution powers include the sale of business tool, the bridge institution tool, the asset separation tool, the bail-in and loss absorption tool and the mandatory write-down and conversion power in respect of capital instruments. The use of one or more of these tools will be included in a resolution scheme to be adopted by the Resolution Board. National resolution authorities will remain responsible for the execution of the resolution scheme according to the instructions of the Resolution Board.

The Resolution Board is responsible for preparing and adopting a resolution plan for the entities subject to its powers, including the Issuer. It also determines, after consulting competent authorities including the ECB, the Minimum Requirement for own funds and Eligible Liabilities (the "**MREL**"), which the Issuer is

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

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

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

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

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

#### ***The Issuer's gross-up obligation under the Notes is limited***

The Issuer's obligation to pay additional amounts in respect of any withholding or deduction in respect of taxes under the terms of any Series of the Notes applies only to payments of interest due and payable under such Notes and not to payments of principal (which term, for these purposes, includes any premium, final redemption amount, early redemption amount, optional redemption amount and any other amount (other than interest) which may from time to time be payable in respect of such Notes).

As such, the Issuer would not be required to pay any additional amounts under the terms of any Series of the Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under any Series of the Notes, such Noteholders would, upon repayment or redemption of such Notes, be entitled to receive only the net amount of such redemption or repayment proceeds after deduction of the amount required to be withheld. Therefore, Noteholders may receive less than the full amount due under such Notes, and the market value of such Notes may be adversely affected as a result.

### ***Minimum denomination***

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

## INFORMATION INCORPORATED BY REFERENCE

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

- condensed interim financial statements (unaudited) of the Issuer and of the Group for a 9-month period ended 30 September 2023 that also includes comparative financial information for the 9-months period, ended 30 September 2022, except with respect to items of financial position that are compared with financial information of 31 December 2022 (they may be found at [https://nasdaqbaltic.com/market/upload/reports/sab/2023\\_q3\\_en\\_eur\\_con\\_ias.pdf](https://nasdaqbaltic.com/market/upload/reports/sab/2023_q3_en_eur_con_ias.pdf));
- condensed interim financial statements (unaudited) of the Issuer and of the Group for the 9-month period, ended 30 September 2022, which have been prepared in accordance with IAS (they may be found at [https://nasdaqbaltic.com/market/upload/reports/sab/2022\\_q3\\_en\\_eur\\_con\\_ias.pdf](https://nasdaqbaltic.com/market/upload/reports/sab/2022_q3_en_eur_con_ias.pdf));
- the Group's and the Issuer's audited consolidated and separate financial statements for the year ended 31 December 2022, together with the consolidated annual report (may be found at <https://www.sb.lt/uploads/media/643d394c282bc/sb-ifrs-eng-2022-final.pdf>) and the independent auditor's report (may be found at <https://www.sb.lt/uploads/media/642a66539bcdd/nepriklausomo-auditoriaus-isvada-lt.pdf>);
- the Group's and the Issuer's audited consolidated and separate financial statements for the year ended 31 December 2021, together with the consolidated annual report and the independent auditor's report (they may be found at [https://nasdaqbaltic.com/market/upload/reports/sab/2021\\_ar\\_en\\_eur\\_con\\_ias.pdf](https://nasdaqbaltic.com/market/upload/reports/sab/2021_ar_en_eur_con_ias.pdf));
- Articles of Association of the Issuer (they may be found at <https://sb.lt/en/url/10>).

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

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

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

## FINAL TERMS

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

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

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

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

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

## TERMS AND CONDITIONS OF THE NOTES

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

### 1. Introduction

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

### 2. Interpretation

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

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

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

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

- (a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day.

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

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

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

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

"**CRD Directive**" means Directive 2013/36/EU, as the same may be amended or replaced from time to time, including without limitation as amended by Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019, which is implemented in Lithuania by provisions of Law on Banks, Law on Credit Unions, Law on Markets in Financial Instruments, Law on the Supplementary Supervision of Entities in a Financial Conglomerate and Law on Financial institutions of the Republic of Lithuania;

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

"**Creditor Hierarchy Directive**" means Directive (EU) 2017/2399 or any equivalent legislation that supersedes or replaces it. The Creditor Hierarchy Directive is implemented in Lithuania by provisions of Law on Banks, Law on Credit Unions, Law on Markets in Financial Instruments, Law on Financial Sustainability of the Republic of Lithuania;

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

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

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

- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
- (ii) where the Calculation Period is longer than one Regular Period, the sum of:
  - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (iii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the

Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (iv) if "Actual/365 (Fixed)" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (v) if "Actual/360" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (vi) if "30/360" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

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

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

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

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

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

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

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

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

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

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

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

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

**"Material Subsidiary"** means:

- (a) on the basis of the most recent audited consolidated accounts of the Issuer, any Subsidiary whose total consolidated assets represent at least 10 per cent. of the total consolidated assets of the Issuer; or
- (b) whose total consolidated revenues represent at least 10 per cent. of the total consolidated revenues of the Issuer; or
- (c) any other Subsidiary to which is transferred either (A) all or substantially all of the assets of another Subsidiary which immediately prior to the transfer was a Material Subsidiary or (B) sufficient assets of the Issuer that such Subsidiary would have been a Material Subsidiary had the transfer occurred on or before the date of the most recent audited consolidated accounts of the Issuer, and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**"Regular Period"** means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) **Interpretation:** In these Conditions:

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

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

- (a) **Denomination:** Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.
- (b) **Title to Notes:** The title to the Notes will pass to the relevant investors when the respective entries regarding the ownership of the Notes are made in their securities accounts.

- (c) **Issue Price:** The Notes may be issued at their nominal amount or at a discount or a premium to their nominal amount (the “**Issue Price**”). The Issue Price shall be determined by the Issuer and specified in the applicable Final Terms.

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

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

#### 4. **Status of Restricted Senior Preferred Notes**

- (a) The Restricted Senior Preferred Notes constitute senior, unsecured, unsubordinated, direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer.
- (b) No Noteholder of the Restricted Senior Preferred Notes shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of such Restricted Senior Preferred Notes. If any amounts owed by the Issuer to any Noteholder in connection with the Notes is discharged by set-off, such Noteholder shall, where permitted by applicable law, immediately pay an amount equal to the amount discharged to the Issuer (or, in the event of its winding-up, the liquidator of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount discharged on behalf and for the benefit of the Issuer (or the liquidator of the Issuer) and accordingly not deem any such discharge to have taken place.
- (c) The rights of Noteholders of Restricted Senior Preferred Notes shall be subject to any present or future Lithuanian laws or regulations relating to the insolvency, recovery and resolution of credit institutions and investment firms in Lithuania which are or will be applicable to the Restricted Senior Preferred Notes only as a result of the operation of such laws or regulations.

#### 5. **Fixed Rate Note Provisions**

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

(c) **Reset Note Provisions**

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

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

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

If on any Reset Determination Date, the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 12 (noon) in the Relevant Financial Centre of the Specified Currency on the Reset Determination Date in question.

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

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

6. **Redemption and Purchase**

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 7 (*Payments to the Noteholders*).
- (b) **Redemption for tax reasons:** The Notes may be redeemed at the option of the Issuer, subject to Condition 6(h) (*Conditions to Redemption or Repurchase*), in whole, but not in part at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant final terms (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:
  - (A) (i) a Withholding Tax Event occurs; or
  - (ii) where "Tax Event" is specified as being applicable in the relevant Final Term, a Tax Event occurs;and
  - (B) both a Tax Certificate and a Tax Opinion have been delivered to the Issuing Agent by the Issuer.

However, where the Issuer would be obliged to pay additional amounts, no such notice of redemption shall be given earlier than: (i) where the

Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant final terms) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or (ii) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant final terms) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

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

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

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

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

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

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

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

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

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

- (F) **"Tax Opinion"** means an opinion of independent legal advisers (experienced in such matters and of recognised standing) in the relevant Taxing Jurisdiction stating that the circumstances constituting the Tax Event or Withholding Tax Event (as the case may be) are prevailing; and
  - (G) **"Withholding Tax Event"** shall occur if the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any Change in Tax Law, which change, clarification or amendment becomes effective on or after the date of issue of the first Tranche of the Notes, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it.
- (c) ***Redemption at the option of the Issuer:*** If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer, subject to Condition 6(h) (*Conditions to Redemption or Repurchase*), in whole, but not in part on the Interest Payment Date falling on the Reset Date, at their outstanding aggregate principal amount together with interest (accrued to but excluding the date of redemption), on any Optional Redemption Date (Call) on the Issuer's giving not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption).
  - (d) ***Redemption at the option of Noteholders:*** No redemption at the option of Noteholders is permitted for Restricted Senior Preferred Notes.
  - (e) ***Early Redemption of Restricted Senior Preferred Notes as a result of an MREL Disqualification Event:*** Upon the occurrence of an MREL Disqualification Event (subject to Condition 6(h) (*Conditions to Redemption or Repurchase*)), the Issuer may, at its option having given not less than 30 (thirty days') nor more than 60 (sixty) days' notice to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable and delivery thereof shall oblige the Issuer to make the redemption therein specified), redeem all (but not some only) of the Notes at their outstanding aggregate principal amount together with interest (accrued to but excluding the date of redemption, subject to these Conditions).
  - (f) ***No other redemption:*** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs 6(a) (*Scheduled redemption*) to 6(e) (*Early Redemption of Restricted Senior Preferred Notes as a result of an MREL Disqualification Event*) above.
  - (g) ***Purchase:*** The Issuer, or any of its Subsidiaries, may at any time purchase Notes in the open market or otherwise and at any price, **provided that** any such purchases will be made in accordance with the Applicable Banking Regulations and subject to the prior approval of or permission from the Competent Authority and/or the Resolution Authority (in each such case to the extent such approval is then required under the Applicable Banking Regulations). Such Notes may be held, resold or surrendered by the purchaser through the Issuer for cancellation. Notes held by or for the account of the Issuer or any of its Subsidiaries for their own account will not carry the right to vote at the Noteholders' Meetings or within Written Procedures and will not be taken into account in determining how many Notes are outstanding for the purposes of these Terms and Conditions of the Notes.  
  
Any refusal by the Competent Authority and/or the Resolution Authority (if required) to grant its approval or permission as described above will not constitute an event of default under the relevant Notes.
  - (h) ***Conditions to Redemption or Repurchase:*** Other than in the case of a redemption at maturity in accordance with Condition 6(a) (*Scheduled redemption*), the Issuer may redeem or repurchase relevant Restricted Senior Preferred Notes (and give notice thereof to the Noteholders) only if such redemption or repurchase is in accordance with the

Applicable Banking Regulations (if applicable) and it has been granted the permission of the Resolution Authority (if required under the Applicable Banking Regulations)

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

- (i) **Prior notification:** the Issuer shall not effect the call, redemption, repayment or repurchase prior to the date of an instrument's contractual maturity without the prior permission of the Competent Authority.

## 7. **Payments to the Noteholders**

- (a) **Payments:** Payments of amounts (whether principal, interest or otherwise, including on the final redemption) due on the Notes will be made to the Noteholders thereof, as appearing in Nasdaq CSD on the Business Day preceding the due date for such payment (the "**Record Date**"). Payment of amounts due on the final redemption of the Notes will be made simultaneously with deletion of the Notes. The Noteholders shall not be required to provide any requests to redeem the Notes, as upon Maturity Date of the Notes, the nominal value thereof with the cumulative interest accrued shall be transferred to the accounts indicated by the Noteholders without separate requests/requirements of the Noteholders. As of that moment the Issuer shall be deemed to have fully executed the obligations, related to the Notes and their redemption, disregarding the fact, whether the Noteholder actually accepts the funds or not. In case requisites of the account of the Noteholder changes, he/she/it shall have an obligation to promptly inform the Company thereof.
- (b) **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments by the Issuer. However, the investors may be obliged to cover commissions and/or other expenses, which are charged by the credit institutions or investment brokerage firms in relation to such payments. The Issuer and/or the Dealer will not compensate the Noteholders for any such expenses.
- (c) **Payments on Business Days:** If the due date for payment of the final redemption amount of the Notes is not a Business Day, the Noteholder thereof will not be entitled to payment thereof until the next following Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with the Terms and Conditions.
- (d) **Partial payments:** If a partial payment is made in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Nasdaq CSD.

## 8. **Taxation**

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

In that event, in respect of interest, the Issuer shall pay such additional amounts as will result held by or on behalf of a Holder, which is liable to such taxes, duties, assessments

or governmental charges in respect of such interest by reason of it having certain connection with the jurisdiction other than the Republic of Lithuania due to or in connection with which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than due to or in connection with the mere holding of the Note, of such amounts as would have been held by that Holder had no such taxes, duties, assessments or charges been required. Nevertheless, neither the Issuer nor any other person will be required to pay any additional amounts in respect of any withholding that is or will be required pursuant to FATCA or IGA (as described under “*Taxation – FATCA*”) with respect to payments on the Notes.

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

## 9. Events of Default

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

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

the Holder of any Note may:

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

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

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

owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations or undertakings with respect to the Notes.

#### 10. **Noteholders' Meeting and Procedure in Writing**

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

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

The Issuer shall have a right to convene the Noteholders' Meeting or instigate the Written Procedure at any time and shall do so following a written request from the Noteholders who, on the day of the request, represent not less than 1/10 (one-tenth) of the aggregate principal amount of the outstanding Notes or of the aggregate principal amount of the outstanding Notes of the relevant Series (as applicable) (excluding the Issuer and its Subsidiaries).

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

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

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

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

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

The adjourned Noteholders' meeting constitutes a quorum, if (i) at least 2 (two) or more persons representing at least 10 (ten) per cent or (ii) one Noteholder holding 100 (one

hundred) per cent of the principal amount of the Series of Notes outstanding are present in the meeting or provide replies in the Procedure in Writing.

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

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

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

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

- (iii) change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes; or
- (iv) change Clause 4 (*Status of Restricted Senior Preferred Notes*), Clause 9 (*Events of Default*) or Clause 15 (*Governing Law and Jurisdiction*); or
- (v) change the quorum requirements of the Noteholders' Meeting or Procedure in Writing; and/or
- (vi) change the majority required for the decisions of the Noteholders' Meeting or Procedure in Writing.

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

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

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

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

notify subsequent transferees of the Notes of the resolutions of the Noteholders' meeting and the Procedure in Writing.

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

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

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

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

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

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

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

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

- (e) **Written Procedure:** If a decision of the Noteholders is intended to be passed by the Written Procedure, then a respective communication of the Written Procedure shall be provided to the Noteholders in accordance with Clause 12 (*Notices*). Communication to the Noteholders shall include:

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

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

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

#### 11. Further Issues

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

#### 12. Notices

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

#### 13. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.).

#### 14. Substitution and Variation

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

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

**provided that**, in each case:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## FORM OF FINAL TERMS OF THE NOTES

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

**PROHIBITION OF SALES TO UK RETAIL INVESTORS:** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("FSMA") and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA ("UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

[UK MiFIR product governance / Professional investors and eligible counterparties only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes should take into consideration the manufacturer's target market assessment; however, a distributor subject to UK MiFIR is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.]

Final Terms dated [•]

**AKCINĖ BENDROVĖ ŠIAULIŲ BANKAS**  
**Issue of [Aggregate Nominal Amount of Tranche] Restricted Senior Preferred Notes**

**EUR 250,000,000**

**Euro Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

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

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

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

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

1.	(i) Issuer:	[•]
2.	[(i) Series Number:	[•]]
	[(ii) Tranche Number:	[•]]
3.	Specified Currency:	Euro (EUR)
4.	Aggregate Nominal Amount:	[•]
	[(i) [Series]:	[•]]
	[(ii) Tranche:	[•]]
5.	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
6.	Specified Denominations:	EUR 100,000 and integral multiples of EUR 1,000 in excess thereof.
7.	(i) Issue Date:	[•]
	(ii) Interest Commencement Date:	[•]/[Issue Date]
8.	Maturity Date:	[•]

9.	Interest Basis:	[In respect of the period from (and including) the Interest Commencement Date to (but excluding) the Maturity Date:]
		[•]
		In respect of the period from (and including) the Optional Redemption Date to (but excluding) the Maturity Date:
		[•]
		Reset Notes
		<i>(see paragraph 14 below)</i>
10.	Redemption/Payment Basis:	[Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.]
11.	Change of Interest or Redemption/Payment Basis:	<i>[Specify the date when any fixed rate change occurs or refer to paragraphs 14, 17 and 18 below and identify there]/[Not Applicable]</i>
12.	Put/Call Options:	[Investor Put]
		[Issuer Call]
		<i>(See paragraph 20/21/22 below)</i>
13.	(i) Status of the Notes:	Restricted Senior Preferred Notes
	(ii) Date Board approval for issuance of Notes obtained:	[[•] and [•], respectively]/[Not Applicable]
<b>PROVISIONS RELATING TO INTEREST PAYABLE</b>		
14.	<b>Reset Note Provisions</b>	Applicable
	(i) Initial Rate of Interest:	The Initial Rate of Interest is [•] per cent. per annum payable in arrear on each Interest Payment Date.
	(ii) First Margin:	[•]
	(iii) Interest Payment Date(s):	[•] and [•] in each year up to and including the Maturity Date [[in each case,] subject to adjustment in accordance with paragraph 20 below]
	(iv) Reset Date:	[•] [subject to adjustment in accordance with paragraph 20]
	(v) Relevant Screen Page:	[•]
	(vi) Mid-Swap Rate:	[Single Mid-Swap Rate] / [Mean Mid-Swap Rate]
	(vii) Mid-Swap Maturity:	[•]
	(viii) Reference Banks:	[•]
	(ix) Day Count Fraction:	[30/360] / [Actual]/[Actual (ICMA)]
	(x) Reset Determination Date:	[•]

	(xi) Reset Determination Time:	[•]
	(xii) Business Day Convention:	[Following Business Day Convention]
	(xiii) Relevant Financial Centre:	[•]
	(xiv) Party responsible for determination:	[The Issuing Agent/the Issuer/other]
	(xv) Other terms relating to Reset Notes:	Not Applicable / [•]
<b>PROVISIONS RELATING TO REDEMPTION</b>		
15.	<b>Call Option</b>	[Applicable]/[Not Applicable]
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note:	[[•] per cent. per Nominal Amount]
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[•] per Nominal Amount
	(b) Maximum Redemption Amount	[•] per Nominal Amount
	(iv) Notice period:	[•]
	(v) Early redemption following a Tax Event:	[Applicable]/[Not Applicable]
	(vi) Early redemption following an MREL Disqualification Event	[Applicable]/[Not Applicable]
16.	<b>Put Option</b>	Not Applicable
17.	<b>Final Redemption Amount of each Note</b>	[•] per cent. per Nominal Amount
18.	<b>Early Redemption Amount</b>	
	Early Redemption Amount(s) per Nominal Amount payable on redemption for taxation reasons or on event of default or other early redemption:	[•]/[Not Applicable]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

19.	<b>Form of Notes:</b>	The Notes shall be issued in non-material registered form. According to the Law on Markets in Financial Instruments of the Republic of Lithuania the book-entry and accounting of the dematerialized securities in the Republic of Lithuania, which will be admitted to trading on the Regulated Market (Nasdaq Vilnius), shall be made by Nasdaq CSD. Entity to be in charge of keeping the records will be the Issuer. The Notes shall be valid from the date of their registration until the date of their redemption. No physical certificates will be issued to the Investors. Principal and interest accrued will be credited to the Noteholders' accounts through Nasdaq CSD.
20.	<b>Substitution and Variation pursuant to Condition 14:</b>	[Applicable following a [MREL Disqualification Event / Withholding Tax Event / Tax Event]] / [Not Applicable]

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

By: .....  
Duly authorised

**PART B – OTHER INFORMATION**

1.	<b>LISTING AND ADMISSION TO TRADING</b>	
	(i) Admission to Trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market on the Bond List of Nasdaq Vilnius with expected date of Admission on or about [•.] / [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market on the Bond List of Nasdaq Vilnius with expected date of Admission on or about [•.]]
	(ii) Estimate of total expenses related to admission to trading:	[•]
2.	<b>RATINGS</b>	[The Notes to be issued [have been/are expected] to be rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]/ [Not Applicable]:
	Ratings:	[Moody's Investors Service: [•]]
		[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA/ the UK and registered under Regulation (EC)No 1060/2009, as amended (the "CRA Regulation").]

3.	<b>INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER</b>	
	<p><i>(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below:)</i></p> <p>[Save for any fees payable to the [Manager/Dealer], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Manager/Dealer] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and [its] affiliates in the ordinary course of business. <i>(Amend as appropriate if there are other interests)</i>]</p> <p><i>[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation.)]</i></p>	
4.	<b>[Fixed Rate Notes / Reset Notes only – YIELD</b>	
	Indication of yield:	[•]
		<i>[The yield is calculated at the Issue Date on the basis of the Issue Price, if the Issuer were to pay interest on each Interest Payment Date up to and including the Reset Date and were to redeem the Notes on the Reset Date. It is not an indication of future yield.]</i>
5.	<b>OPERATIONAL INFORMATION</b>	
	ISIN:	[•]
	Delivery:	Delivery [against/free] of payment
6.	<b>DISTRIBUTION</b>	
	(i) Method of Distribution:	[Syndicated/Non-syndicated]
	(ii) If syndicated:	
	(A) Names of Dealers	[Not Applicable/give names]
	(B) Stabilisation Manager(s), if any:	[Not Applicable/give names]
	(iii) If non-syndicated, name of Dealer:	[Not Applicable/give names]
	(iv) U.S. Selling Restrictions:	[Reg S Compliance Category [2];
	(v) Prohibition of Sales to EEA and UK Retail Investors:	Applicable
	(vi) Relevant Benchmarks	[EURIBOR] is provided by administrator [ <i>legal name, repeat as necessary</i> ]. As at the date hereof, administrator [ <i>legal name</i> ] [ <i>appears/does not appear</i> ] [ <i>repeat as necessary</i> ] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation]/[As far as the Issuer is aware, as at

		the date hereof, [EURIBOR] does not fall within the scope of the Benchmarks Regulation]/[Not Applicable]
--	--	--

## HISTORICAL FINANCIAL INFORMATION OF THE ISSUER

The following table is a summary of the Issuer's financial performance and key performance indicators for the financial years ended 31 December 2022, 31 December 2021, as well as for a 9-month period ended 30 September 2023, and, accordingly, for a period ended 30 September 2022. The information set out in the table below has been extracted (without any material adjustment) from and is qualified by reference to and should be read in conjunction with the Issuer's audited financial statements for the years ended 31 December 2022 and 31 December 2021, as well as unaudited financial statements for a 9-month period ended 30 September 2023 and, accordingly, for a period ended 30 September 2022, which are incorporated by reference to this Base Prospectus and form an integral part hereof (please see Section *Information incorporated by reference*). The Issuer's annual financial statements are prepared according to IFRS and Issuers quarterly financial statements are prepared according to IAS.

From 1 January 2023 Group is applying new accounting standard IFRS 17 *Insurance contracts*. This standard was applied retrospectively and had impact on comparable figures therefore figures in previous periods were restated (as indicated in the below tables, i.e. annual figures in balance sheet for year 2022 were restated as part of preparation of financial statements for 9-month period ended 30 September 2023, whereas restated annual figures in income statement will be provided only when preparing financial statements for the last quarter of 2023 and annual financial statements for 2023).

### Consolidated Statements of Comprehensive Income of the Group for a 9-month period ended 30 September 2023 and 30 September 2022 as well as years ended 31 December 2022 and 31 December 2021

#### CONDENSED INCOME STATEMENT

EUR thousand	30 September 2023	30 September 2022 (restated)	31 December 2022	31 December 2021
Continuing operations				
Interest revenue calculated using the effective interest method	138,981	74,631	107,650	83,035
Other similar income	15,262	8,463	12,041	8,861
Interest expense and similar charges	(38,158)	(7,988)	(12,910)	(10,979)
<b>Net interest income</b>	<b>116,085</b>	<b>75,106</b>	<b>106,781</b>	<b>80,917</b>
Fee and commission income	20,309	19,636	26,295	24,617
Fee and commission expense	(5,707)	(5,573)	(7,593)	(7,457)
<b>Net fee and commission income</b>	<b>14,602</b>	<b>14,063</b>	<b>18,702</b>	<b>17,160</b>
Net gain from trading activities	7,662	1,887	4,354	11,936
Net gain (loss) from derecognition of financial assets	836	747	1,034	4,363
Net gain (loss) from disposal of tangible assets	832	691	810	3,736

EUR thousand	30 September 2023	30 September 2022 (restated)	31 December 2022	31 December 2021
Revenue related to insurance activities	3,835	4,952	9,298	8,137
Other operating income	398	1,493	1,658	1,310
Salaries and related expenses	(25,510)	(22,647)	(31,583)	(27,105)
Depreciation and amortization expenses	(3,945)	(3,405)	(4,848)	(4,440)
Expenses related to insurance activities	(4,707)	3,548	(2,763)	(8,032)
Other operating expenses	(16,969)	(13,859)	(21,968)	(16,643)
<b>Operating profit before impairment losses</b>	<b>93,119</b>	<b>62,576</b>	<b>81,475</b>	<b>71,339</b>
Allowance for impairment losses on loans, finance lease receivables and other assets	(8,457)	(2,423)	(4,945)	(4,077)
Allowance for impairment losses on investments in subsidiaries	-	-	-	-
Share of the profit or loss of investments in subsidiaries accounted for using the equity method			-	-
<b>Profit from continuing operations before income tax</b>	<b>84,662</b>	<b>60,153</b>	<b>76,530</b>	<b>67,262</b>
Income tax expense	(19,009)	(10,270)	(12,916)	(12,039)
<b>Net profit from continuing operations for the period</b>	<b>65,653</b>	<b>49,883</b>	<b>63,614</b>	<b>55,223</b>
Profit (loss) from discontinued operations, net of tax	-	-	-	-
<b>Net profit for the period</b>	<b>65,653</b>	<b>49,883</b>	<b>63,614</b>	<b>55,223</b>
<b>Net profit attributable to:</b>				
Owners of the Bank	65,653	49,883	63,614	55,223
From continuing operations	65,653	49,883	63,614	55,223
From discontinued operations	-	-	-	-

EUR thousand	30 September 2023	30 September 2022 (restated)	31 December 2022	31 December 2021
Non-controlling interest	-	-	-	-
Basic earnings per share (in EUR per share) attributable to owners of the Bank	0.11	0.08	0.11	0.09
Diluted earnings per share (in EUR per share) attributable to owners of the Bank	0.11	0.08	0.11	0.09
<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
<b>Net profit for the period</b>	<b>65,653</b>	<b>49,883</b>	<b>63,614</b>	<b>55,223</b>
<b>Other comprehensive income (loss):</b>				
Items that may be subsequently reclassified to profit or loss:				
Gain from revaluation of financial assets	1,653	(8,929)	(9,393)	(1,211)
Deferred income tax on gain (loss) from revaluation of financial assets	(332)	1,786	1,879	240
Items that may not be subsequently reclassified to profit or loss:				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-
<b>Other comprehensive income (loss), net of deferred tax</b>	<b>1,321</b>	<b>(7,143)</b>	<b>(7,514)</b>	<b>(971)</b>
<b>Total comprehensive income for the year</b>	<b>66,974</b>	<b>42,740</b>	<b>56,100</b>	<b>54,252</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Bank	66,974	42,740	56,100	54,252

EUR thousand	30 September 2023	30 September 2022 (restated)	31 December 2022	31 December 2021
Non-controlling interest	-	-	-	—

*Consolidated Statements of Financial Position of the Issuer as of 30 September 2023 and 30 September 2022 as well as 31 December 2022 and 31 December 2021*

EUR thousand	30 September 2023	30 September 2022 (restated)	31 December 2022 (restated)	31 December 2021
<b>ASSETS</b>				
Cash and cash equivalents	572,499	307,464	384,758	965,723
Securities in the trading book	64,477	61,149	58,301	48,181
Due from other banks	2,841	234	2,733	1,196
Derivative financial instruments	852	6,266	897	2,121
Loans to customers	2,609,832	2,281,598	2,391,629	1,908,681
Finance lease receivables	285,133	232,025	242,448	195,174
Investment securities at fair value	74,196	91,464	90,225	82,988
Investment securities at amortized cost	756,127	975,449	969,033	705,398
Investments in subsidiaries and associates	100	100	100	-
Intangible assets	9,995	6,100	8,283	4,834
Property, plant and equipment	15,327	14,906	16,151	14,760
Investment property	1,001	1,842	1,827	2,229
Current income tax prepayment	8,417	7,165	6	847
Deferred income tax asset	3,683	3,084	5,659	1,593
Assets held for sale	150	170	150	620
Other assets	18,032	14,319	10,426	28,137
<b>Total assets</b>	<b>4,422,662</b>	<b>4,003,335</b>	<b>4,182,626</b>	<b>3,962,482</b>
<b>LIABILITIES</b>				

<b>EUR thousand</b>	<b>30 September 2023</b>	<b>30 September 2022</b>	<b>31 December 2022 (restated)</b>	<b>31 December 2021</b>
Due to other banks and financial institutions	578,272	681,227	685,075	697,738
Derivative financial instruments	120	892	7,152	96
Due to customers	3,014,401	2,707,473	2,784,968	2,679,183
Special and lending funds	11,147	10,452	14,184	6,667
Debt securities in issue	228,334	96,719	171,231	95,212
Current income tax liabilities	14,307	9,054	4,374	1,084
Deferred income tax liabilities	1,500	1,521	1,463	1,452
Liabilities related to insurance activities	40,590	38,234	36,185	41,409
Other liabilities	40,676	32,169	35,075	33,214
<b>Total liabilities</b>	<b>3,929,347</b>	<b>3,577,741</b>	<b>3,739,707</b>	<b>3,556,055</b>
<b>EQUITY</b>				
Share capital	174,211	174,211	174,211	174,211
Share premium	3,428	3,428	3,428	3,428
Treasury shares (-)	-	-	-	(516)
Reserve capital	756	756	756	756
Statutory reserve	47,804	37,112	37,113	21,893
Financial instruments revaluation reserve	(6,776)	(7,726)	(8,097)	(583)
Reserve for acquisition of own shares	20,000	20,000	20,000	10,000
Other equity	1,696	2,354	2,355	3,288
Retained earnings	252,196	195,459	213,153	193,950
Non-controlling interest	-	-	-	-
<b>Total equity</b>	<b>493,315</b>	<b>425,594</b>	<b>442,919</b>	<b>406,427</b>
<b>Total liabilities and equity</b>	<b>4,422,662</b>	<b>4,003,335</b>	<b>4,182,626</b>	<b>3,962,482</b>

*The Group's statement of changes in equity*

	Share capital	Share premium	Treasury shares (-)	Reserve capital	Financial instrument revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to Issuer's shareholders											
<b>31 December 2021</b>	<b>174,211</b>	<b>3,428</b>	<b>(516)</b>	<b>756</b>	<b>(583)</b>	<b>21,893</b>	<b>10,000</b>	<b>3,288</b>	<b>193,950</b>	<b>406,427</b>	<b>-</b>	<b>406,427</b>
<i>Impact of change in accounting principles</i>	-	-	-	-	-	-	-	-	(2,607)	(2,607)	-	(2,607)
<b>1 January 2022</b>	<b>174,211</b>	<b>3,428</b>	<b>(516)</b>	<b>756</b>	<b>(583)</b>	<b>21,893</b>	<b>10,000</b>	<b>3,288</b>	<b>191,343</b>	<b>403,820</b>	<b>-</b>	<b>403,820</b>
<i>Transfer to statutory reserve</i>	-	-	-	-	-	15,220	-	-	(15,220)	-	-	-
<i>Transfer to reserve for acquisition of own shares</i>	-	-	-	-	-	-	10,000	-	(10,000)	-	-	-
<i>Acquisition of own shares</i>	-	-	(1,557)	-	-	-	(234)	-	-	(1,791)	-	(1,791)
<i>Share-based payment</i>	-	-	2,073	-	-	-	234	(933)	(4)	1,370	-	1,370
<i>Payment of dividends</i>	-	-	-	-	-	-	-	-	(20,425)	(20,425)	-	(20,425)
<i>Total comprehensive income (restated)</i>	-	-	-	-	(7,143)	-	-	-	49,883	42,740	-	42,740
<b>30 September 2022</b>	<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>(7,726)</b>	<b>37,113</b>	<b>20,000</b>	<b>2,355</b>	<b>195,577</b>	<b>425,714</b>	<b>-</b>	<b>425,714</b>
<i>Total comprehensive income (restated)</i>	-	-	-	-	(371)	-	-	-	17,576	17,205	-	17,205
<b>31 December 2022</b>	<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>(8,097)</b>	<b>37,113</b>	<b>20,000</b>	<b>2,355</b>	<b>213,153</b>	<b>442,919</b>	<b>-</b>	<b>442,919</b>
<i>Transfer to statutory reserve</i>	-	-	-	-	-	10,691	-	-	(10,691)	-	-	-
<i>Acquisition of own shares</i>	-	-	(1,868)	-	-	-	-	-	-	(1,868)	-	(1,868)
<i>Share-based payment</i>	-	-	1,868	-	-	-	-	(658)	-	1,210	-	1,210
<i>Payment of dividends</i>	-	-	-	-	-	-	-	-	(15,919)	(15,919)	-	(15,919)
<i>Total comprehensive income</i>	-	-	-	-	1,321	-	-	-	65,653	66,974	-	66,974
<b>30 September 2023</b>	<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>(6,776)</b>	<b>47,804</b>	<b>20,000</b>	<b>1,696</b>	<b>252,196</b>	<b>493,315</b>	<b>-</b>	<b>493,315</b>

	Share capital	Share premium	Treasury shares (-)	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total equity
<b>31 December 2021</b>	<b>174,211</b>	<b>3,428</b>	<b>(516)</b>	<b>756</b>	<b>(597)</b>	<b>21,770</b>	<b>10,000</b>	<b>2,870</b>	<b>195,659</b>	<b>407,581</b>
<i>Impact of change in accounting principles</i>	-	-	-	-	-	-	-	-	(2,607)	(2,607)
<b>1 January 2022</b>	<b>174,211</b>	<b>3,428</b>	<b>(516)</b>	<b>756</b>	<b>(597)</b>	<b>21,770</b>	<b>10,000</b>	<b>2,870</b>	<b>193,052</b>	<b>404,974</b>
<i>Transfer to statutory reserve</i>	-	-	-	-	-	15,152	-	-	(15,152)	-
<i>Transfer to reserve for acquisition of own shares</i>	-	-	-	-	-	-	10,000	-	(10,000)	-
<i>Acquisition of own shares</i>	-	-	(1,557)	-	-	-	(234)	-	-	(1,791)
<i>Share-based payment</i>	-	-	2,073	-	-	-	234	(953)	-	1,354
<i>Payment of dividends</i>	-	-	-	-	-	-	-	-	(20,425)	(20,425)
<i>Total comprehensive income (restated)</i>	-	-	-	-	(7,143)	-	-	-	49,769	42,626
<b>30 September 2022</b>	<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>(7,740)</b>	<b>36,922</b>	<b>20,000</b>	<b>1,917</b>	<b>197,244</b>	<b>426,738</b>
<i>Total comprehensive income (restated)</i>	-	-	-	-	(371)	-	-	-	17,640	17,269
<b>31 December 2022</b>	<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>(8,111)</b>	<b>36,922</b>	<b>20,000</b>	<b>1,917</b>	<b>214,884</b>	<b>444,007</b>
<i>Transfer to statutory reserve</i>	-	-	-	-	-	10,683	-	-	(10,683)	-
<i>Acquisition of own shares</i>	-	-	(1,868)	-	-	-	-	-	-	(1,868)
<i>Share-based payment</i>	-	-	1,868	-	-	-	-	(708)	1	1,161
<i>Payment of dividends</i>	-	-	-	-	-	-	-	-	(15,919)	(15,919)
<i>Total comprehensive income</i>	-	-	-	-	1,335	-	-	-	66,024	67,359
<b>30 September 2023</b>	<b>174,211</b>	<b>3,428</b>	<b>-</b>	<b>756</b>	<b>(6,776)</b>	<b>47,605</b>	<b>20,000</b>	<b>1,209</b>	<b>254,307</b>	<b>494,740</b>

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

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

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

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

It should be noted that APMs are calculated for a 9-month period ended 30 September 2023 and 30 September 2022, as well as years ended 31 December 2022 and 31 December 2021 for the Group.

	30 September 2023	30 September 2022 (restated)	31 December 2022	31 December 2021
Net profit, EUR million	65.7	49.9	63.6	55.2
Average total assets, EUR million	4,261.7	3,966.3	4,022.3	3,529.8
Unaudited return on average assets (ROAA), %	2.1	1.7	1.6	1.6
Average total equity, EUR million	462.4	408.9	417.6	386.7
Unaudited return on average equity (ROAE), %	18.9	16.3	15.2	14.3
Unaudited cost to income ratio, %	35.5	36.8	42.9	44.1
Unaudited cost to income ratio (adjusted due to the impact of the gyvybės draudimo UAB "SB draudimas" (further SB draudimas) clients' portfolio), %	34.4	40.4	43.2	42.8
Unaudited price to book (P/BV) value ratio	0.8	0.8	0.9	1.1
Unaudited price/Earnings (P/E) indicator of the Group	4.3	5.1	6.5	8.3
Dividends to net profit, %	-	-	25	37
Dividend yield, %	-	-	3.9	4.5
Loan to deposit ratio, %	96.0	92.8	94.6	78.6

## Description of Issuer's alternative performance measures

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

Performance measure	Formula and components used for the calculation:	Interpretation
SB draudimas clients' portfolio), of the SB draudimas clients' portfolio) %	$100 * (-1)$ Operating costs (which is a total of income statement lines): + Salaries and related expenses; + Depreciation and amortization expenses; + Expenses related to insurance activities; + Other operating expenses; - Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts {presented in the notes of financial statements} Operating income (which is a total of income statement lines): + Net interest income; + Net fee and commission income; + Net gain from trading activities; + Net gain (loss) from derecognition of financial assets; + Net gain (loss) from disposal of tangible assets; + Revenue related to insurance activities; + Other operating income; - Investment result of the insurance company assets under unit-linked contracts {presented in the notes of financial statements}	SB draudimas customer portfolio on both the cost and income side. A lower value of the indicator shows the efficiency / ability of the company to generate higher income. The influence of SB draudimas customer portfolio is eliminated because in aggregate it is always zero: the investment result of the assets under unit-linked contracts is identical, only with the opposite sign reflected on the cost side as part of the change in technical insurance provisions. Adding identical amounts to income / expenses, depending on the direction of market changes, significantly distorts the values of the cost-income ratio, this elimination allows better comparison of them in the time entry
Price to book (P/BV) value ratio	$\text{Share price} / \text{Book value per share}$ Share price – presented on Nasdaq Vilnius stock exchange; Book value per share – calculated as ratio between total equity of the Bank (statement of financial position) and number of shares (annual report).	The ratio indicates the price investors pay for one euro of total equity
Price/Earnings (P/E) indicator of the Group	$\text{Share price} / \text{Earnings per share}$ Share last price – presented on Nasdaq Vilnius stock exchange; Earnings per share – presented in the income statement.	The price-earnings ratio indicates the price investors pay for one euro of the Issuer's earnings
Dividends to net profit, %	$\text{Amount of dividends per share} / \text{Earnings per share} * 100$ Amount of dividends paid per share – presented in explanatory notes to the financial statements; Earnings per share – presented in the income statement.	The ratio indicates the share of Issuer's earnings that is distributed in a form of dividends
Dividend yield, %	$\text{Amount of dividends per share} / \text{Share price} * 100$	The ratio indicates level of return that is

<b>Performance measure</b>	<b>Formula and components used for the calculation:</b>	<b>Interpretation</b>
	Amount of dividends paid per share – generated from presented in explanatory notes to the financial statements; Share price – presented on Nasdaq Vilnius stock exchange.	dividends
Loan to deposit ratio, %	Loans / Deposit; Loans – Sum of amounts of loans granted to customers and receivables from Financial Lease (presented in the statement of financial position); Deposits – Amounts due to customers (presented in the statement of financial position).	The indicator compares issued loans to accepted deposits, showing the Issuer's liquidity. A higher value of the indicator indicates that the Issuer is in a higher risk area
Cost of risk (CoR), %	Allowance for impairment losses on loans / Average Loan portfolio*100  Allowance for impairment losses on loans - sum of allowance for impairment losses on loans and finance lease (presented in the notes of financial statements).  Average Loan portfolio – calculated as a average of the total loans and finance lease (presented in statement of financial position) for the last four quarters.	The ratio indicates the loan portfolio's risk.

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

## **USE OF PROCEEDS**

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

## DESCRIPTION OF THE ISSUER

### Background of the Issuer

The Issuer is the consistently growing financial institution in Lithuanian market, paying special attention to business financing and consumer financing solutions. The Issuer serves its clients in 56 client service units in 37 cities and towns throughout Lithuania.

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

As of 1 January 2020, the ECB has included the Issuer in the list of the directly supervised banks operating in the euro area member states. The ECB granted the Issuer the status of a significant Lithuanian financial institution.

Over the year 2022, the Issuer has been recognised both in Lithuania and abroad. The Banker, a magazine published by the British business daily The Financial Times, has announced that the award for the best bank in Lithuania has once again gone to the Issuer. In awarding the Best Bank in Lithuania award, The Banker's experts highlighted the Issuer's achievements in client service. Another important assessment was revealed by the results of a mystery shopper survey commissioned by Dive Lietuva, which showed that the Issuer is the best in Lithuania in terms of face-to-face client service. The Issuer achieved a 100% face-to-face client service quality indicator, the best result among the six banks participating in the survey and 3.4 percentage points ahead of the banking sector average of 96.6%. According to Dive Lietuva, the Issuer has been ranked among the top three best-serving banks in Lithuania for the last six years when mystery shopper surveys have been carried out (since 2017).

All the shares of the Issuer are listed and traded on a Regulated Market on Nasdaq Vilnius Main List. In addition to that, its (i) subordinated bonds with a total nominal value of EUR 20,000,000 (ISIN LT0000404287; redemption date – 23 December 2029), qualifying as Tier 2 capital, (ii) restricted senior preferred notes with a total nominal value of EUR 160,000,000 (ISIN LT0000405771; redemption date – 7 October 2025), (iii) subordinated bonds with a total nominal value of EUR 50,000,000 (ISIN LT0000407751; redemption date – 22 June 2033) are listed and traded on Nasdaq Vilnius Bond List.

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

Dividends for the financial year	Percentage of nominal value	Dividends per share, EUR	Total dividends, EUR
2022	9.14	0.0265	15,919,246
2021	11.72	0.0340	20,424,693
2020	1.90	0.0055	3,303,994
2019	0	0	0
2018	10.00	0.029	17,421,064

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

### Information about the Issuer

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

Legal and commercial name of the Issuer	Akcinė bendrovė Šiaulių bankas and Šiaulių bankas AB respectively
Legal form of the Issuer	Public limited liability company
Place of registration of the Issuer (registered office)	Tilžės str. 149, Šiauliai, Lithuania

Corporate ID code of the Issuer	112025254
LEI	549300TK038P6EV4YU51
Legislation under which the Issuer operates	The laws of the Republic of Lithuanian
Date of incorporation of the Issuer	4 February 1992
Operating period	Indefinite
Telephone number	+370 41 595 607
E-mail	<a href="mailto:info@sb.lt">info@sb.lt</a>
Website	<a href="http://www.sb.lt">www.sb.lt</a> The information on the website does not form part of the Prospectus, unless certain information is incorporated by reference into the Prospectus (please see Section <i>Information Incorporated by Reference</i> )

## **Business Overview**

The Issuer accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance in investing and trading in securities, as well as performs other activities set forth in the Law on Banks and the Articles of Association.

The key area of the Issuer's activities is focused on lending to small and medium-sized business (SME). The Issuer actively uses various financial engineering instruments that enable it to finance businesses that would not be able to access conventional credit, thus contributing to their growth. During the COVID-19 pandemic, the Issuer actively participated in all measures aimed at supporting businesses, and the Issuer is the bank which has issued the largest number of such loans in Lithuania. Of all the banks operating in Lithuania, the Issuer has the largest number of products with European Union instruments, which are administered by Uždaroji akcinė bendrovė "INVESTICIJŲ IR VERSLO GARANTIJOS" (INVEGA) : a shared risk facility for SME financing, various portfolio guarantees for SME loans, factoring and leasing.

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

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

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

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

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

- Private: remaining 40+-year-old residents of major cities and regional centres with archetypes: "Thrifty", "Following the Leaders", who care about the quality of life of their loved ones.
- Meanwhile Business: small and medium-sized enterprises in the field of traditional business that require additional financing for investment purposes (purchase of equipment, attraction of employees) and which can provide collateral.

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

The Issuer offers a wide range of banking products and services for private and small and medium-sized business clients, including financing, mortgage, energy-efficient projects financing, cash management, leasing products (vehicles, heavy equipment and other assets, which are movable in their nature and therefore suitable for being financed by leasing) and trade finance. The products offered include loans as well as credit facilities adapted to meet the customers' needs. Real estate loans are primarily aimed at public

and private developers, home builders and commercial real estate companies. During year 2023 the Issuer has kept its focus on supporting Issuer's lending relations with an aim to ensure quality of loan portfolio, as well as on the quality of customer service and on improving relations with customers by keeping close direct contact with customers.

### ***Daily banking***

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

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

- more than 21 thousand new private and corporate clients started using the Issuer's services in 2023, bringing the total number of clients to 334 thousand;
- number of active customers makes up about 54% of the total number of customers;
- the number of service plan users accounts for 57% of the total number of customers 59% of business and 57% of private customers have service plans);
- the number of payment card users accounts for 52% of the total number of customers.

Every year more than 20 thousand new customers start using the Issuer's services, most of which become active users of banking services.

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

Currently, the Issuer's network of physical branches is the widest in the country. This allows the Issuer to take a strong position in serving customers who are still not active users of e-channels: the number of internet bank and mobile app users is 71% of all customers 58% are active internet banking and mobile app users).

E-channels include: internet banking, mobile application, remote customer service centre activities. A new version of internet bank was launched in the year 2022. All the functions of the previous internet bank have been transferred whereas further development of new functions is still ongoing. The new internet bank is focused on ensuring a better user experience and digitization of services, enabling customers to manage the services provided by the Issuer, as well as increasing sales of services by enabling them to purchase services independently, without additional actions of the Issuer's employees. In the year 2022 19% of ordered services were completed digitally. Also, an update of mobile application was introduced in October 2020, which ensures not only faster access to daily banking services (faster and more modern login), but also more convenient use of basic services (account review and payments) and was further developed in 2022. The aim is for both the younger and older generations to have access to basic banking services via mobile phones.

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

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

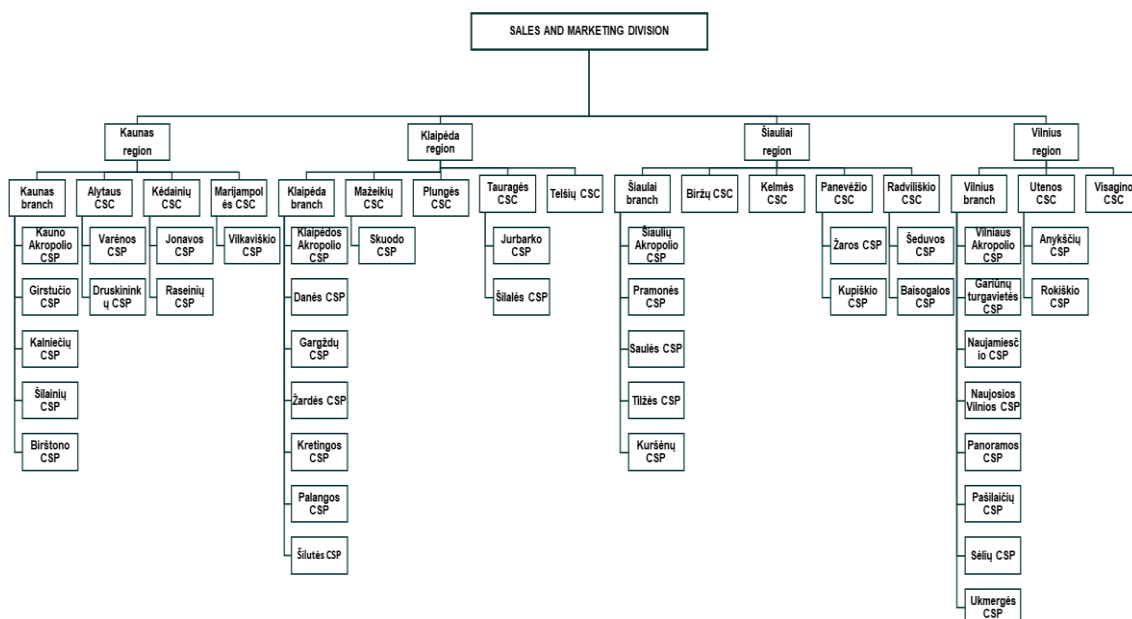
The Issuer provides the following investment services:

- mediates in trading shares and bonds in Lithuanian and foreign markets;
- provides service of electronic trading of shares in the Baltic market;
- mediates in primary placement auction transactions of Republic of Lithuania Government securities;

- disseminates investment fund units and other securities;
- lends funds upon mortgage of securities and a commitment to repurchase them (REPO transactions);
- makes securities transactions on the over-the-counter (OTC) market;
- provides financial instrument storage (accounting) services.

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

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



CSC – Customer Service Center  
CSP – Customer Service Point

Source: the Issuer

As of 30 September 2023, the Issuer had 56 customer service outlets (30 September 2022: 56 outlets). As of 31 December 2022, the Issuer had 56 customer service outlets (31 December 2021: 56 outlets). As of 30 September 2023, the Issuer had 866 employees (31 December 2022: 817).

As of 31 August 2023, the Issuer had 9.2% of sector’s retail deposit market share. As of 30 September 2023, 98% of deposit portfolio – from Lithuanian residents. Term deposits comprise 46% of total deposit portfolio. Average maturity – 17 months.

### Issuer’s rating

On 7 June 2023, the international rating agency Moody’s Investor Service (Moody’s) increased the long-term deposit rating to Baa1 from Baa2. The outlook for long-term deposit ratings has been confirmed as "stable". This is the highest rating assessment in the bank's history.

The Bank’s previous short-term deposit rating of P-2 has also been affirmed. In its statement, Moody’s said that the stable outlook on the long-term deposit ratings reflects Moody’s expectations that the Bank will be able to absorb moderate deterioration in asset quality without any meaningful deterioration in capitalization, much due to the very strong profitability, which will be the main source of buffers if additional loan loss provisions are taken. Furthermore, Moody’s expects that the Bank will repay its targeted longer-term refinancing operations (TLTRO) during 2023 and 2024 by using maturing securities. This will lead to an improvement in the funding structure ratio.

### Strategy of the Issuer

Taking into account the significantly changed business and regulatory environment, a Strategic Business Plan of the Issuer for the period 2023-2025 was updated and approved in March 2023. The Group intends to strengthen its activities in the following priority areas:

- i. Implementation of higher standard governance practices;

- ii. Strengthening of its position in the retail business;
- iii. Development of digital functionalities for external and internal customers;
- iv. Financing remains one of the major areas, ensuring a stable source of interest income and a long-term relationship with customers.

The reinforcing of these priority areas will allow ensuring sustainable and profitable activities of the Bank group, increasing the market share, meeting the expectations of the regulator, investors and other stakeholders. At the end of 2022, the Bank signed an agreement with Akcinė bendrovė "Invalda INVL" on the merger of some of their retail businesses. After the transaction is closed, the Bank group, in addition to the financial services it already provides, will manage the 2nd pillar and the 3rd pillar pension funds, also investment funds in Lithuania, will expand its life insurance business. The year 2023 is being spent to get ready for a smooth closing of the transaction and preparation of the updated strategy of the Issuer.

Strengthening the aforementioned priority areas will help to ensure sustainable and profitable operations of the Group, increase the market share, meet the expectations of the regulator, investors and other stakeholders. KPIs for the 2023:

Area	Key Performance Indicators	Targets for 2023
Operational Efficiency <sup>4</sup>	Return on average equity	>14.0%
	Cost to income ratio*	<46.7%
Capital & Risk management	Capital adequacy ratio	>18.6%
	Cost of risk <sup>5</sup>	<0.3%

\*- excluding the impact from the investment result of the SB draudimas assets under unit-linked contracts

### Issuer's competitive position

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

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

As of 30 June 2023 (unaudited data)	Total capital adequacy ratio	Large exposure ratio	Liquidity coverage ratio	Return on Assets (RoA), %	Return on Equity (RoE), %	Loans and advances, mEUR	Deposits, mEUR
*Šiaulių bankas AB	19.61	17.21	224.54	1.99	18.15	2,794	2,872
*Swedbank AB	20.34	12.55	309.31	2.18	33.09	7,975	14,190
*SEB bankas AB	18.95	19.04	151.16	2.43	30.21	6,738	10,823
*Revolut Bank, UAB	20.30	32.50	1,022.89	0.57	12.22	419	9,779
*Medicinos bankas UAB	19.03	23.12	368.71	2.16	18.49	299	374
**„Luminor Bank“ AS Lithuanian branch	n.d.	n.d.	n.d.	n.d.	n.d.	5,316	6,943

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

\*\*Information available at the website of Lithuanian bank association at <https://www.lba.lt/lt/statistika-1-1> (Pagrindiniai bankų veiklos rodikliai, 2023 m. II kv. I dalis)

<sup>4</sup> Calculation formula: <https://www.sb.lt/en/investors/financial-info/alternative-performance-measures>

<sup>5</sup> Calculation formula: *ibid*.

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

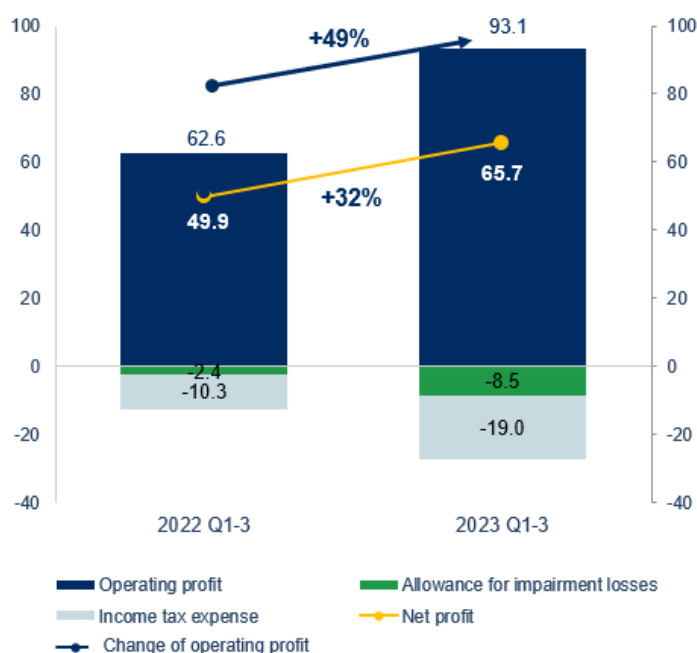
Group's results for the year 2022:

- the Group earned audited net profit of EUR 63.6 million last year, or 15% more than in 2021;
- loan portfolio increased by 25% year-on-year to over EUR 2.6 billion;
- proactive increase in deposit rates led to strong growth in the term deposit portfolio, while the total deposit portfolio grew by 4% to EUR 2.8 billion;
- agreement was signed with Akcinė bendrovė "Invalda INVL" to merge retail businesses.

Group's results for Q3 2023:

- the Group earned an unaudited net profit of EUR 24.2 million in Q3 of 2023 and EUR 65.7 million in the first three quarters of this year;
- Maximum amount of dividends for the year 2023 will not exceed 43% of the annual profit of the Group;
- The loan portfolio increased by 10% since the beginning of the year to almost EUR 2.9 billion;
- UAB "SB modernizavimo fondas" will finance the modernisation of 395 multi-apartment buildings for EUR 275 million;
- Deposits from individuals and businesses are growing rapidly, with the deposit portfolio growing by 8% since the beginning of the year to over EUR 3 billion;
- The merger of the retail businesses of the Bank and Invalda INVL is expected to be completed on 1 December.

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



Source: the Issuer

The Group earned audited net profit of EUR 63.6 million in 2022 (15% more than in 2021). Operating profit before impairment losses and income tax amounted to EUR 81.5 million (+14% compared to 2021 – EUR 71.3 million).

Mainly due to strong growth in lending volumes, net interest income increased by 32% year-on-year to EUR 106.8 million. A steady increase in the number of clients and their activity increased net service and commission income by 9% to EUR 18.7 million.

The impact of the assessment of specific client exposures led to provisions of EUR 2.5 million in Q4 and EUR 5 million for the year (compared to provisions of EUR 4.1 million in 2021). The cost of risk (CoR) for the loan portfolio in 2022 was at the same level as in 2021 at 0.2%.

The Group's cost to income ratio (excluding the impact of client portfolio of SB draudimas) increased slightly during the year and stood at 43.2% at year-end (42.8% in the previous year) and the return on equity increased to 15.2% (14.3% last year). Capital and liquidity position remains sound and prudential regulations are met with the solid buffers.

Group earned an unaudited net profit of EUR 65.7 million in the three quarters of 2023 (32% more than a year ago, when the profit amounted to EUR 49.9 million). Profit for the third quarter of 2023 was EUR 24.2 million, up 33% from EUR 18.1 million last year.

Operating income growth in the three quarters of 2023 compared to the same period in 2022: net interest income grew by 55% to EUR 116.1 million, while net income from service and commission grew by 4% to EUR 14.6 million.

With the economic situation remaining uncertain, the Bank made additional provisions for loans and other assets of EUR 3.1 million during the 3<sup>rd</sup> quarter 2023, mainly due to the risk assessment of individual exposures. Provisions for the three quarters of 2023 amount to EUR 8.5 million, compared to EUR 2.4 million year-on-year. At the end of September, the cost of risk (CoR) stood at 0.4% (0.2% in the same period last year).

The Bank Group's return on equity was 18.9% (16.3% last year), while the cost/income ratio (excluding the impact of SB draudimas' customer portfolio) fell to 34.4% at the end of September (40.0% in the same period last year). The capital and liquidity position remains sustainable and prudential ratios are being met by a wide margin.

## Business and Private Clients Financing

Figure 4. Loan portfolio in EUR million and yields



[  
Issuer

Source: the

The year 2022 was characterized by a very strong growth in both corporate and private client financing, with the value of the loan portfolio increasing by as much as 25% over the year, to over EUR 2.6 billion. More than EUR 1.5 billion worth of new lending agreements were signed last year, i.e., one third more than in 2021.

Corporate lending volumes increased steadily during the year, with new business credit agreements worth almost EUR 0.8 billion signed during the year (21% more than in 2021). The value of the portfolio increased by 18% year-on-year (to EUR 1.4 billion). Credit risk indicators remained strong and the results of the annual loan portfolio review did not have adverse effect on them. The non-performing business loan portfolio declined throughout the year and stood at EUR 58 million at the end of 2022 (-10% year-on-year).

Despite decrease in housing loan sales in the end of 2022 (compared to the first three quarters of the year), mainly due to the general economic situation, rising energy prices, high inflation, or rising base interest rates, the housing loan portfolio grew by as much as 46% in 2022, and exceeded EUR 660 million. New housing loan agreements were signed for EUR 255 million (30% more than in 2021).

In the end of 2022, people were more cautious about their ability to borrow for consumption and more restrained in planning their purchases. Universal credit, i.e., loan for a wide range of needs, is noticeably growing in popularity. In total, consumer credit agreements were signed for almost EUR 190 million during the year, i.e., 48% more than in 2021. The consumer financing portfolio grew by 34% for the whole of 2022, reaching almost EUR 230 million.

As the volume of applications for financing energy-efficient projects remains high, in the end of 2022, the Bank offered a green housing loan for those who want to live more sustainably and who are looking for a new home for the purpose of buying the most energy-efficient housing on more favorable terms.

UAB "SB modernizavimo fondas" continues to perform well, but due to a significant increase in construction prices and fewer projects ready for financing on the market, agreements for the modernization of multi-apartment buildings have been signed for a total amount of EUR 107 million (17% less than in 2021).

Portfolios of all financing segments grew in three quarters of 2023, while the Group's total loan and leasing portfolio grew by 4% (EUR 104 million) during the 3<sup>rd</sup> quarter and by 10% (EUR 261 million) since the beginning of the year 2023 to reach EUR 2.9 billion. However, against the backdrop of a turbulent outlook for the overall economy and the high cost of borrowing, new contract signings fell, reaching EUR 0.3 billion in the 3<sup>rd</sup> quarter and EUR 1 billion since the beginning of the year 2023, down 7% year-on-year.

With the demand for business finance falling and expectations remaining cautious, the number of business loans signed during year 2023 is almost 5% lower than in the same period of 2022, at EUR 587 million.

The corporate finance portfolio grew by 2% (EUR 24 million) during the 3<sup>rd</sup> quarter of 2023 and by 6% (EUR 87 million) since the beginning of the year 2023 to EUR 1.47 billion.

The ECB's monetary policy is leading to a slowing property market and falling demand for mortgages. Contracts worth EUR 38 million were signed in the 3<sup>rd</sup> quarter and EUR 134 million since the beginning of the year 2023, 32% less than in the same period last year. The housing loan portfolio grew by 3% (EUR 22 million) during the 3<sup>rd</sup> quarter and by 14% (EUR 90 million) since the beginning of the year 2023 to EUR 0.75 billion.

Despite the extremely competitive consumer finance market, new sales volumes managed to grow both in the 3<sup>rd</sup> quarter and throughout the year. The number of consumer credit agreements signed during 2023 year is 17% higher than in the same period last year, amounting to EUR 170 million. The consumer finance portfolio grew by 7% in the 3<sup>rd</sup> quarter and by 26% from the beginning of the year, reaching EUR 288 million.

The volume of applications and contracts for financing energy efficiency projects remained high: in the 3<sup>rd</sup> quarter, UAB "SB modernizavimo fondas" concluded contracts for the modernisation of multi-apartment buildings for EUR 56 million, and since the start of its operations, it has signed contracts for the full amount of EUR 275 million raised by Lithuanian and foreign investors and which will be used for improvement of the living conditions of residents of 395 multi-apartment buildings.

### ***Daily Banking***

During year 2022, net service and commission income grew to EUR 18.7 million, an increase of 9% compared to 2021. Income grew in all the main fee and commission income groups – payments, cash transactions, accounts administration and investment services. More than 10 thousand new private and corporate clients started using the Bank's services in 2022, bringing the total number of clients to 340 thousand.

The number of clients subscribing to service plans generating stable commission income grew by 9% to 188 thousand. The number of payments and turnover from payment cards, as well as the number of payment cards themselves, is growing, reaching 176 thousand, i.e., 2% more compared to the year 2021. Among them, the fastest growing demand is for credit cards, the number of which grew by 33% compared to the year 2021.

During 2023 the Issuer kept its focus on developing digital channels i.e. mobile app and online bank to maintain increasing usage. App development includes: broader push notifications functionality for various situations (payments, invoices, messages), enabled biometric authentication, smoother customer journey from app to online banking for extra features. Number of customers who use mobile app is constantly increasing. Online banking development includes: automation for KYC and payment card management (ordering and renewal), various UX improvements using online banking features.

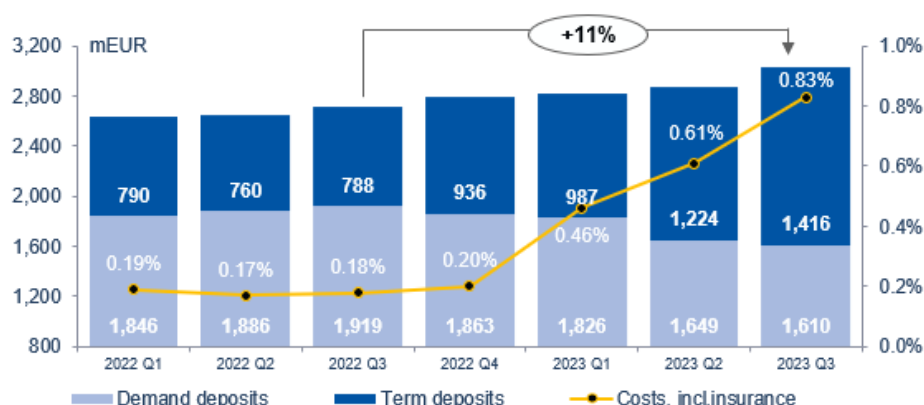
During the 3<sup>rd</sup> quarter of 2023, 7.4 thousand new private and corporate customers started using the Bank's services, and more than 23.5 thousand since the beginning of the year 2023. As the number of new customers grows, so does the number of people using the service plans, which exceeded 190 thousand. The growth rate of credit cards increased by 6% during the 3<sup>rd</sup> quarter of 2023 and by 34% during the year 2023 (to 35 thousand), while the total number of payment cards issued fell to 172 thousand.

A major focus is on improving the Bank's internet bank and mobile app. During the 3<sup>rd</sup> quarter of 2023, important changes were introduced (e.g. login with a national identification number instead of a password) and the app was updated for customers using iOS and Android.

To meet everyone's needs and enable clients to choose how they want to be served, the Bank maintained the most extensive network of customer service outlets in Lithuania (56 outlets in 37 Lithuanian cities), while developing convenient smart solutions – during the first quarter, the Bank introduced new, expanded online banking services, as well as upgraded its mobile application, adding new features such as push notification management.

## Saving and Investing

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



Source: the Issuer

The Group loan-to-deposit ratio stood at 94.6% at the end of the year 2022 (78.6% at the end of the year 2021).

The deposit portfolio grew by 4% over the year (EUR 114 million) to almost EUR 2.8 billion at the end of the year 2022. Demand deposits, which make up the bulk of the portfolio, increased by 1% or EUR 10 million, while the term deposit portfolio grew by 12% or EUR 104 million. This increase in the term deposit portfolio is due to the proactive increase in interest rates to meet client needs in a rising base rate environment.

Clients are increasingly directing their savings towards the Issuer's saving and investment products, with commission income from securities-related services reaching almost EUR 4 million during the year 2022 (up 18% compared to 2021). Despite the volatile financial markets, the value of client securities in the Issuer's custody continued to grow and exceeded EUR 0.9 billion at the end of the year 2022.

In Q4 of 2022, the Issuer successfully placed an additional EUR 85 million bond issue to institutional investors, paying an annual interest at the rate of 1.047%. With a tap issue the amount of the total outstanding bonds increased from EUR 75 million to EUR 160 million. The additional bonds were issued at a yield to maturity of 6.4%. The bonds issued will help the Issuer to meet future MREL requirements, while strengthening the liability structure and broadening the investor base.

The Group loan-to-deposit ratio stood at 96.0% at the end of 3rd quarter of year 2023 (92.8% at the end of the 3<sup>rd</sup> quarter of year 2022).

Both individuals and companies are also choosing the Bank's fixed-term deposit products. Currently, almost 47% of customers' funds with the Bank are in fixed-term deposits (EUR 1.4 billion, up more than 50% from the beginning of the year). The total customer deposit portfolio has grown by 8% since the beginning of the year to over EUR 3 billion.

As for the investment products, the Bank arranged 11 corporate bond placements in the amount of more than EUR 40 million during 2023. The value of customer investments held with the Bank has been growing steadily, reaching EUR 1.8 billion, double the amount at the beginning of the year.

### Regarding external environment factors

The Bank monitors the tense geopolitical situation in order to properly and timely assess and identify the potential impact of Russia's invasion of Ukraine on the Bank's operations and the quality of its portfolio due to the risks it poses to clients. The Bank has set up a special Working Group to assess the situation. The Bank has no operations in Russia, Belarus or Ukraine and does not have significant direct exposures in these countries. The Bank considers the secondary risk of direct insolvency of clients operating in Lithuania due to the geopolitical situation to be low: the Bank's largest clients are aware of the threats, the number of clients dependent on business relations with Ukraine and Russia is low, and clients with business relations

in the countries mentioned above are reducing their dependence of their income on business transactions. To identify in a timely manner a potential increase in the risk of its clients, the Bank applies the procedures set out in the Bank's internal regulations, records Early Warning Indicators (EWI) for the impact of the geopolitical situation on the clients that have a moderate or greater dependence on the aforementioned countries through their supply or sales chains, or through their shareholding structure, and, in the event of a potentially significant risk, puts the client on the Watch List and implements enhanced monitoring for these clients, and approves action plans for the mitigation of risk. The greatest uncertainties and potential negative impacts arise from tertiary effects, i.e., the impact of Russia's invasion of Ukraine on the overall state of the economy. The Bank uses scenario assessments and stress testing to assess these impacts. These assessments indicate that the Bank's capital position is strong and that the Bank would be able to withstand significant shocks related to economic downturns.

The increased monitoring is not limited to credit risk, but also includes a stronger monitoring of the bank's liquidity position (except for the increased cash withdrawals a few days after the start of the invasion, there were no negative trends related to the invasion), increased focus on business continuity and IT security (business continuity plans have been updated with a number of additional scenarios, cybersecurity status is constantly being monitored, additional cyber-protection measures have been implemented, and testing of measures and plans is ongoing). Also, due to the rapidly changing situation and the introduction of new sanction packages, the processes and procedures for complying with the sanctions for clients and payments are under considerable scrutiny, which may in some cases lead to longer process time.

The Russian invasion of Ukraine may further contribute to increased market volatility. The Bank has no direct investments (securities or other financial instruments) in Russia, Belarus or Ukraine. The Bank has no or close to zero open currency exposure in these countries.

#### **Regulatory requirements applicable to the Issuer**

- Issue is a subject to following ratios and prudential requirements: **Capital or own fund requirements.** Banks must hold sufficient capital for covering unexpected losses and remaining solvent during a crisis period. Banks must satisfy the following Pillar 1 own funds requirements:
  - a Common Equity Tier 1 capital ratio of 4.5 per cent. This is the ratio between Tier 1 equity capital and risk weighted assets and off-balance sheet liabilities of the bank;
  - a Tier 1 capital ratio of 6 per cent. This is the ratio between Tier 1 capital and risk weighted assets and off-balance sheet liabilities of the bank;
  - a total capital ratio of 8 per cent. This is the ratio between the own funds and risk weighted assets and off-balance sheet liabilities of the bank;
  - a leverage ratio of 3 per cent. This is the ratio between Tier 1 capital and the total exposure measure of the bank.
- **SREP capital requirements** consist of two parts:
  - Pillar 2 requirement or P2R, which covers risks underestimated or not covered by Pillar 1. P2R is binding and breaches can result in regulatory sanctions. The Issuer is subject to a P2R requirement of 1.6% on 31 December 2022 which increased up to 2.05% from 1 January 2023;
  - Pillar 2 guidance or P2G, which indicates to banks the adequate level of capital to be maintained in order to have sufficient capital as a buffer to withstand stressed situations. P2G is not legally binding, but the regulators expect banks to comply with this buffer. The Issuer is subject to a P2G requirement of 1.75%;
- In addition to the capital requirements, banks must meet **additional capital buffer requirements:**
  - capital conservation (CCoB) buffer of 2.5 per cent. The purpose of this requirement is to obligate banks to accumulate additional capital for covering unexpected losses. It is uniform across all European Union banks;
  - institution's special countercyclical capital (CCyB) buffer requirement. The supervisory authorities of Member States may, at their own discretion, set the amount of a specific countercyclical capital buffer for a particular institution or a group of institutions, thereby mitigating the risk of unsustainable growth and securing the banking sector and the economy against a credit boom. A special countercyclical capital buffer requirement of 0 per cent is applied for positions in Lithuania recently and increased by 1% from 1 October 2023;
  - other systemically important institutions (O-SII) buffer requirement. The purpose of this requirement is to obligate banks to accumulate additional capital to cover losses arising

from the impact of the bank’s financial difficulties on the European Union market or a particular domestic financial market. It is set on an individual basis – up to 2 per cent of risk weighted assets. For the Issuer, O-SII buffer currently is set at 1%;

- the sectoral systemic risk (SyRB) buffer requirement. The purpose of this requirement is to increase the financial system’s resilience in the presence of a higher risk of potential housing market overheating in Lithuania. It is introduced by Bank of Lithuania and set as 2% to the housing loan portfolios of housing credit issuers.
- **Liquidity requirements.** Banks must hold sufficient liquid assets to be able to cover net cash outflows under gravely stressed conditions within 30 days. The value of the liquidity coverage ratio (“LCR”) must not be below 100 per cent, i.e., a credit institution’s reserves of liquid assets must not be lower than net cash outflows over 30 calendar days under gravely stressed conditions. Banks must have sufficient stable funding to meet the funding needs for a one-year period both under regular and stressed conditions. The value of the net stable funding ratio (“NSFR”) should be no lower than 100 per cent, i.e., the stable funding amount available for the credit institution should be no lower than the required stable funding amount over a one-year period.
- **The large exposure requirement.** Exposure to a client or a group of connected clients, i.e., loans granted, also any asset or off-balance-sheet asset share cannot exceed 25 per cent of the institutions CET1 capital, or EUR 150 million, whichever the higher, provided that the sum of exposure values.

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

In February 2023, the Issuer received its MREL requirement, entailing the following MREL requirements that shall be met by 1 January 2024:

- the minimum requirement for own funds and eligible liabilities of the resolution entity with which the Issuer shall comply is 21.49% of total risk exposure (MREL-TREA) and 7.16% of leverage ratio exposure (MREL-LRE);
- subordinated instruments shall comprise 13.50% of total risk exposure (MREL-TREA, subordinated) and 5.99% of leverage ratio exposures (MREL-LRE, subordinated).

The Issuer has received intermediate targets to ensure a linear build-up of own funds and eligible liabilities towards the requirements. From 1 January 2023, such targets comprise MREL-TREA of 15.43% and MREL-LRE of 5.89%, subordinated MREL-TREA of 13.50% and subordinated MREL-LRE of 5.89%.

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

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

	<b>1 January 2023</b> <i>(intermediate target)</i>	<b>1 January 2024</b> <i>(requirement)</i>
MREL-TREA	15.43% + CBR	21.49% + CBR
MREL-LRE	5.89%	7.16%
MREL-TREA, subordinated	13.50% + CBR	13.50% + CBR
MREL-LRE, subordinated	5.79%	5.99%

CBR applicable to the Issuer as of 31 December 2022 is 3.69% and consists of Capital conservation buffer of 2.5%, O-SII buffer of 1.0% and SyRB buffer of 0.19%. Countercyclical buffer for Lithuania was nil. Components of the CBR may be changed by the decision of institutions that are responsible for setting the buffers.

As of 30 September 2023, Issuer’s MREL-TREA was 28.33% MREL-TREA, subordinated was 21.81%, MREL-LRE 13.97%, MREL-LRE, subordinated 10.76%.

## Capital requirements applicable to the Issuer

### Capital management of the Issuer

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

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

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

During the nine-month periods ended 30 September 2023 and 30 September 2022, and the years ended 31 December 2022 and 31 December 2021, the Issuer complied with capital requirements.

The capitalisation of the Issuer is sufficient to ensure financial stability and provide the capital needed to deliver the business strategy. As of 31 December 2022, the total consolidated Capital Ratio of the Issuer, was 19% (20.4% as of 31 December 2021 on the consolidated level of the Group). As of 30 September 2023, the total consolidated Capital Ratio of the Issuer, was 21.3% (16.5% as of 30 September 2022 on the consolidated level of the Group).

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

### Capital Ratios

Position	30 Septemb er 2023	30 September 2022	31 December 2022	31 December 2021
CET 1 Ratio	18.8%	15.7%	18.1%	19.5%
T1 Capital Ratio	18.8%	15.7%	18.1%	19.5%
Total Capital Ratio	21.3%	15.5%	19.0%	20.4%

### Risk Exposure

#### Composition of Risk Exposure Amount (REA)

	30 September 2023	30 September 2022	31 December 2022	31 December 2021
Credit Risk	2,128,089	2,120,034	2,122,021	1,887,012
Securitisation positions	42,975	44,227	47,521	-
Market Risk	29,246	36,065	30,230	19,823

	30 September 2023	30 September 2022	31 December 2022	31 December 2021
Credit valuation adjustment	13		125	238
Operational Risk	221,464		221,464	198,456

## Risk Exposure

	30 September 2023	31 December 2022	30 September 2022	31 December 2021
<b>TOTAL RISK EXPOSURE AMOUNT</b>	<b>2,421,787</b>	2,421,361	2,399,370	2,105,529
<b>RISK-WEIGHTED EXPOSURE AMOUNTS FOR COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES</b>	<b>2,171,064</b>	2,169,542	2,164,261	1,887,012
Standardised approach (SA)	2,128,089	2,122,021	2,120,034	1,887,012
Central governments or central banks	4,477	5,170	5,333	10,274
Regional governments or local authorities	15	21	22	27
Public sector entities	2,721	11,871	11,525	9,609
Institutions	31,485	70,316	70,713	39,875
Corporations	344,484	482,673	494,973	458,167
Retail	600,429	431,813	427,483	380,100
Secured by mortgages on immovable property	789,217	768,708	759,004	689,421
Exposures in default	62,310	55,190	59,005	50,202
Items associated with particularly high risk	150,697	150,098	145,257	89,166
Collective investments undertakings (CIU)	48,758	62,052	58,273	54,586
Equity	35,653	29,959	30,003	30,215
Other items	57,844	54,150	58,444	75,371
Securitisation positions	42,975	47,521	44,227	
<b>Total risk exposure amount for position, foreign exchange and commodities risks</b>	<b>29,246</b>	<b>30,230</b>	<b>36,065</b>	<b>19,823</b>

	31 30 September 2023	31 December 2022	30 September 2022	31 December 2021
<b>Total risk exposure amount for operational risk (OpR)</b>	<b>221,464</b>	<b>221,464</b>	<b>198,456</b>	<b>198,456</b>
<b>Total risk exposure amount for credit valuation adjustment</b>	<b>13</b>	<b>125</b>	<b>588</b>	<b>238</b>

### General Risk Management Principles

The risk management of the Issuer is described in section “Financial Risk Management” of the consolidated financial statements of the Group for the year ended 31 December 2022 (pages 23-73), incorporated into this Base Prospectus by reference.

### Major shareholders of the Issuer

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

31 December 2020 European Bank for Reconstruction and Development (EBRD) possessed 26.02% of the authorised capital and votes of the Issuer. On 22 December 2021 EBRD announced that it has agreed to sell an 18% stake in the Issuer. EBRD has signed 3 separate agreements with Akcinė bendrovė "Invalida INVL", an asset management group, Tesonet Global, part of the Tesonet group of companies, and ME Investicija, a holding company that owns Girteka Logistics, to sell stakes of 5.87%, 5.87% and 6.29% in the Issuer, respectively. Acquisitions of shares will take place through a series of transactions until June 2024 and in some cases might be subject to regulatory approvals.

On December 2021 ME Investicija, now – Willgrow UAB announced about acquisition of 5.71% of Bank’s shares, and on May 2023 acquired 2.09% of Bank’s shares. On January 2022 Tesonet Global acquired 1.96% of Bank’s shares, on May 2023 – 1.95%. After the said transactions as of 31 May 2023 EBRD possessed 14% of the authorised capital and votes of the Issuer.

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

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

No	Shareholder	Number of owned shares and votes directly	Percentage owned directly, %	Votes, held by other persons, acting in concert, %	Total, %
1.	EBRD	84,101,686	14.000	–	14
2.	Akcinė bendrovė "Invalda INVL"	32,622,086	5.430	4.568 <sup>6</sup>	9.999
3.	Willgrow UAB (ME INVESTICIJA)	46,894,161	7.806	–	7.806
4.	Algirdas Butkus	15,214,268	2.533	2.878 <sup>7</sup>	5.411
5.	Gintaras Kateiva	32,286,627	5.375	0.02 <sup>8</sup>	5.395

Source: the Issuer

On 22 November 2022, the Issuer and Akcinė bendrovė "Invalda INVL", legal entity code 121304349, registered at address Gynėjų str. 14, Vilnius, the Republic of Lithuania, signed an agreement to merge segments of their retail businesses. Following the provisions of the signed agreement, the transaction is expected to be completed until 22 November 2023. Post the transaction, Akcinė bendrovė "Invalda INVL" would hold additional 62,270,383 shares of the Issuer which represents 9.39% of the Issuer's shareholding. The Issuer would issue the new shares to be acquired by Akcinė bendrovė "Invalda INVL" at EUR 0.645 per share (5% more than the Issuer's share price on 22 November 2022 on the Nasdaq Vilnius). Following the completion of this and other planned share acquisition transactions announced, Akcinė bendrovė "Invalda INVL" will increase its shareholding in the Issuer to approximately 20%.

However, taking into consideration that all the shares of the Issuer are introduced to trading on regulated market (Nasdaq Vilnius Main List), its shareholding structure may be subject to changes at any point, if any of its major shareholders divest all or a part of their equity stakes in the Issuer (please also see risk factor *No ownership rights, no guarantee that the shareholders' structure remains the same*).

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

No	Manager	Position	Number of owned shares and votes directly	Percentage owned directly, %	Number of owned shares and votes non-directly	Controlled companies	Total, %
1.	Gintaras Kateiva	Member of Supervisory Council	32,286,627	5.375	121,072	–	5.395
	Mindaugas Raila	Member of Supervisory Council	-	-	46,894,161	46,894,161	7.806

<sup>6</sup> Votes, held by its subsidiary UAB "INVL Asset Management" – 0.66%, and "INVL Life", uždaroji akcinė draudimo bendrovė – 1.96%.

<sup>7</sup> Votes, held by the controlled entities: prekybos namai "Aiva" UAB – 2.00%, Mintaka UAB – 0.88%.

<sup>8</sup> Votes, held by the spouse Vilinda Kateivienė.

No	Manager	Position	Number of owned shares and votes directly	Percentage owned directly, %	Number of owned shares and votes non-directly	Controlled companies	Total, %
2.	Vytautas Sinius	Member of the Board	1,770,840	0.295	–	–	0.295
3.	Donatas Savickas	Member of the Board	836,601	0.139	–	–	0.139
4.	Mindaugas Rudys	Member of the Board	411,870	0.069	–	–	0.069
5.	Daiva Šorienė	Member of the Board	319,888	0.053	–	–	0.053
6.	Algimantas Gaulia	Member of the Board	53,886	0.009	–	–	0.009

*Source: the Issuer*

Apart from the information, indicated in this Section, the Issuer has no information about any other possible control over the Issuer, as well as the arrangements, the operation of which may at a subsequent date result in a change in control of the Issuer. Disregarding this, as it was indicated in the notification on material event of the Issuer, dated 12 April 2022<sup>9</sup>, on this date, as part of the annual variable remuneration for 2021, employees of the Issuer were granted an option right to receive 1,745,114 shares free of charge on 11 April 2025. The Issuer also confirmed proportional part (one third) of the number of shares granted for the employee's performance in 2020, 2019 and 2018 to be received after exercise of options: 757,526 shares on 12 April 2024, 830,437 shares on 14 April 2023 and 930,704 shares on 12 April 2022. Aforementioned options granted for the employee's performance in 2018 were exercised on 12 April 2022. Employee options granted for 2019 performance were exercised on 14 April 2023. Thirty-five employees of the Bank Group were granted 2 491 317 Bank shares upon exercise of these options.

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

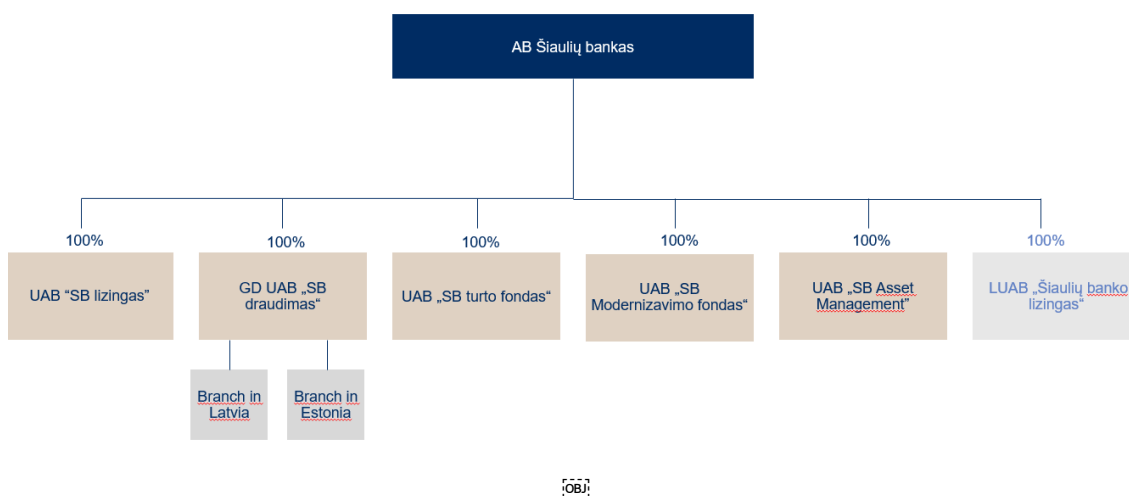
As indicated above, certain members of the Management Board and Supervisory Council are also shareholders of the Issuer. Thus, it is possible that these shareholders may favour any of their own interests rather than those of the Issuer.

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

<sup>9</sup> <https://view.news.eu.nasdaq.com/view?id=b709dfc404521773fcc211e37b47e0c77&lang=en>

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

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



*AB Šiaulių bankas owns 100% of shares of UAB "SB lizingas", Gyvybės draudimo UAB "SB draudimas", UAB "SB turto fondas", UAB "SB modernizavimo fondas", UAB "SB Asset Management", UAB "Šiaulių banko lizingas" (under liquidation)*

*Source: the Issuer*

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

The Issuer together with the Subsidiaries form a group of companies, as indicated in the above Figure 6. The Issuer is not dependent upon other Subsidiaries within the Group.

In 2023 the Issuer established a new group company UAB "SB Asset Management". The goal of establishment of UAB "SB Asset Management" is to properly prepare for the implementation of the agreement signed on 22 November 2022 regarding merger of Akcinė bendrovė "Invalda INVL" retail asset management and life insurance businesses with the Issuer, and which after the transaction closing date would take over the management business of pension funds and investment funds for its further development. In August of 2023 UAB "SB Asset Management" has been granted by the Bank of Lithuania a license of a management company acting in accordance with the Law on Collective Investment Undertakings of the Republic of Lithuania.

In addition to that, in order to properly prepare for the implementation of the agreement signed on 22 November 2022 regarding merger of Akcinė bendrovė "Invalda INVL" retail asset management and life insurance businesses, group company SB draudimas has conducted branch passporting of life insurance activities into Republic of Latvia and Republic of Estonia and established its branches there. These branches will take over the life insurance business to be transferred to it by the respective branches of "INVL Life", uždaroji akcinė draudimo bendrovė.

UAB "Šiaulių banko lizingas" is under the liquidation and does not carry out any activities, the company's activities are integrated into activities of the Issuer.

### Supervisory and Management Bodies

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

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

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

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

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

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

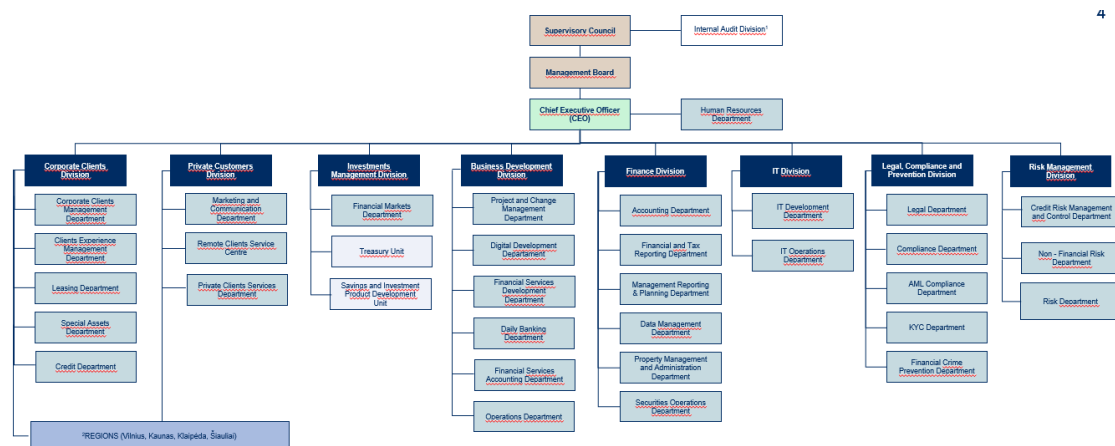
#### ***Compliance with the Corporate Governance Regime***

The Issuer does not follow some of the requirements of the Nasdaq Vilnius Corporate Governance Code to its full extent. However, the Issuer aims and puts efforts to improve its compliance with this code to as to better meet the expectations of its investors. Detailed information on the compliance of the Issuer with this corporate governance regime is provided in the annex to the Annual Report for the year 2022 of the Issuer. The statements included therein are valid as at the date of this Base Prospectus.

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

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

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



<sup>1</sup> The Internal Audit Division is directly subordinate and accountable to the Audit Committee of the Supervisory Board.  
<sup>2</sup> Detailed subordination relationships of Regions positions to the Corporate Clients and Private Clients Divisions are represented in the drawing of the Region Management Structure.

### **Changes in organizational structure**

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

A new corporate structure of the Issuer has been adopted as of 25 September 2023, enabling the concentration of corporate customer, private customer and investment management functions and units into separate services. In creating the new structure, the ‘product house’ principle was employed, where the sales and the customer service departments are separated from the departments responsible for creating and supporting products. An Investment Management Division has been established, and sales activities are planned to be organised by customer segments and dedicated services: a Business Customer Division and a Private Customer Division. Overall product sales and customer service will be conducted through the Issuer’s sales branches, while supporting functions such as information technologies, human resources, legal, marketing and communication, data management, asset management, administration and customer experience management will be provided by the respective Issuer departments or branches.

The Group is transitioning towards centralising supporting functions, meaning that some centralisation efforts began on the date of the implementation of the transaction with INVL, while others will be transitioned gradually.

As of 25 September 2023, the following structural changes have come into effect at the Bank:

1. The Sales and Marketing Division has been abolished, and the departments and functions under its authority have been assigned to new departments.
2. A new Corporate Clients Division has been established. Existing and newly created units have been assigned under the authority of the Corporate Clients Division:
  - the Clients Experience Management Department;
  - the Leasing Department;
  - the Special Assets Department;
  - the Credit Department;
  - the new Corporate Clients Management Department.
3. A new Private Clients Division has been established. Existing, reorganised or new departments have been assigned under the authority of the Private Clients Division:
  - reorganised Marketing and Communication Department;
  - existing Remote Clients Service Centre;
  - the new Private Clients Services Department.
4. The Markets and Treasury Department has been abolished and its functions have been assigned to the relevant units within the new Investments Management Division. New departments have been assigned under the authority of the Investments Management Division:
  - the Financial Markets Department;
  - the Treasury Unit, responsible for treasury management and control functions;

- the Savings and Investment Product Development Unit.
- 5. To concentrate data management functions into one structural unit, a new Data Management Department has been established within the Finance Division, responsible for the development and maintenance of centralised data analytics systems, and ensuring the financial customer data analytics function.
- 6. To further strengthen the Bank's capabilities for strategic digital transformation, a new Digital Development Department and a Projects and Change Management Department have been established within the Business Development Division. The functions of the Projects and Change Management Department will include the definition of the end-to-end journey of private customers and the organisation of the necessary changes in sales and service processes and information systems. Previously, the Financial Services Accounting Department was assigned to this Business Development Division.

### *Supervisory Council*

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

Name, surname	Position within the Issuer	Beginning of term	End of term
Gintaras Kateiva	Member of the Supervisory Council	31 March 2020	
Ramunė Vilija Zabulienė	Member of the Supervisory Council (independent)	31 March 2020	
Darius Šulnis	Member of the Supervisory Council	31 March 2020	
Miha Košak	Member of the Supervisory Council (independent)	31 March 2020	<i>Until 31 March 2024, in any case not later than</i>
Susan Gail Buyske	Member of the Supervisory Council (independent)	31 July 2020	<i>until the ordinary General Meeting in</i>
Valdas Vitkauskas	Member of the Supervisory Council (independent)	1 June 2022	<i>2024</i>
Mindaugas Raila	Member of the Supervisory Council	18 January 2023	
Tomas Okmanas	Member of the Supervisory Council (independent)	2 February 2023	

*Source: the Issuer*

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

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

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

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

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

**Darius Šulnis** (born in 1971) has more than 20 years of experience in various financial and real estate industries. His strengths lie in strategic management, consulting and supervisory and control functions in organizations, coordination of compliance with the legal acts, regulating the Issuer’s activities. Education – in 1993 graduated from the Vilnius University, where he gained a Master’s in Economics. In 2013 he also graduated from the Duke University – The Fuqua School of Business, where he gained a Master’s in Business Administration. He has held different positions in INVL Asset Management IPAS (Latvia), INVL Atklatais Pensiju Fonds AB (Latvia), LP Grupė UAB, UAB "INVL Asset Management", Invalida 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 Akcinė bendrovė Invalida INVL, Chairman of the Board of UAB "INVL Asset Management", Chairman of the Supervisory Council of FERN Group, UAB and member of the Board of UAB “LITAGRA”. He is also a member of the Supervisory Council of the Issuer since 2016.

**Miha Košak** (born in 1968) has 30 years of experience in corporate finance, investment and corporate banking, and corporate governance. Education – in 1989 graduated from the London School of Economics, where he gained a Bachelor of Science in Economics. In 1991 he also graduated from the University of Exeter, where he gained MA in the Economics of the European Community and in 1998 from the SDA Bocconi, where he gained a Master of Business Administration. Since 1991, he has held senior roles at VTB Capital plc, UBS Investment Bank, Citigroup Global Markets, UBS AG, Credit Suisse First Boston, Barclays de Zoete Wedd, in London, Milan and Zürich. He has also been the Supervisory Board member of Abanka dd, Gorenje Group and NLB d.d. Miha Košak currently consults and executes independent activities as: member of the Advisory Board of Fraport Slovenia (largest Slovenian International Airport); Trustee of the British Slovene Society; member of the Board of the British-Slovenian Chamber of Commerce; member of the Advisory Council of Emona Capital LLP; member of the Strategic Board of Elan Inventa d.o.o. He serves as an independent member of the Supervisory Council of the Issuer since 2017.

**Susan Gail Buyske** (born in 1954). Education – Bachelor of Arts degree in Russian language from Middlebury College (USA), a Master of Public Administration degree in international relations (the Woodrow Wilson School, Princeton University (USA), Phd in political science. Susan Gail Buyske currently serves as an independent member of the Supervisory Council of the Issuer since 2020 and as a non-executive director of SA Advans SICAR Holding company for microfinance institutions in Africa and Asia.

Gail Buyske is a financial sector development consultant and non-executive director with a great experience on banks’ boards of directors like Swedbank AB, OJSC “URSA Bank”, JSC “Kazkommertsbank”, and others. Prior to consulting practice, Gail Buyske was successfully working in the field of international banking services at the European Bank for Reconstruction and Development (three years) and was holding a senior position at the Chase Manhattan Bank, USA. She has also worked as non-executive director and Chair of Risk Committee of First Ukrainian International Bank, Universal bank in Ukraine.

**Valdas Vitkauskas** (born in 1968). Education – Master’s in Applied Economics, Southern Methodist University, Dallas, TX, USA, Bachelor of Business Administration, Vytautas Magnus University, Kaunas, Lithuania. He currently serves as an independent member and a Chairman of the Supervisory Council of the Issuer.

Work experience and previous positions: January 2022 – 30 May 2022 Head of Strategy, UAB “INVL Asset Management”, Lithuania; 2020 – 2022 Supervisory Council chairman of UAB “Sovereign Investment Management Agency” (“Valstybės investicijų valdymo agentūra”), Lithuania; 2011 – 2021 Associate Director, Senior Banker, Regional Business Leader at Financial Institutions Team, European Bank for Reconstruction and Development (EBRD), London, UK; 2016 – 2019 Independent Non-Executive Board Member of UAB “EPSO-G”, Lithuania; 2014 – 2018 Supervisory Council member of the Issuer; 2013 – 2016 Supervisory Council member of Mobias Banca Societe Generale, Moldova; 2007 – 2011 Head of Office, Senior Banker of EBRD Minsk Resident Office, Belarus; 1998 – 2007 Principal Banker of EBRD Vilnius RO, Lithuania; 1995 – 1996 Project Manager of Lithuanian Development Bank, Lithuania.

**Mindaugas Raila** (born in 1972). Education – Business administration and management (Owner/President management program), Harvard Business school, Boston, USA. He currently serves as Chairman of the Board of “ME investicija”, UAB (from 2012). Also, he is Founder and Co-owner of “Girteka Logistics”, UAB (from 1996).

Mr. Raila serves as a member of the Supervisory Council of the Issuer since the beginning of the year 2023.

**Tomas Okmanas** (born in 1987). Education - Master’s in E-Business management, Mykolas Romeris University, Lithuania; Bachelor of History in Vilnius university, Lithuania.

He currently serves as Board Member of “Hostinger”, UAB (from 2018); Founder and Co-owner of “Tesonet” (from 2008); member of the Board and CEO of Tesonet global, UAB (company belongs to Tesonet group) (from 2020); executive CEO of 360 IT, UAB (belongs to Nord Security group); CEO of Tesonet Ventures, UAB (company belongs to Tesonet group) (from 2020); CEO of Hypervisor X, UAB (from 2020); member of the Board of Trustees of VU TSPMI (from 2020). Also, he is CEO (from 2017) and Board Member (from 2022) of Nord security group.

Work experience and previous positions: 2007 – 2016 Senior Unix system administrator, Project Manager, Head of Network Operations Center and CIO, International Business Development Manager, IT Consultant of “Penki kontinentai” group. Mr. Okmanas serves as an independent member of the Supervisory Council of the Issuer since the beginning of the year 2023.

### **Management Board**

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

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

Name, surname	Position within the Issuer	Beginning of term	End of term
Vytautas Sinius	Chairman of the Management Board, CEO	19 August 2022 31 March 2020	Until 31.03.2024, in any case not later than until the ordinary General
Donatas Savickas	Member of the Management Board, Head of Finance Division	31 March 2020	
Daiva Šorienė	Member of the Management Board, Head of Sales and Marketing Division	31 March 2020	

Name, surname	Position within the Issuer	Beginning of term	End of term
Mindaugas Rudys	Member of the Management Board, Head of Business Development Division	31 March 2020	Meeting in 2024
Algimantas Gaulia	Member of the Management Board, Head of Risk Management Division	30 July 2021	
Agnė Duksienė	Member of the Management Board responsible for AML/CFT compliance, Chief Compliance Officer  Head of Legal, Compliance & Prevention Division	8 May 2023	

*Source: the Issuer*

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

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

**Vytautas Sinius** (born in 1976). Education – in 2002 graduated from the Vilnius University, where he gained a Bachelor’s in Economics. In 2009 he also graduated from the Vytautas Magnus University, where he gained a Master’s in Management and Business Administration. From 2006 till 2010 he was the Executive Vice President, Head of Retail Banking of SEB bankas AB. Since 2014 till 18 August 2022 he was a Deputy Chairman of the Board (he serves in the Management Board since 2011). Since 2014 he is a Chief Executive Officer and from 19 August 2022 also a Chairman of the Management Board of the Issuer.

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

**Daiva Šorienė** (born in 1966). Education – in 1989 graduated from the Vilnius University, where she gained a Master’s in Economics. In 2007 she also graduated from the BMI, where she gained Executive Master of Business Administration and in 2007 from the Vytautas Magnus University, where she gained a Master’s in Business Management. From 1998 she occupies many positions at the Issuer (Deputy Chairman of the Board, Head of Business and Retail Banking, Head of Šiauliai region, Head of Business Development division, Head of Sales and Marketing Division). She is also a Deputy Chief Executive Officer of the Issuer since 2014.

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

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

**Agnė Duksienė** (born in 1985). Education – in 2007 graduated from the Mykolas Romeris University, where she gained a Bachelor’s in Law and Management degree. In 2011 she also graduated from Vilnius University, where she gained Master’s in Commercial law degree and in 2022 from International Compliance Association (together with the University of Manchester, Alliance Manchester Business School), she gained International diploma in Anti Money laundering. She serves as a member of the Management Board since 2023, with a legal responsibility of being a member of the management body responsible for implementation of the AML/CFT obligations. She is also a Head of Legal, Compliance and Prevention Division since 2022.

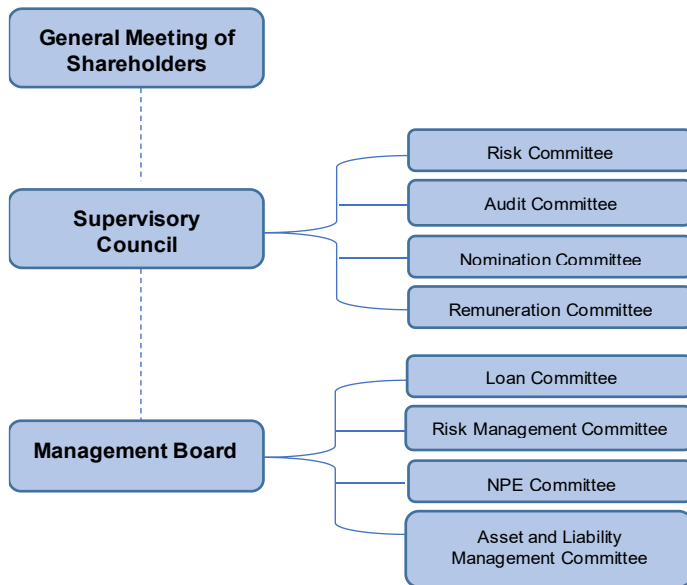
***Other decision-making bodies of the Issuer***

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

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

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

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



The role and purpose of the committees is described below.

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

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

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

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

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

Members of the Risk Committee are Miha Košak (Chairman), Valdas Vitkauskas, S. G. Buyske and Ramunė Vilija Zabulienė. Meetings of the Risk Committee are held at least four times per year.

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

The Audit Committee addresses the matters related to improving the internal control system of the Issuer, monitors and discusses the process of preparation of the financial statement, the efficiency of the Issuer's internal control, risk management and internal audit systems, the processes of the audit and internal audit performance on regular basis and performs other functions foreseen by the legal acts of the supervisory authority and regulations of the Audit Committee. The Audit Committee acts as the Audit Committee of the Issuer and all the public-interest entities of the Group. Following the laws and legal acts of the supervisory authority the composition, competences and arrangement of activities of the Audit Committee are formed and controlled by the Supervisory Council.

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

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

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

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

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

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

The Remuneration Committee consists of at least three members selected from amongst the Supervisory Council members. The majority of the members of the Remuneration Committee shall be composed of and the Remuneration Committee shall be chaired by independent members of the Supervisory Council. Current

members of the Remuneration Committee are Valdas Vitkauskas (Chairman), Gintaras Kateiva and Ramunė Vilija Zabulienė. Meetings of the Remuneration Committee are held at least three times per year.

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

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

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

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

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

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

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

#### ***The Non-Performing exposure (NPE) Committee***

The NPE Committee's main purpose is to address issues related to NPE restructuring, additional funding, recovery, etc., to ensure the proper implementation of the NPE strategy, to actively reduce the Bank's NPE portfolio, and to carry out other functions set out in its regulations.

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

#### ***Asset and Liability Management Committee***

The Asset and Liability Management Committee's main purpose is to ensure sustainable management of the Bank's assets, liabilities, and capital, implementing the Bank's strategic business plan.

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

### **Supervision of the Issuer**

Since 1 January 2020 the Issuer is considered significant for the purpose of relevant regulatory enactments and, therefore, it is under the direct supervision of the ECB, acting within the Single Supervisory Mechanism. Ongoing supervision of the Issuer being carried out by a dedicated Joint Supervisory Team comprising staff of the ECB and the BoL. The Issuer is subject to Supervisory Review and Evaluation Process (SREP) assessment that is conducted annually as well as other supervisory examination activities and exercises according to the program. In addition, certain Subsidiaries of the Issuer, namely, UAB "SB lizingas", SB draudimas and UAB "SB Asset Management", are under the supervision of the BoL as well.

### **Legal Proceedings and Investigations**

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

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

### *The court investigation in criminal case in which three employees of the Bank are charged*

The court investigates the circumstances of EUR 7.5 million credit issued to company “Nidos pušynas” and its use, performed by Vladimir Romanov (owner of the bankrupted Ūkio bankas). The actions taken by current CEO Vytautas Sinius, who chaired the Loan Committee in 2012 and other two Issuer’s employees (who took the positions of Head of Šiauliai Branch and Director of Treasury Department in 2012) are being investigated regarding issue of the credit in the aforementioned credit granting process. After examining the criminal case regarding the circumstances of the use of the credit granted by the Issuer, Klaipėda Regional Court has rendered acquittal and annulled all allegations against the Issuer’s employees. An appeal against the said decision of the court of first instance has been submitted to the Lithuanian Court of Appeal for examination. On 13 July 2023 the Lithuanian Court of Appeal has issued a ruling dismissing all appeals in a criminal case concerning the circumstances of the use of the credit granted by the Issuer and cleared Issuer’s employees of all charges in this case.

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

The Issuer has a continuous focus on anti-money laundering (“AML”), combating the financing of terrorism (“CFT”) as well as international sanctions and restrictive measures (“Sanctions”). Existing AML and CFT measures are being reviewed and new ones developed considering national and international legislation on the prevention of money laundering and terrorist financing and the implementation of international financial sanctions, national and supranational risk assessments, best banking and business practices, international guidelines and the recommendations developed by international anti-money laundering and counter-terrorist financing working groups.

The Issuer conducts Enterprise-Wide AML/CFT and Sanctions Risk Assessments, taking into account customer risk, country or geographic region risk, product or service risk and product or service channel risk. The assessment is conducted at least annually. If it is determined that existing measures are insufficient to manage the risks, a risk management/mitigation plan is being developed and presented to the Management Board and the Risk Management Committee, together with the assessment results.

To ensure compliance, the Issuer has developed and implemented a comprehensive set of measures to identify, manage and control its risks. The risk is being addressed by ensuring that internal control functions (applying the model of three lines of defence, risk-based approach, enhanced measures in case of high-risk customers, etc.) are designed properly and implemented to effectively mitigate inherent risks, and by engaging in a proactive dialogue with correspondent banks to match their risk appetite and systematic co-operation with the supervisory as well as law enforcement authorities. Among other controls, the Issuer organises and delivers different types of AML, CFT and Sanctions training for its employees in different positions.

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

The Issuer reevaluates its customer base for AML/CFT risk level with regard to each customer on an ongoing basis. In accordance with the AML/CFT risk level assigned to them, customer data is periodically updated and reevaluated. Customer specific risk is continuously updated to reflect the change in customer risk profile. In addition, the internal customer risk scoring system is being evaluated on a regular basis by the internal compliance function.

The Issuer monitors transactions according to predefined scenarios and thresholds that are based on legislative requirements, international standards, industry guidance and internal assessment of risks posed by customers, products, services, channels and geographies, including frequency and volumes of transactions, as well as external and emerging threats. The scenarios and thresholds are reviewed at least annually. In addition, staff are able to raise any concerns or suspicions through an internal reporting process. Any identified suspicious transactions and activity is reported to the national FIU, Financial Crime Investigation Service, as required by national law.



## MARKET ENVIRONMENT

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

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

### **Lithuania**

The Lithuanian banking market is considered stable and well-developed. It has a strong regulatory framework in line with European Union (EU) standards and operates under the supervision of the Bank of Lithuania, the country's central bank. The Lithuanian banking market is dominated by a few major players (including Swedish banking groups Swedbank and SEB as well the Luminor Lithuanian branch). These banks hold significant market share and provide a wide range of services to both individuals and businesses. While a few banks dominate the market, there has been a gradual increase in competition in recent years. This has been partly driven by the entry of new market players, the expansion of existing banks, and the development of financial technology (fintech) companies offering innovative financial services. Banks in Lithuania are increasingly focusing on innovation to enhance customer experience and offer new products and services. This includes the development of online and mobile banking platforms, digital payment solutions, and other technological advancements to meet evolving customer expectations.

The challenges that arose in 2022 did not slow down lending activity, with a significant increase in the loan portfolio of EUR 3.5 billion (15.5%) – to almost EUR 26 billion. Weakening economic activity and rising interest rates have so far not had a major downward impact on the quality of the banking sector's loan portfolio of 2022. The elevated economic uncertainty was reflected in the provision costs of many banks in the last quarter of the year, but provisioning levels are still below the average of euro area banks. In 2022, deposits continued to grow at a rate like that of 2021. Excluding the impact of the Revolut Group, the growth in deposits was nearly EUR 3.8 billion (10.9%) to EUR 38.1 billion. Against the backdrop of weaker growth and rising inflation, following the ECB's decisions to raise interest rates, the banking sector saw exceptionally high profitability ratios. The banking sector's unaudited profit was EUR 468 million, or 42.7% higher than in 2021. The banking sector's profitability was mainly driven by strong growth in net interest income, which was particularly strong in the last quarter of the year.

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

Recently, developments in the world economy have been better than expected. In late 2022 and early 2023, gas prices in Europe fell back to the levels seen before the launch of Russia's war against Ukraine. The good labour market situation, sizeable fiscal aid measures and the expectations of businesses and consumers that were no longer deteriorating made it possible to avoid the previously forecast contraction of the euro area economy at the end of the year. Economic trends in some other countries are also more favourable than previously projected. Lithuania's economic activity has so far been distinguished by faster deceleration. In 2022, the average quarterly change in real GDP in Lithuania was negative (-0.1%), compared with an average increase of this indicator by 0.5% in the euro area over the same period. This economic development in Lithuania was strongly influenced by a significant surge in inflation that reduced real income of households and curbed private consumption. Partly because of the sanctions imposed on the movement of goods, the contraction of the transportation sector also reduced economic activity. Manufacturing also contracted last year due to higher energy and other commodity prices as well as weakening demand in foreign markets. These unfavourable trends were only partly offset by improved performance in agricultural activity because of more abundant harvest and by an increase in the construction of residential buildings and engineering structures.

The labour market has been only marginally affected by the sluggish economic development. Last year, the number of employed people went up by 5.1%, and the unemployment rate declined to 5.9%, i.e., to its lowest level since 2009. This is likely to reflect the prevailing sentiment of companies not to hurry to shed additional hiring as the slower economic development seems to be short-lived, and the shortage of staff will continue to be an issue once economic growth picks up again. However, at the end of 2022 and early this year, there were signs of easing in labour market tensions. The job vacancy rate has been declining recently,

and the share of companies, the activity of which are constrained by staff shortages, has fallen as well. The share of such companies in construction, industry and trade is already close to the long-term average. The slight slowdown in wage growth for staff earning more than the minimum monthly wage may also reflect the easing of labour market tensions.

Further economic development will be driven by growing purchasing power of households, rising investment and an improving situation of external trade partners. The negative average quarterly change in real GDP which was recorded in 2022 in Lithuania is expected to turn positive this year. Economic activity should be enhanced by a recovery in private consumption, as nominal income of households is projected to rise more than prices this year, contrary to last year. In other words, real income of households is expected to pick up again in 2023. This year, general government investment is also expected to contribute to economic growth more than last year. In 2023, the flow of EU support funds for investment is projected to increase markedly. The economic situation of external trade partners should also gradually improve. The average quarterly change in real imports of trade partners, which was negative in 2022, is expected to be positive in 2023. This should have a positive effect on the exporting sector of Lithuania's economy. All these factors will contribute to a consistent strengthening of economic growth. Lithuania's real GDP is projected to decrease by 0.4% in 2023 and to increase by 1.7% in 2024.

Price pressures are easing slowly. As a result of greater diversification of supply and reduced use of energy commodities in different countries, international prices for these commodities have fallen sharply. For this reason and because of the base effect, the impact of energy prices on annual headline inflation in Lithuania has recently been more than twice as low as in September 2022, when it peaked. Energy prices that rise at a slower pace are the main contributor to the fall in headline inflation in Lithuania. The price pressures are slowly easing in global agricultural markets as well. The increase in supply and the fall in demand for these products lead to a drop in their prices in the mentioned markets. Partly for this reason and due to the base effect, food price growth is already slowing down in Lithuania, too. Other price increases, namely for services and industrial goods, are much less pronounced. These prices are more closely linked to Lithuania's domestic economic development and are therefore strongly affected by unit labour costs which have been rising at a very fast and steady pace so far. However, unit labour costs are expected to increase less in the coming years, which will have a dampening effect on price increases that are more closely linked to domestic economic development. These factors are expected to lead to a rather marked fall in headline inflation over the projection horizon. Inflation, which stood at 18.9% in 2022, is projected to reach 9.0% in 2023 and 2.9% in 2024.

## TAXATION

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

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

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

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

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

#### *Taxation of interest*

##### *Payments to Lithuanian Holders*

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

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

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

If the Issuer as an interest-paying person is unable to identify the Noteholder (knowing only the fact it is a corporate entity) and determine such Noteholder's eligibility for a lower tax rate or exemption from withholding tax, payments of interest in respect of the Notes (including, to the extent applicable, the positive difference between the redemption price and the issue price of the Notes) to any such Noteholder will be subject to 10% withholding tax to be withheld and paid to the budget of the Republic of Lithuania by the Issuer.

#### *Taxation on Disposition of Notes*

##### *Payments to Lithuanian Holders*

Capital gains (i.e., the difference between the sale price and acquisition price) on disposal of the Notes received by a resident entity will be included into calculation of its taxable profit. Taxable profit will be

subject to corporate income tax at a general rate of 15% or an incentive rate applicable to the Noteholder. Banks and credit unions, including central credit unions and branches of foreign banks in the Republic of Lithuania, shall pay additional 5% corporate income tax on taxable profits (subject to special calculation rules) exceeding EUR 2 million.

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

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

#### **Registration and Stamp Duty**

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

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

#### **FATCA**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “**foreign financial institution**” may be required to withhold on certain payments it makes (“**foreign passthrough payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Lithuania) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes that are characterised as debt (or which are not otherwise characterised as equity and have a defined term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “**foreign passthrough payments**” are filed with the U.S. Federal Register generally would be “**grandfathered**” for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under “*Terms and Conditions of the Notes - Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, the Issuer or any other person will not be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

### Subscription Procedure

The Investors wishing to subscribe/purchase Notes shall submit their orders to acquire Notes via Bloomberg or other eligible communication channels.

### United States of America

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

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

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

### United Kingdom

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

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

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

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

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

## **Republic of Lithuania**

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

## **The Dealer Agreement**

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

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

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

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

## GENERAL INFORMATION

### 1. Authorisation

The establishment of the Programme was authorised by the resolution of the Management Board of the Issuer dated 22 September 2021. The Programme was lastly extended by the resolution of the Management Board of the Issuer, dated 14 November 2023. Therefore, the total amount of the Programme has not been changed and the Notes which will be further issued under the Programme described in this Prospectus will be consolidated and form a single series with Notes under ISIN LT0000405771.

### 2. Legal and Arbitration Proceedings

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

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

### 3. Significant/Material Change

Since 31 December 2022 there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries nor any significant change in the financial position or performance of the Issuer or the Issuer and its Subsidiaries. In addition to that, there has been no significant change in the financial position of the Group which has occurred since 30 September 2023.

### 4. Auditors

KPMG Baltics UAB has audited the consolidated financial statements of the Group for the year ended 31 December 2022, for the year ended 31 December 2021. All these financial statements are incorporated into this Base Prospectus by reference. Audit company issued unqualified auditor's reports regarding all these financial statements.

KPMG Baltics UAB is member of the Lithuanian Chamber of Auditors.

### 5. Documents on Display

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

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

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

### 6. Material Contracts

On 22 November 2022, the Issuer and Akcinė bendrovė "Invalda INVL", legal entity code 121304349, registered at address Gynėjų str. 14, Vilnius, the Republic of Lithuania, signed an agreement to merge segments of their retail businesses. Following the transaction, the Issuer, in addition to the financial services it already provides, will add the management of second and third-pillar pension and investment funds in Lithuania to its portfolio and will expand life insurance business throughout the Baltic States. The life insurance business in Lithuania, Latvia and Estonia is expected to be integrated into SB draudimas, legal entity code 110081788, registered at address Laisvės ave. 3, Vilnius, the Republic of Lithuania, a company controlled by the Issuer. The pension and investment funds business in Lithuania will be managed through a newly established company owned of the Issuer - UAB "SB Asset Management", legal entity code

306241274, registered at address Gynėjų str. 14, Vilnius, the Republic of Lithuania. The merged retail business would include 237,5 thousand retail clients of INV L Group (“INV L Life”, uždaroji akcinė draudimo bendrovė (operating in the Republic of Lithuania, Republic of Latvia, Republic of Estonia) and UAB “INV L Asset Management”)) and the management of EUR 1,04 billion of retail client assets (as at 30 September 2022), about 190 pension, investment fund management and life insurance professionals. The value of the transaction is EUR 40,2 million. As the transaction is expected to be completed by the end of 2023, the transaction price may be subject to the adjustments at the closing date. On 1 February 2023, the Competition Council of the Republic of Lithuania granted the authorisation to carry out the concentration by Šiaulių bankas AB indirectly, through the newly established company, acquiring the retail investment fund management and pension fund management businesses, conducted in Lithuania by „Invalda INV L“ and indirectly, through SB draudimas, by acquiring the life insurance business of „INV L Life“, uždaroji akcinė draudimo bendrovė and thus acquiring sole control over these businesses, as well as acquiring the assets managed by UAB FMĮ “INV L Financial Advisors”, which are necessary for the execution and administration of the business to be acquired.

Extraordinary General Meeting of Issuer’s Shareholders held on 22 February 2023, approved the performance of the concluded agreement regarding merger of AB “Invalda INV L” retail asset management and life insurance businesses with Issuer.

The transaction is expected to be completed by the end of 2023, subject to the necessary approvals from the banking supervisory authorities and the fulfilment of the other conditions set out in the agreement.

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

#### **7. Clearing of the Notes**

The Notes have been accepted for clearance through Nasdaq CSD. The appropriate common code and the International Securities Identification Number (ISIN) in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

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

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

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

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

Dealer and/or its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealer and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Dealer or its affiliates may have a lending relationship with the Issuer and may, in such cases, routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealer and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of

short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes under the Programme. The Dealer and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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

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

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

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

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

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

**REGISTERED OFFICE OF THE ISSUER**

**Šiaulių bankas AB**

Tilžės str. 149

Šiauliai

Lithuania

**DEALER**

**Luminor Bank AS**

**represented within the Republic of Lithuania by Luminor Bank AS Lithuanian branch**

Konstitucijos ave. 21A

Vilnius

Lithuania

**LEGAL ADVISERS**

*As to Lithuanian law:*

*to the Issuer:*

**WALLESS**

Upės str. 23

Vilnius

Lithuania

*to the Dealer:*

**TGS Baltic**

Konstitucijos ave. 21A

Vilnius

Lithuania

**AUDITORS TO THE ISSUER**

**KPMG Baltics UAB**

Lvivo str. 101

Vilnius

Lithuania