



**CONSOLIDATED ANNUAL REPORT
OF ŠIAULIŲ BANKAS AB
FOR 2012**



CONTENTS

1. Reporting period, covered in the consolidated annual report	3
2. The strategy of the Bank	3
3. Nature of the activities of the Bank	4
4. Involvement in associated structures	4
5. The companies of the Bank's Group	5
6. Authorized capital and shareholders of the Bank	6
7. Trade in shares of the companies of the Bank Group in regulated markets	10
8. Acquisition of own shares	12
9. Information on compliance with Bank's prudential requirements	12
10. Risk management	12
11. Information on results of performance	13
12. Activity plans and prognosis	18
13. The most important events over the accounting period	18
14. Social responsibility	19
15. Dividends paid	21
16. Principles of the Internal Audit performance	22
17. Assessment of Internal control and risks management	23
18. Employees	24
19. Information on implementation of Remuneration policy	26
20. Members of the Committees formed within the Bank, the areas of their performance	30
21. The Bank's management bodies	31
22. Members of the Collegial bodies	35
23. Transactions with related parties	38
24. Information on malicious transactions	38
25. Data on the publicly disclosed information	38
26. Procedures of Charter amendments	39
27. Information regarding compliance with the Governance Code	39



1. Reporting period, covered in the consolidated annual report

The present report of Šiaulių bankas AB (further – the Bank) covers the period from Januarys 1st, 2012 to December 31st, 2012.

2. The strategy of the Bank

Šiaulių bankas aims to become the major bank for our clients rendering professional financial services; be a strong and advanced Lithuanian bank.

The Bank's daily activity guidelines ensuring the long-term relations with the clients based on mutual trust are based on easy-going communication, quick and comprehensible services, responsible decision-making and comprehensive consultations.

Our mission

- We are here to help our clients grow, reach for their goals, fulfil their dreams and projects which assist in creating a new quality of life in Lithuania.

Our vision

- To be a professional, reliable and modern financial partner to our clients.

Our values

- Attention to clientele.
- High internal standards, respect to each other and clients.
- Open communication.
- Constant growing.

Implementing the strategy of our activities, the Bank pays special attention to funding of small and medium-sized business (SME), assist small and medium-sized enterprises and natural entities to seek for financial welfare and stability.

Being a European / Lithuanian bank we contribute to the development of business in the country, finance SMEs, municipal and regional projects, render professional services to private customers and searching for new solutions of efficient business development. Being the active member of the country's social life, supporting cultural, sports, social and other projects, collaborating with the local communities, the Bank is further strengthening the activities of the company's social responsibility with respect to social, environmental and transparency aspects.

The strength of the Bank lies in close partnership with the international financial institutions, experienced team of employees and developed and rapidly expanded network of regional outlets which make basis for the efficient and successful performance, flexibility and competitiveness, proper usage of opportunities occurring in the country's market, and contribution to the growth of financial success of our clients.

Every client, each commitment and detail are important to us.

Contact information of the Bank

Name: Šiaulių bankas AB
Legal form: Public Limited Liability Company
Registration date: February 4th, 1992
Registrar: State Enterprise Centre of Registers
Company code: 112025254
Head Office: Tilzes St. 149, LT-76348 Siauliai
Telephone + 370 41 595 607
Fax + 370 41 430 774
E-mail info@sb.lt
Website www.sb.lt

Contact information of the companies of the Bank Group

„Šiaulių banko lizingas“ UAB
Legal form: private limited liability company
Registration date: August 16, 1999
Registrar: State Enterprise Centre of Registers
Company code: 145569548
Head Office: Vilniaus St. 167, LT-76352 Siauliai
Telephones: + 370 41 420 855, + 370 41 502 990
Fax + 370 41 423 437
E-mail lizingas@sb.lt
Website www.sblizingas.lt



3. Nature of the activities of the Bank

In its activities the Bank follows the laws and other legal acts of the Republic of Lithuania, the Charter of the Bank and agreements concluded, the Bank is engaged in usual activity of commercial banks and renders the services typical to the sector. The priority area of the Bank's activities is focused on funding of SMEs.

The private and corporate customers are entitled to the wide range of banking services:

- opening and handling of bank accounts in litas and foreign currency to Lithuanian and foreign clients;
- domestic and international payments in litas and foreign currency;
- collection of utility bills and other fees, direct debit service, standing and conditional orders;
- management of accounts via "SB linija" on the Internet;
- information about the account status and changes within, possibility to transfer funds between the accounts with Šiaulių bankas via the mobile connection "SMS bankas" and "SMS bankas plius";
- trading in foreign currencies;
- conclusion of deposit agreements;
- issue, purchase and sales of cheques,
- granting of various short-term and long-term credits;
- issue and administration of payment cards
- intermediation in entering transactions on the Stock Exchange;
- registration of transactions in securities off-stock trading;
- consulting regarding issue, acquisition and transfer of securities;
- handling of accounting of shares issued by the entities;
- issue of debt securities;
- preparation of share issue prospectus;
- dissemination of pension accumulation agreements;
- distribution of commemorative coins and numismatic sets, etc.

The head office of the Bank is located in Šiauliai, and the Bank's network covers the main towns and financially active regional centres – 4 new client service centres were opened in 2012 as of December 31, 2012 Šiaulių bankas operated through 56 client service centres in 31 town in Lithuania.

4. Involvement in associated structures

The Bank participates in the activities of the following organizations, associations, and associated structures:

- Society for Worldwide Interbank Financial Telecommunication (SWIFT);
- "Visa Europe";
- "MasterCard Worldwide";
- Stock Exchange AB NASDAQ OMX Vilnius;
- International initiative – Global Compact;
- Association of Lithuanian Banks;
- Association of Lithuanian Financial Brokers;

Contact information of the companies of the Bank Group

„Šiaulių banko turto fondas“ UAB

Legal form: private limited liability company

Registration date: August 13, 2002

Registrar:

State Enterprise Centre of Registers

Company code: 145855439

Head Office: Vilniaus St. 167, LT-76352 Šiauliai

Telephone + 370 41 525 322

Fax + 370 41 525 321

E-mail turtofondas@sb.lt

Website www.sbturtofondas.lt

„Šiaulių banko investicijų valdymas“ UAB

Legal form:

private limited liability company

Registration date: August 31, 2000

Registrar:

State Enterprise Centre of Registers

Company code: 145649065

Head Office: Šeimyniškių St. 1 A, Vilnius

Telephone + 370 5 2722477

Fax + 370 5 2636144

E-mail vika@sb.lt

Website www.sbv.lt

„SBTF“ UAB

Legal form: private limited liability company

Registration date: November 24, 2004

Registrar:

State Enterprise Centre of Registers

Company code: 300069309

Head Office: Vilniaus St. 167, LT-76352 Šiauliai

Telephone + 370 41 525 322

Fax + 370 41 525 321

E-mail: z.kilciauskiene@sb.lt



- International Chamber of Commerce (ICC) Lithuania;
- Lithuanian Business Employers' Confederation;
- Kaunas Chamber of Commerce, Industry and Crafts;
- Klaipėda Chamber of Commerce, Industry and Crafts;
- Panevėžys Chamber of Commerce, Industry and Crafts;
- Šiauliai Chamber of Commerce, Industry and Crafts;
- Klaipėda Association of Industrialists;
- Šiauliai Association of Industrialists;
- Kelme Association of Business People;
- Mazeikiai Association of Business People;
- Taurage Association of Business People.

5. The companies of the Bank's Group

The Bank had the following subsidiary companies as of December 31, 2012:

“Šiaulių banko lizingas” UAB (hereinafter — “SB lizingas”):

- *assets* — LTL 230.01 million;
- *nature of activities*: finance leases (leasing) and leases.

“Šiaulių banko turto fondas” UAB (hereinafter — “SB turto fondas”):

- *assets* — LTL 38.24 million;
- *nature of activities*: real estate management.

“Šiaulių banko investicijų valdymas” UAB (hereinafter — “SB investicijų valdymas”):

- *assets* — LTL 18.53 million;
- *nature of activities*: investment management.

“SBTF” UAB (hereinafter — “SBTF”):

- *assets* — LTL 42,77million;
- *nature of activities*: management and administration of liquid real estate and movable estate, assurance and realization of the current activity.

“Minera” UAB (hereinafter — “Minera”):

- *assets* — LTL 31.45 million;
- *nature of activities*: management of real estate.

“Pavasaris” UAB (further — “Pavasaris”):

- *assets* — LTL 36.29 million;
- *nature of activities*: development of the area of multi-apartment residential houses.

Contact information of the companies of the Bank Group

„Minera“ UAB

Legal form: private limited liability company
Registration date: September 30, 1992
Registrar: State Enterprise Centre of Registers
Company code: 121736330
Head Office: Vilniaus St. 167, LT-76352 Šiauliai
Telephone + 370 41 399 423
Fax + 370 41 399 423
E-mail info@minera.lt

UAB „Pavasaris“

Legal form: private limited liability company
Registration date: September 25, 1992
Registrar: State Enterprise Centre of Registers
Company code: 121681115
Head Office: Siltnamių St. 27, LT-04130 Vilnius
Telephone + 370 5 244 8096
Fax + 370 5 240 1623
E-mail: info@pavasaris.net
Website: www.pavasaris.net

UAB „Kėdainių oda“

Legal form: private limited liability company
Registration date: October 29, 2008
Registrar: State Enterprise Centre of Registers
Company code: 302190537
Head Office: Biochemikų St. 7, LT-57234 Kedainiai
Telephone +370 347 55 089
Fax +370 347 55 857



„Kedainiu oda“ UAB (further — „Kedainiu oda“):

- *assets* — LTL 13.99 million;
- *nature of activities*: leather processing, production.

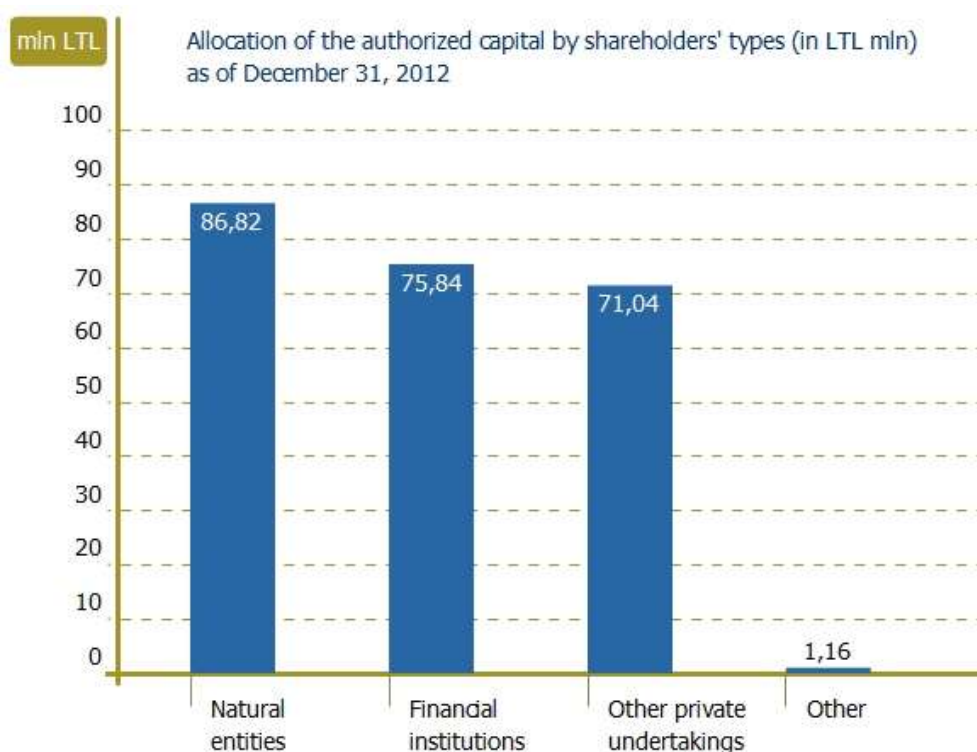
A share of the Bank in the Bank's subsidiaries as of December 31, 2012 is provided in the table below.

Subsidiary	A share of the authorized capital owned by the Bank, %
„Šiaulių banko lizingas“ UAB	100,00
„Šiaulių banko investicijų valdymas“ UAB	100,00
„Šiaulių banko turto fondas“ UAB	100,00
„SBTF“ UAB	100,00
„Pavasaris“ UAB	97,93
„Minera“ UAB	100,00

As of December 31, 2012 the Bank controlled all the subsidiaries directly except „Kėdainių oda“ UAB.

6. Authorized capital and shareholders of the Bank

The authorized capital of the Bank is LTL 234 857 533. The amendments of the Charter related to the capital increase were registered the Register of Legal Entities on August 4th 2011. 68.68 per cent of the authorized capital of the Bank is owned by the companies registered in Lithuania and individuals. The major shareholder of the Bank is the European Bank for Reconstruction and Development (EBRD), which controls 19.57 per cent of the shares.



During the last five years the authorized capital of the Bank was increased by LTL 73.8 million in total: LTL 54.5 million from additional contributions of the shareholders and LTL 19.3 million from the Bank's own funds.

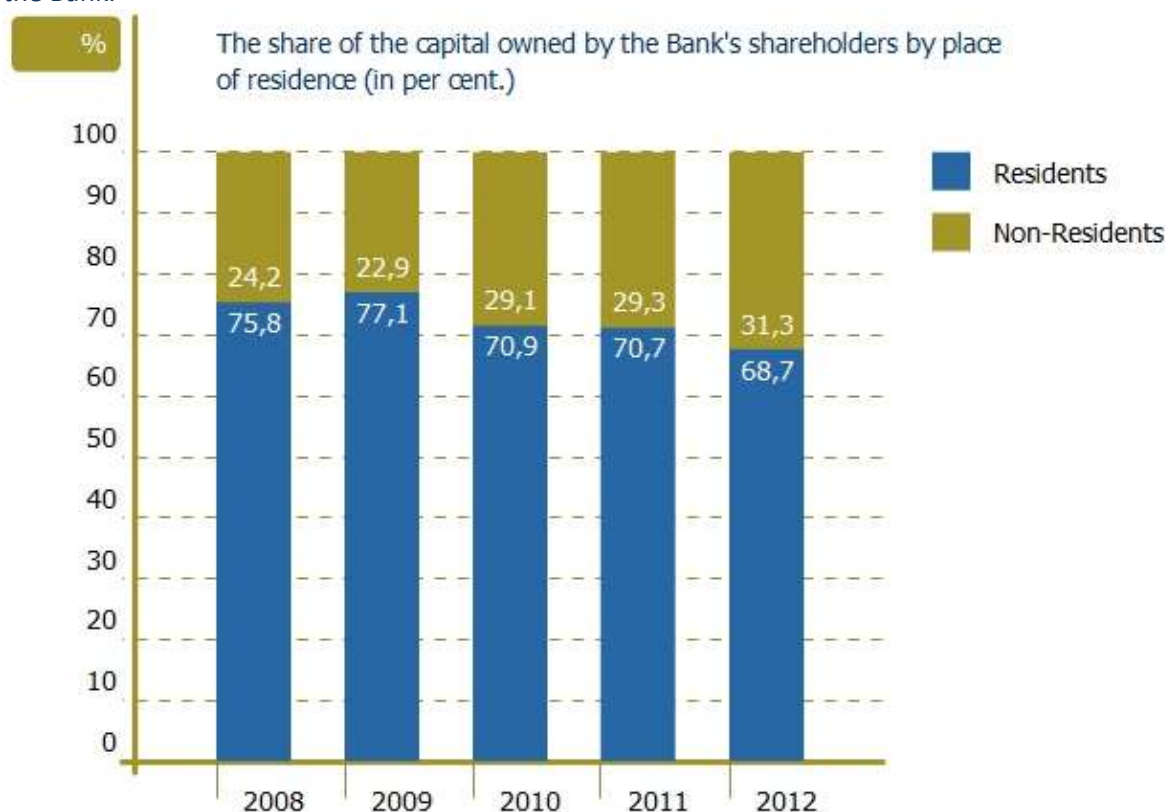
Date	28-09-2007	14-05-2008	22-06-2010	04-08-2011
Capital size, LTL	161 033 512	180 357 533	204 857 533	234 857 533



The structure of the Bank's authorized capital is as follows:

Type of shares	Number of shares, units	Nominal value, LTL	Total nominal value, LTL
Ordinary registered shares, ISIN LT0000102253	234 857 533	1	234 857 533

As of 31 December 2012, the number of the Bank's shareholders comprised 3 671 (late in 2011 – 3 805). All issued shares grant the shareholders equal rights foreseen by the Law on Companies and the Charter of the Bank.



The shareholders of the Bank have the following property rights:

- to receive a share of the Bank's profit (dividends);
- to receive a share of the assets of the bank when the Bank's authorized capital is decreased in order to pay the Bank's funds to its shareholders;
- to receive shares free of charge if the authorized capital is raised using the funds of the Bank except for the cases stipulated by the law;
- when the shareholder is a natural person, to leave under the will all or a part of the shares to one or several persons;
- following the procedure and according to the conditions stipulated by the laws, to sell or otherwise transfer all or a part of the shares to the ownership of other persons;
- to have the pre-emption right to purchase the shares issued or converted by the Bank except for the case when the General Meeting of Shareholders, following the procedure stipulated by the laws, withdraws this right for all shareholders;
- to lend to the Bank in the manners stipulated by the laws. However, when borrowing from its shareholders, the Bank shall not have the right to pledge its assets to the shareholders. When the Bank borrows from a shareholder, the interest rate may not exceed the average interest rate of commercial banks available in the place of residence or business of the lender effective at the moment of conclusion of the loan agreement. In such a case, the Bank and the shareholders shall not be allowed to agree on a higher interest rate;
- other property rights stipulated by the laws.



The right to dividends, free shares and pre-emption right to acquire shares issued by the Bank shall belong to those persons who were the Bank's shareholders at the end of the tenth working day after the General Meeting of Shareholders which made the corresponding decision, i.e. at the end of the day of accounting of the rights.

The Bank's shareholders have the following non-property rights:

- to take part in General Meetings of Shareholders;
- to vote at Meetings in accordance with the rights granted by the shares;
- to provide, in advance, questions to the Company in relation to the issues of the agenda of the General Meeting of Shareholders;
- to receive information on the Bank specified by the Law on Companies;
- to file a lawsuit requesting to compensate the Bank for the damage that resulted from the failure to execute or improper execution of the obligations of the Chief Executive Officer and members of the Board of the Bank as well as in other cases stipulated by the laws;
- to authorize a natural person or a legal entity to act as a representative in maintaining relations with the Bank and other persons;
- other non-property rights stipulated by the laws.

The person shall obtain all the rights and obligations granted to this person by the share of the authorized capital and (or) voting rights of the Bank: in case of the raise of the authorized capital of the Bank – from the date of registration of the changes related to the raise of the authorized capital and (or) voting rights of the Bank; in other cases – from the emergence of the property right to the share of the authorized capital and (or) voting rights of the Bank.

The shareholders of the Bank who owned more than 5 per cent of the authorized capital of the Bank as of 31 December 2012 are as follows

No.	Shareholder	Number of shares held under the right of ownership, units	Share of authorized capital held under the right of ownership, %	Share of votes held under the right of ownership, %	Share of votes held together with related persons,
1.	The European Bank for Reconstruction and Development (EBRD); address: One Exchange Square, London, Great Britain	45 965 344	19.57	19.57	43.17
2.	Gintaras Kateiva	14 660 214	6.24	6.24	43.17
3.	Clients of Skandinaviska Enskilda Banken, adr. Sergels Torg 2, Stockholms, Sweden	12 978 606	5.53	5.53	5.53
4.	„Eglės“ AB sanatorium, adr. Eglės str. 1, Druskininkai, Lithuania	12 604 205	5.37	5.37	5.37

Shareholders of the Bank including the European Bank for Reconstruction and Development, Trade House Aiva UAB, Mintaka UAB, Enterprise Group Alita AB, Gintaras Kateiva, Algirdas Butkus, Arvydas Salda, Kastytis Jonas Vyšniauskas, Sigita Baguckas, Vigintas Butkus, Vytautas Junevičius, Audrius Žiugžda, Vita Adomaitytė, Daiva Kiburienė, Jonas Bartkus, Donatas Savickas, and Vytautas Sinius form a group of persons the votes possessed by whom are weighted together. As of 31 December 2011, this group possessed 43.17 per cent of the authorized capital and votes of the Bank.



There are no restrictions to the transfer of securities. The shareholders exercise property and non-property rights and have obligations specified in the Law on Companies and the Charter of the Bank.

The shareholders entitled to special control rights and descriptions of those rights. The shareholders control the Bank through the elected Supervisory Council. Its functions are stipulated by the Law on Companies.

Restrictions to the voting rights. All the issued shares of the Bank are ordinary registered shares of LTL 1 nominal value. Each share grants one voting right at the General Meeting of Shareholders. Restrictions to the voting rights can be applied in the cases foreseen by the laws.

The shareholders shall not have the right to vote when adopting a decision on the pre-emption right to acquire the shares of the Bank being issued or withdrawal of convertible bonds if it is stipulated in the agenda of the General Meeting of Shareholders that the right to acquire these securities is granted to him, his close relative, spouse or common-law spouse when partnership is registered in the procedure stipulated by the laws, and to a close relative of the spouse when the shareholder is a natural person as well as to the company patronizing the shareholder when the shareholder is a legal entity.

The person or persons acting jointly, having decided to acquire a qualified share of the authorized capital and (or) voting rights of the Bank or to raise it to such extent that the available share of the authorized capital and (or) voting rights of the Bank would be equal to or exceed 20 per cent, 30 per cent or 50 per cent or as much as the Bank would become controllable, shall be obliged to report this in writing to the Bank of Lithuania, which implements the supervisory function, specifying the qualified share of the authorized capital and (or) voting rights of the Bank intended to be purchased as well as to provide documents and data specified in the list given in Paragraph 2 of Article 25 of the Banks' Law. Failure to observe the requirement to receive a decision of the Bank of Lithuania not to be in conflict with surpassing the aforementioned limits does not cause the transaction to become ineffective; however, due to the failure to observe this requirement the whole share of the Bank's authorized capital and (or) voting rights owned by the person acquiring it shall lose the voting right in the General Meeting of Shareholders.

Taxation of capital gains. Pursuant to the version of Article 17 of the Law on Income Tax of Individuals of the Republic of Lithuania which was in effect on 31 December 2012, income from securities sold or otherwise transferred to ownership received before 1 January 1999 shall not be subject to the income tax of individuals. Securities acquired after 1 January 1999, if they are sold or otherwise transferred to ownership not earlier than after 366 days from the day of the acquisition thereof (in case of selling a part of securities of the same entity of the same type and class, it shall be considered, in every case, that the securities acquired at the earliest time are sold or otherwise transferred to ownership in the first place) shall not be subject to the income tax of individuals either. Income from the sale of securities shall be subject to the income tax of individuals if a shareholder sells shares or otherwise transfers them to ownership to the entity that issued these shares or in case of sale of securities received as a result of the raise of the authorized capital, grant of shares without payment, and in other cases stipulated by the Law on Income Tax of Individuals of the Republic of Lithuania. If securities are sold earlier than 366 days from the date of their acquisition, the received profit shall be subject to tax at a rate of 15 per cent.

Pursuant to the Law on Corporate Income Tax of the Republic of Lithuania, the profit of Lithuanian legal entities received from securities sold shall be subject to the tax on profit of 15 per cent from the income from an increase in the value of the assets. The income from an increase in the value of the assets shall mean the earned income formed by the difference between the prices of the transfer and acquisition prices of the assets. The acquisition price of the assets shall include the commission fees, and in case of sale of the assets, the selling price shall be reduced by the amount of the paid taxes. If a legal entity incurs loss from the trade in securities, this loss is carried over to the subsequent tax year but covered only from profit on transfer of securities. Various procedures of carrying over the loss from securities are foreseen by the law depending on the type of the activities of the undertaking.

7. Trade in shares of the companies of the Bank Group in regulated markets

In the official trading list of AB NASDAQ OMX Vilnius, only the shares of the Bank are quoted. ISIN code LT0000102253; the number of shares: 234 857 533. Shares of the Bank's subsidiary companies are issued for non-public circulation.

Shares issued by the Bank are included in the comparative index of the OMX Baltic states securities market OMX Baltic Benchmark, which comprises shares of the highest capitalization and most liquid companies as well as in indices OMX Vilnius, OMX Baltic, OMX Baltic Financials, and OMX Baltic Benchmark Cap. Besides, shares issued by the Bank are included in the indices STOXX Eastern Europe TMI, STOXX Eastern Europe TMI Small, STOXX EU Enlarged TMI, STOXX Global Total Market and STOXX Lithuania Total Market.

Changes in the share price within five years (share price is provided in Euros because trade in shares from 22 November 2010 is performed in Euros):

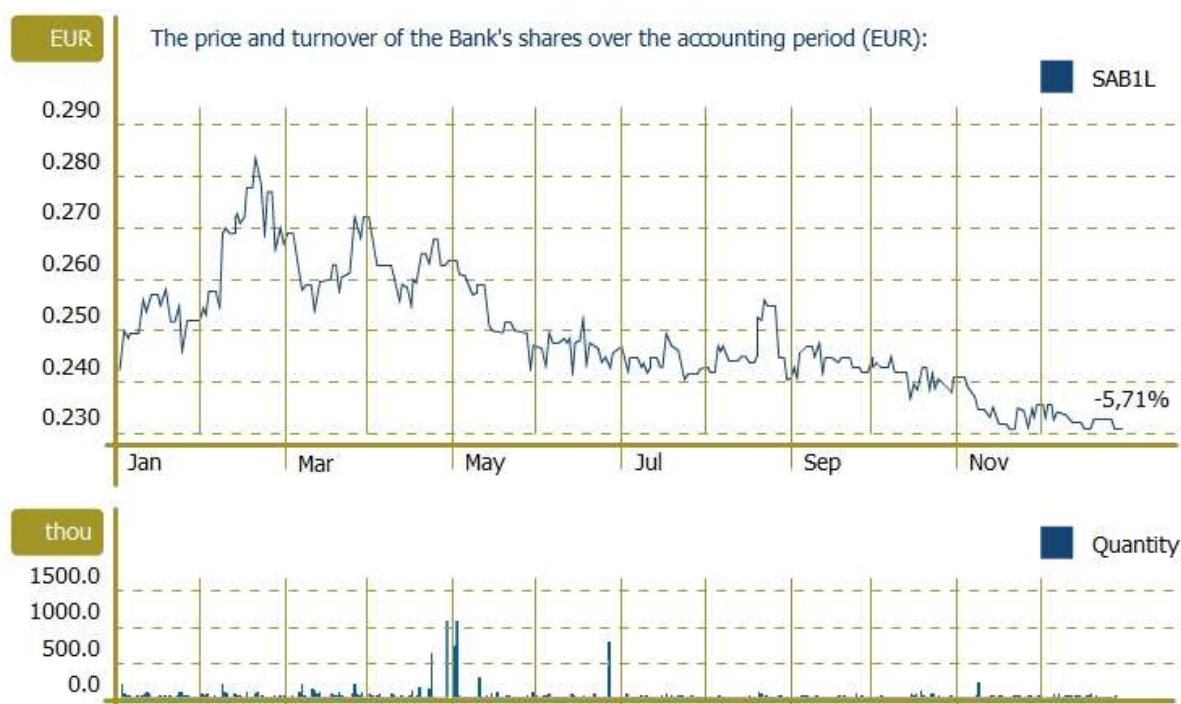


Source: website of NASDAQ OMX Vilnius AB

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&lang=lt¤cy=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2008&end_d=31&end_m=12&end_y=2012&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2007&end_d=31&end_m=12&end_y=2011

Turnover of the Bank's shares over the period of 2008–2012:

Year	Price of the last trading session, EUR	Max. price, EUR	Min. price, EUR	Amount of shares, units	Turnover, mln. EUR
2008	0,269	0,235	1,014	41 718 397	24,33
2009	0,324	0,446	0,180	20 746 641	5,54
2010	0,337	0,345	0,264	17 784 012	5,65
2011	0,245	0,372	0,225	17 899 502	5,34
2012	0,231	0,285	0,230	11 106 241	2,48



Source: website of NASDAQ OMX Vilnius AB

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&lang=lt¤cy=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2012&end_d=31&end_m=12&end_y=2012

The share price change charts of the OMX Vilnius index, OMX Baltic Benchmark, and the Bank for 2008-2012 are provided below:



Data of the chart:

Index/Shares	01-01-2008	31-12-2012	+/-, %
■ OMX Baltic Benchmark GI	684,91	546,98	-20,14
— OMX Vilnius	514,23	355,08	-30,95
— SAB1L	EUR 0,89	EUR 0,23	-74,11

Source: website of NASDAQ OMX Vilnius AB

http://www.nasdaqomxbaltic.com/market/?pg=charts&lang=lt&idx_main%5B%5D=OMXBBGI&idx_main%5B%5D=OMXV&add_index=OMXBBPI&add_equity=LT0000102253&idx_equity%5B%5D=LT0000102253&period=other&start_d=1&start_m=1&start_y=2008&end_d=31&end_m=12&end_y=2012



The Bank's share capitalization was LTL 187.32 million (EUR 54.25 million) on 31 December 2012 and amounted to LTL 198.67 million (EUR 57.54million) on 31 December 2011.

The capitalization of shares of the Bank and NASDAQ OMX Vilnius AB trading list as of the last trading day of 2011 and 2012 are as follows:

Baltic share list	31-12-2011	31-12-2012	Change
Šiaulių bankas – SAB1L	57 540 095,59 EUR	54 252 090 EUR	-5,71 %
Vilnius market, in total	3 139 310 661,61 EUR	2 991 605 297 EUR	-4,71 %

Source: website of NASDAQ OMX Vilnius AB

http://www.nasdaqomxbaltic.com/market/?pg=capital&list%5B%5D=BAMT&list%5B%5D=BAIT&list%5B%5D=BAFN&market=XVSE&period=other&start_d=30&start_m=12&start_y=2011&end_d=28&end_m=12&end_y=2012

The indicator of the relation between the Bank's share market price and profit P/E:

Ratio	31-12-2008	31-12-2009	31-12-2010	31-12-2011	31-12-2012
P/E	9,3	negative	negative	14,10	13,29

8. Acquisition of own shares

The Bank and its subsidiary companies or persons acting at the instruction of the subsidiary companies do not hold any shares of the Bank. The Bank has not acquired its own shares and has not transferred them to other entities.

9. Information on compliance with Bank's prudential requirements

In 2012 the Bank executed all the prudential requirements stipulated by the Bank of Lithuania. Information regarding the compliance with the standards is revealed in the chapter 10 of the present report.

10. Risk management

The Group of the Bank accepts, manages, analysis and evaluates the risks arising from its activities. The purpose of risk management in the group of the Bank is to ensure sufficient return on equity by managing risks in a conservative manner. By implementing an advanced risk management policy, the Group of the Bank seeks not only to minimize the potential risks, but also to ensure the optimal risk and profit ratio as well as the effective distribution of capital.

The risk management policy is approved and its implementation controlled by the Board of the Bank. It specifies the risks incurred in the activities of the Bank Group and the principles of the risk management system. The development of the proper risk management system, its constant improvement and application of its measures in the daily performance are one of the key assumptions of the Bank Group activities in the long run. The procedures for the management of various types of risks prepared on the basis of the policy specify the principles of management of the particular risks and ensure the integrity of the risk management process throughout the group of the Bank.

The Bank has concluded agreements with the following intermediaries in public circulation of securities:

- Bank "Finasta" AB;
- Danske Bank A/S Lithuanian Branch;
- "Citadele" Bank AB
- DnB Bank AB;
- Swedbank AB;
- SEB Bank AB;
- "Barclays Capital" Bank;
- "Commerzbank AG" Bank.

The Bank has an agreement with UAB FMI "Orion Securities" regarding protection of the interests of the owners of bonds issued by the Bank.



Since various risks encountered by the group of the Bank are interdependent, their management is centralized and performed by the Bank's Risk Management Committee. One of the main objectives of the Bank's Risk Management Committee is the establishment and coordination of an appropriate risk management system.

The Bank's Group performs annual self-assessment. This process analyses the risks that may arise from banking activities and have a significant impact on the Bank Group. The most important types of risks encountered by the group of the Bank include credit, market, liquidity, concentration and operational risks. The market risk encompasses the risk of currency exchange rate, interest rate, and price of securities. Concentrations of other types of risk are considered by the Group of the Bank as insignificant, and they are not evaluated. More detailed information regarding the management of risks is provided in the explanatory note of the financial statements for 2012 in the chapter *Financial risk management*.

In order to avoid conflict of interests, the outlets of the Bank which perform risk management functions are separated from the outlets direct activities of which are related with the emergence of risks characteristic to that activity.

The Bank Group revises its risk management policies and systems regularly with regard to market changes, new products, and newly emerging best practices.

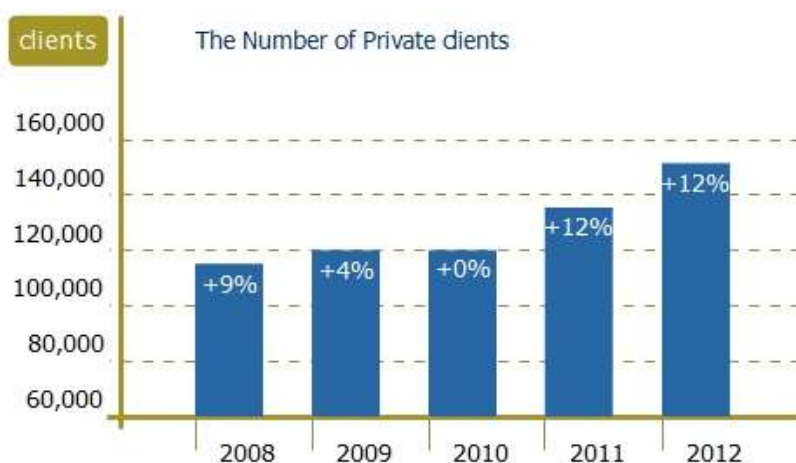
11. Information on results of performance

In 2012 Šiaulių bankas was further growing and improving the results of its performance. According to the pre-audited data, over the year of 2012 the Bank earned LTL 14.9 million of the pre-audited net profit, i.e. such result is by 16 per cent better in comparison with the year 2011 when the Bank earned LTL 12.8 million. The net profit of Šiaulių bankas' Group reached LTL 13.0 million (in 2011 the net profit comprised LTL 13.0 million).

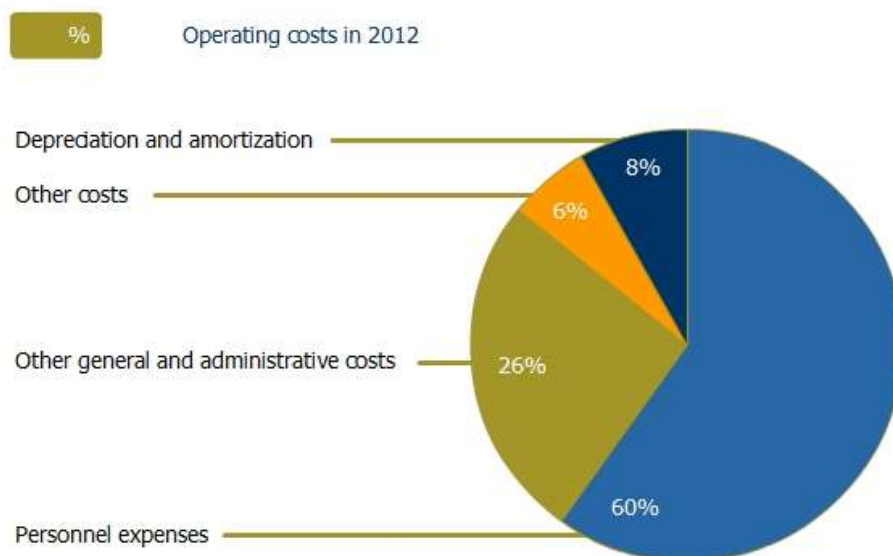
The Bank's operating profit (before the income tax, dividends from the subsidiaries and special provisions) earned over 2012 was the best one achieved in the history of Šiaulių bankas - it reached almost LTL 44.3 million which is by 84 per cent more than 2011. It should be admitted that the operating profit of LTL 15.5 million achieved in the last quarter of 2012 is the best profit ever achieved during the quarter.



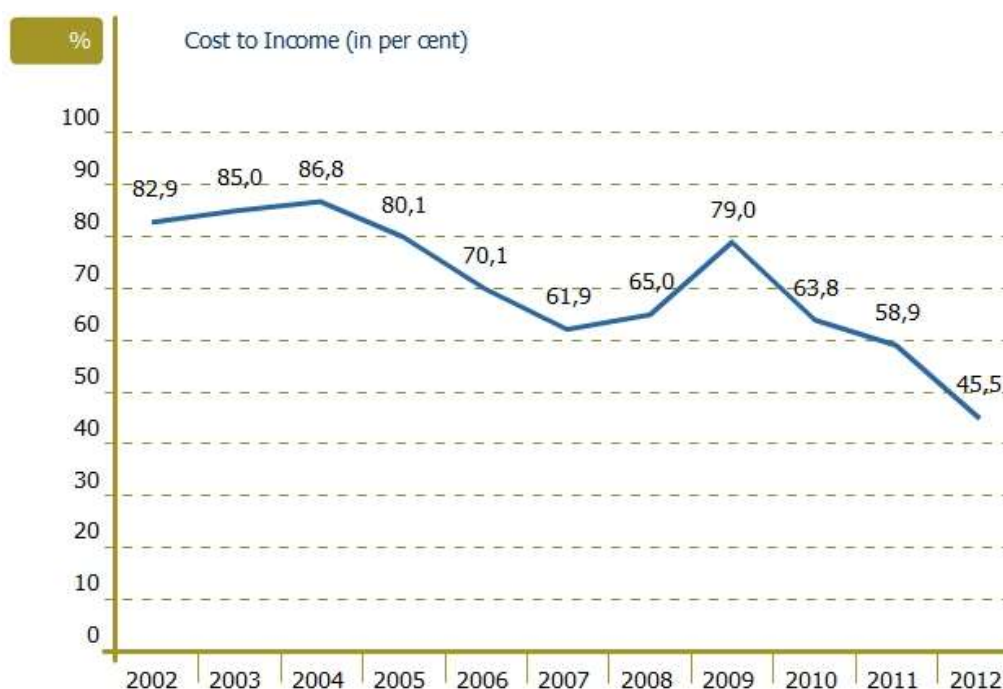
The net interest income comprised LTL 55.4 million earned over the previous year which is by 11 per cent more than in 2011. Gradually increasing on quarterly basis the Bank's net interest and commission fee grew by 3 per cent and reached LTL 8.7 million. This was influenced by the actively expanded clientèle and its increasing activity. The number of the Bank's clients grew by 13 per cent up to 162 thou - the corporate clients grew by 16 per cent up to 11.2 thou, the private ones - by 12 per cent up to 151 thou.



The significant impact on the increasing bank's operating income was made by the profit generated from the transactions with securities - it comprised LTL 9.6 million over the year. The Bank's profit of LTL 4.9 million earned from transactions in foreign currency was equivalent to the result achieved in the previous year.



The Bank's income was growing faster than its expenses which led to the high efficiency of the performance. The cost to income ratio has decreased by 13.3 percentage points since the beginning of the previous year and comprised 45.5 per cent. The return on equity (ROE) comprised 4.8 per cent and return on assets (ROA) was 0.5 per cent.



Ratings assigned by international agencies and their amendments

The international rating agency Moody's Investors Service determined the following ratings for the Bank:

- long-term credit rating B1
- short-term credit rating NP
- financial strength rating E+
- outlook stable

	Profitability ratios	2008	2009	2010	2011	2012
Bank	Costs / income, %	55,59	75,71	63,78	58,87	45,55
	ROAA, %	0,86	-1,47	-1,10	0,49	0,52
	ROAE, %	6,34	-11,22	-9,47	4,61	4,79
Financial group	Costs / income, %	56,73	71,81	62,77	59,13	45,94
	ROAA, %	0,84	-1,53	-1,09	0,53	0,54
	ROAE, %	6,22	-11,74	-9,38	4,87	4,90
Entire group	Costs / income, %	59,27	78,42	67,85	60,44	59,40
	ROAA, %	0,65	-1,71	-1,28	0,49	0,46
	ROAE, %	4,68	-13,07	-11,20	4,63	4,24

No significant changes were recorded in the operating costs. The Bank further following the conservative assessment of clients' risk additionally formed LTL 11.2 million of special provisions over the last quarter and the expenses on special provisions comprised LTL 28.2 million over the year.

The Bank's asset grew up to LTL 2.93 billion and the annual growth comprised 7 per cent (about LTL 0.2 billion). The net value of the Bank's loan portfolio decreased by 1 per cent over 2012 and the portfolio comprised LTL 2.05 billion at the end of the year. The decrease of portfolio was caused by the special provisions formed for impairment of loans and reclassification from a loan into an embedded derivative. The growth of the loan portfolio eliminating the accrued interest and special provisions comprised LTL 4.9 million over the year.





The portfolio of the debt securities increased by 50 per cent over the year and comprised LTL 527.4 million. The portfolio of equity securities has almost tripled due to the investments into subsidiaries and comprised LTL 54 million at the end of the year.

The deposit portfolio still accounts for the biggest share of the Bank's liabilities. In comparison to the end of 2011 the amount of clients' deposits with the Bank increased by 14 per cent up to LTL 2.2 billion. The individual deposits with the Bank grew by 23 per cent and comprised LTL 1.6 billion late in the year, their share in the deposit portfolio comprised 74.7 per cent. The share of the Bank's deposit market reached 4.7 per cent late in 2012.



According to the data as of January 1st 2013, the Bank operated in compliance with all prudential requirements stipulated by the Bank of Lithuania:

	Prudential requirements	2008	2009	2010	2011	2012
Bank	Capital adequacy, % (> 8 %)	15,08	13,90	14,06	13,05	12,81
	Liquidity, % (> 30 %)	38,75	38,23	46,00	38,36	42,78
	Maximum loan per borrower, % (<25 %)	21,30	24,56	21,68	21,36	18,77
	General open position in foreign currency, % (<25 %)	0,41	0,31	0,55	0,49	1,02
Financial Group	Capital adequacy, % (> 8 %)	15,19	13,90	14,17	13,12	13,00
	Maximum loan per borrower, % (<25 %)	21,12	24,38	21,50	21,42	18,53
	General open position in foreign currency, % (<25 %)	1,30	0,31	0,54	0,49	1,00
Entire Group	Capital adequacy, % (> 8 %)	15,21	13,90	13,92	12,95	12,64
	General open position in foreign currency, % (<25 %)	1,26	0,31	0,55	0,49	1,02

The number of agreements concluded with the clients regarding the Internet banking exceeded 79 thou at the end of 2012, i.e. the number of Internet banking users grew by 27 per cent over the year. The number of the Bank's e-trading partners had also increased – the number on-line stores comprised the network of 142, i.e. grew by 38 per cent late in 2012. The mentioned list of partners is being actively expanded, filled with new and most popular stores on-line.



12. Activity plans and prognosis

The Bank's activity plans and prognosis for 2013 were corrected by the events in the Lithuanian financial market - during the process of preparation of the present documents the operating licence of Ūkio bankas had been revoked. Šiaulių bankas AB, the temporary administrator of Ūkio bankas AB and the State undertaking "Deposit and Investment Insurance" signed the agreement on transfer of the part of Ūkio bankas' assets and liabilities to Šiaulių bankas.

13. The most important events over the accounting period

- On January 27, 2012 the NASDAQ OMX Vilnius awarded the Bank for the improvement working with the investors. The nomination of the best stockbroker of 2011 went to the employee of the Bank - Rimantas Januševičius as well.
- In February the Bank commemorated its 20th anniversary. The funds planned for this occasion were dedicated to the residential homes of old people – the modern TV sets were granted as presents to 71 residential houses throughout Lithuania.
- In March during the meeting of alumnus of the Social Faculty of the Šiauliai University the Bank was awarded as the "The Most Patriotic Employer" and "The Safest Work Place".
- On March 20, the Board of the Bank seeking to optimize the structure of the Group of the Bank passed the resolution to acquire 100 per cent of the shares of UAB "Pavasaris".
- On March 29 during the ordinary general shareholders' meeting the Bank's Supervisory Council was for the first time expended by an independent member Ramunė Zabulienė.
- On April 6 during their general annual assembly Šiauliai Chamber of Commerce, the Bank was recognized as „The Most successful business company 2011“ among the big enterprises.
- In June the network of the Bank was expanded by a new Rotuses client service centre opened in the old town of Kaunas.
- In July the 54th outlet of Šiaulių bankas opened its doors to the clients – Saules client service centre was founded in the trading centre abundantly visited by inhabitants of Šiauliai and city guests.
- In August one of the biggest banks in Germany the Commerzbank collaborating with several thousand correspondent banks all over the world granted a Straight -Through Processing Award 2011 to Šiaulių bankas for fully automatized international transfers of excellent quality.
- In November 2012 Šiaulių bankas opened its 55th outlet in the shopping and entertainment centre Akropolis – Vilnius Akropolis client service centre.
- In November 2012 the Bank signed cooperation agreement with "Perlo paslaugos" UAB and expended the client servicing network to significant number. Currently the bank's clients can withdraw cash or place in on the payment card accounts can use more than 1500 terminals of "Perlas".
- In December Šiaulių bankas opened its 56th regional outlet in total in Gariūnai modern marketplace - Gariūnai marketplace client service centre. Its business hours are very unusual – 2 days a week the centre is opened from the early morning, i.e. from 4 am, 4 days a week it starts operating from 7 am.



14. Social responsibility

• Social responsibility

The international initiative of Global Compact has brought together the huge number of business enterprises and other organizations from all over the world for the unified and advanced implementation of the social responsibility idea encourages to operate in with the respect to human and labour rights, to follow the principles of environment protection, and not contribute to the expansion of corruption.

Since the very beginning of its activities the Bank has been carrying out the transparent, honest and sustainable business policy. The fact that values cherished by the Bank are very close to the ideas of the Global Compact encouraged the Bank to join this international initiative.

The Bank supports the international initiative idea by paying the exceptional attention to the employees and the clients' welfare in the daily activities, respecting the human, employees' and labour rights, being environmentally friendly and fostering the employees and clients to be alike. Moreover, supporting the Global Compact idea, the exceptional attention is paid to the prevention of the corruption and any other possible ways of dishonesty.

• Employees

The annual increasing number of the Bank's employees indicates that the Bank is an attractive and progressive employer. The best assessment of the human resources policy at the Bank is the employees' loyalty. During more than two decades of operation the Bank has brought together the efficient and professional team of employees. The Bank and its subsidiaries foster responsible relationship, take care of employees' well-being as the employees are one of the biggest Bank's values.

In February 2012, commemorating the Bank's 20th anniversary the top management congratulated all the employees. Those who have been working at the Bank for the longest period of time were honoured for their sincere work, efforts and the achieved results.

At the end of the year the traditional event when the employees elected the „Person of the Year“ took place at the Bank for the eighth year in turn.

The Bank has been improving the system of the employees through the implementation of the evaluation of the individual achievements. They are entitled to quarterly premiums for the achieved performance results.

Seeking to define and evaluate the principles of conduct, norms of ethics and to ensure the compliance the Board of the Bank approved the Bank's Code of Ethics in March 2012 according to which the bank's employees follow the principles of honesty, reporting and responsibility, respect for laws, human and his rights, impartiality, objectivity, justice and principle of exemplary behaviour.

In order to ensure the comfortable working conditions for employees since July the employees operating in client service centres have been wearing more practical and comfortable uniforms. The standardized outfit creates the unified image of the Bank, encouraged to brace up while performing the Bank's functions and strengthens the collective sense of community.

Taking care of on-going improvement of the Bank's employees skills and qualification, the various trainings, courses and seminars were conducted in 2012.

Taking students for internship each year the Bank provides them with the opportunity to gain experience which is so necessary for the future participants of the labour market, forms their business skills, arranges trainings at their working places. Those students who gain good recommendations and wish to relate their career with banking are invited to join the Bank after their studies.

The Bank strives to be close, friendly, benevolent and fostering its employees' improvements. The same as each year the employees and their family members were invited to the summer sports holiday which won the exceptional attention. The Bank's employees rode the bicycles, also, went to Riga Opera and Ballet Theatre to watch the performance. Moreover, the employees' could participate in the photography contest „Long live summer!“ and in various Christmas events. In December the photography exhibition „Underwater world“ taken by one of the Bank's employees was arranged in the Bank's Head Office and each member of the Bank's staff was given a next year calendar decorated by the moments captured by the Bank's employees themselves.



The Bank's representatives also participated in the inter-bank events such as „Karting Championship'2012“ and „Inter-bank Volleyball'2012“.

The Bank pays much attention to the promotion of healthy lifestyles of employees and encourages active sports – those who are willing go for sports are entitled to privileges.

- **Clients**

Over 2012 the Bank focused on its priority area – the responsible lending to the SMEs and provision of the other financial services. The Bank was actively granting preferential credits to business people, micro-credits to very small enterprises, individual companies and single entrepreneurs, to business women at very favourable conditions as well as to communities of the multi-apartment houses.

Taking care of the farmers' welfare, in November 2012 the Bank prepared and offered the attractive service packages „Ūkiškai“ („Economically“) and „Ūkiškai PLIUS“ („Economically PLUS“). Choosing the mentioned service packages the farmers are able not only to make various payments cheaper but also they are granted with the insurance against accidents. Moreover, the Bank has offered the new crediting possibilities to the farmers and agricultural communities for farm development - „Kreditą ūkiui“ („Credit for farm“) and „Kreditą žemei“ („Credit for land“).

Collaborating with the initiators „Judus jaunimas“ in Lithuania, the Bank presented the financing possibilities for young businesses in under the “Progress” and JEREMIE programmes and fostered the youth to contribute to improvement of the economy situation in the country by implementing their business ideas.

The Bank pays special attention to its clients and seeks to ensure the high quality of rendered services and the servicing itself.

- **Environment**

The Bank follows the Global Compact and its ten principles, one of which falls on environmental protection. The Bank is fostering the ideas of the responsible consumption, conservation of natural resources and environmental protection. Cooperation with the society members and employees who are taking care of the environment strengthens the long-term communication and ensures support of the socially responsible society.

The employees and clients are encouraged to reduce the usage of paper due to possibilities of electronic document handling. The Bank and its subsidiaries is fostering to refuse printing of not very important documents, using double side printing where possible and recovering already used paper for the “second life” by printing on the clean side. The Bank's clients are encouraged to take advantage of electronic applications and to perform a number of typical services via the Internet banking system “SB linija”, thus, saving not only printing costs but the clients' as well.

On April 22 joining the global Earth Day the Bank in cooperation with the United Nation's development programme in Lithuania and the network of the National sustainable business enterprises arranged the free review of the „One Day on Earth“ to the Bank's employees, clients and partners in Šiauliai.

On April 25 commemorating the “Noise Awareness Day”, the Bank's employees joined the public campaign “Stay off the noise, listen to the silence!” organized by the Public Health Office under the Municipality of Šiauliai city, thus, paying the attention to responsible usage of gadgets, their possible impact on the employees' health and well-being.

- **Prevention of corruption**

The Prevention and Security Department operating at the Bank seeks to prevent any possible unfair and illegal practices. In October cooperating with the Financial Crime Investigation Service the Bank arranged trainings of “Anti-money laundering and counter terrorism financing of the Republic of Lithuania” for the Bank's employees. The employees are constantly encouraged to consult regarding the corruption as well as prevention and restriction of other illegal activities.



• Society

Šiaulių bankas is an active promoter and participant of the country's social and cultural life.

For many years the Bank and Siauliai University have been collaborating implementing various projects. The Bank participated as the partner of the traditional tournament of the Youth Entrepreneurship „FIX'12“ arranged by the Faculty of Social Science in March.

The Bank cares about the future of Lithuania, i.e. its youth. We believe that gifted young people is an objective of the successful Lithuania. Therefore, in 2012 the Bank paid much of its attention to the youth, its professional orientation – introduced to the Bank's activities and banker's profession. The Bank was visited by the eight formers of the „Jovaro“ pro-gymnasium, the senior students of S.Šalkauskio gymnasium and graduates of J. Janonis gymnasium. The Bank's employees told the student about the Bank in details – the history of its foundation, departments, employees, key activity areas, services rendered to the customers, the career prospects at the Bank. Moreover, the Bank participated in “The Junior Colleague” programme arranged by “Lithuanian Junior Achievement” — it was the programme of partnership between the school and the company. On April 19, the Bank was visited by the final year students from gymnasiums of Šiauliai city who became the junior colleagues of the bankers for several hours – they had observed their work, got familiar with the Bank's activities and skills necessary for work. The Bank's employees told the stories of their careers and the specifics of their works.

Participation in the social campaigns, charity granting is also an integral part of the Bank's activities. When it is possible the Bank supports the country's culture, local communities, individual projects, participates in charity campaigns.

Commemorating the 20th anniversary of its performance the Bank arranged the social campaign and assigned the funds planned for jubilee to purchase TV sets which were donated to 71 residential home of old people from various cities and towns of Lithuania.

The bank strengthens its inter-relations with the communities of various cities and small towns actively participating in the country's social and cultural life. The sponsorship of the towns' holidays has already become the long-lasting tradition of the bank. The town holidays give the opportunity to the inhabitants to enjoy their place of residence and to find out about the Bank's outlet operating in the town.

The Bank provided support to the holiday of Anykšiai town; to the cultural art project in Kaunas „Fir tree of Dancing Angels“; to the international race „The Amber Nautical Mile 2012“ arranged by the authority of the Klaipėda state seaport and Klaipėda County Athletics Federation; to the holiday of Marijampolė town „Sūduvos kraitė“; to Varėna “Grybų šventė” (“Mushrooms’ holiday”); to aviation holiday arranged by the Telšiai aeroclub; to Šiauliai city holiday “Šiaulių dienos”. Moreover, the Bank traditionally supported events organized by the Lithuanian Musician Foundation and the concert “Breaking Dawn with Maironis...” commemorating the beginning of the new school year and the day of Liberty; to the 5th TAFISA world sports games “Šiauliai 2012”, to public organization “Parents Against Drugs” to arrange the children's summer employment program “Let's be together” for 7-17 year olds, aimed at children from large and low-income families to help and meaningful way to spend your summer vacation. In December the Bank contributed to the initiative “Malta's soup” arranged by the Order of Malta.

15. Dividends paid

The Bank does not have an established procedure for allocation of dividends. The General Shareholders' Meeting decides either to pay dividends or not while allocating the Bank's profit. A table provides data on the dividends paid by the Bank within the last five years:

	2008	2009	2010	2011	2012
Per cent from the nominal value	2,00	0,00	0,00	0,00	0,00
Amount of dividends per share, LTL	0,02	0,00	0,00	0,00	0,00
Amount of dividends, LTL	3 220 670	0,00	0,00	0,00	0,00



Taxation of dividends — profit taxation of legal entities is regulated by the Profit Law of the Republic of Lithuania No. IX-675 as of 20 December (further — PL) , 2001 and the resolutions and other legal acts adopted by the Government of the Republic of Lithuania on its basis. The charge of 15 per cent is applied to the paid dividends. The dividends of the Lithuanian unit that owns 10 per cent of issuer's capital for the period longer than one year are not subject to charges (with exceptions described in the chapter VII of the Profit Law of the Republic of Lithuania). The dividends of the foreign units are charged by applying an income tax rate of 15 per cent. If a foreign unit owns the shares granting at least 10 per cent of votes for a period of at least 12 months without interruption, the dividends paid to that foreign entity are not charged, except for the cases when a foreign entity receiving dividends is registered or otherwise organized in the targeted countries.

Taxation of citizens' income is regulated by the Law on Citizen's Income Tax of the Republic of Lithuania No. IX-1007 as of 2nd July, 2002 and the latter amendments of the Law as well as resolutions adopted on the basis of this Law. The dividends are charged by 20 per cent tax, which is deducted and paid to the budget by the Bank in compliance with the applicable orders.

16. Principles of the Internal Audit performance

The purposes, functions, organization of the performance, rights, duties and responsibilities of the Internal Audit Department are foreseen by the Provisions of the Internal Audit Department and Methodology of the Internal Audit. These documents are prepared in accordance with the laws of the Republic of Lithuania, resolutions passed by the Government of the Republic of Lithuania and the Bank of Lithuania, International Accounting Standards, International Internal Audit standards, the Code of Ethics, the general organization regulations of the Internal Audit of the Bank approved by the Board of the Bank of Lithuania, the Charter of the Bank, the resolutions of the General Shareholders' Meeting, Bank's Supervisory Council, Internal Audit Committee and the Bank's Board.

The Internal Audit Division by implementing its functions performs the financial, eligibility, activity, management and informational system audit. A purpose of the Internal Audit is to audit the Banks' activity independently and objectively, to provide consultancy, to evaluate the Bank's activity risk management systematically and comprehensively as well as the efficiency of the internal control system, to assist the Bank in implementation of its objectives seeking to ensure that the objectives of the internal control are achieved at the lowest cost and the functions of internal control are efficiently implemented.

The Internal Audit Division performs its functions by implementing the current and long-term 2011-2013 activity plans (the document are approved by the Internal Audit Committee).

The employees of the Internal Audit Division follow the principles of:

- **good faith** (i.e., to perform their work honestly, accurately, with responsibility, in compliance with the laws, do not participate in any illegal activities, do not take any actions, which could discredit an internal auditor's profession and the Bank, to respect lawful and ethic objectives of the Bank and to support their implementation);
- **objectivity** (i.e., do not participate in any activities and do not have any relations which harm or might harm their impartiality and would contradict with the Bank's interest, do not accept presents to avoid the impact on their professional opinion and to disclose all the important facts they are aware of);
- **confidentiality** (i.e., to use and store the information gained while performing their duties responsibly , do not use the information for their own purposes);
- **competence** (i.e., to provide only such services, for the performance of which they possess necessary knowledge, skills and experience, to render internal audit services in compliance with the International Audit Standards, to improve their qualification on regular basis as well as the quality and efficiency of the provided services).



The Internal Audit Department is under the direct control of the Internal Audit Committee and submits the reports to the latter on quarterly basis at least.

The purpose of the Internal Audit Committee is to supervise the process of the preparation of the Bank's financial statements, the efficiency of the Bank's internal control, risk management and internal audit systems, the process of the audit and internal audit performance, to discuss the information provided by the Internal Audit Department regarding the performed inspections, detected defects and their elimination, implementation of the Internal audit's plans and to ensure the independency of the Internal audit's performance.

The Bank's Internal Audit Committee consists of 4 members including the independent member of the Supervisory Council. The Internal Audit Committee performs functions foreseen in the regulations of the Internal Audit Committee (approved by the Supervisory Council of the Bank) and in the activity plan of the Internal Audit Committee for the current year (approved by the Chairman of the Internal Audit Committee). The Internal Audit Committee reports on its activities to the Bank Supervisory Council once a year.

The employees of the Internal Audit prepare the inspection programme before each inspection, which shall foresee the purpose, volume and time of audit. Inspection programme shall be coordinated with the Head of Internal Audit Department. The prepared draft report is coordinated with the Head of audited unit and the Head of relevant division. The report is submitted to the members of the Board of the Bank.

Considering the recommendations and comments of the Internal Audit Department the heads of the Bank's divisions, approve the plan of measures for implementation of Recommendations, provided in the Internal Audit's report, prepared by the head of the audited subject. The Head of Internal Audit Department considering the significance of provided conclusions and recommendations assigns the employees to perform the implementation control of recommendations (monitoring of the progress).

The post-audit activities (monitoring of the progress) include the overcoming shortcomings established during the inspection by the external audits and the Bank of Lithuania as well as implementation inspections of provided recommendations.

On quarterly basis the director of the Internal Audit Department provides the Bank Board with the information regarding the recommendations submitted after the performed inspections and their implementation.

17. Assessment of Internal control and risks management

The risk management system of the Bank Group includes the risk management strategy, policy, the system of the risk limits, internal control and internal audit.

In order to avoid conflict of interests, the outlets of the Bank which perform risk management functions are separated from the outlets direct activities of which are related with the emergence of risks characteristic to that activity. Since various risks encountered by the the Bank are interdependent, their management is centralised. One of the main objectives of the Bank's Risk Management Committee is the arrangement and coordination of an appropriate risk management system. The risks incurred in the activities of the Bank's Group as well as the principles of their management are defined in the Risk Management Policy. The Bank distinguishes the following activity risk areas: concentration risk; credit risk; liquidity risk; operational risk; market risk: interest rate, and foreign currency rate and securities price risks.



The Bank's Remuneration Policy is an integral part of the Bank's risk management system. The Remuneration Policy is coordinated with the Bank's activity strategy, level of accepted risks, Bank's goals, values and long-term vision

Before calculating the internal capital requirement necessary to ensure the stable performance the Bank performs annual self-assessment. This process allows identifying all the risks faced by the Bank in its activities, defining their level, assessing the impact of risks on the Bank's income and capital.

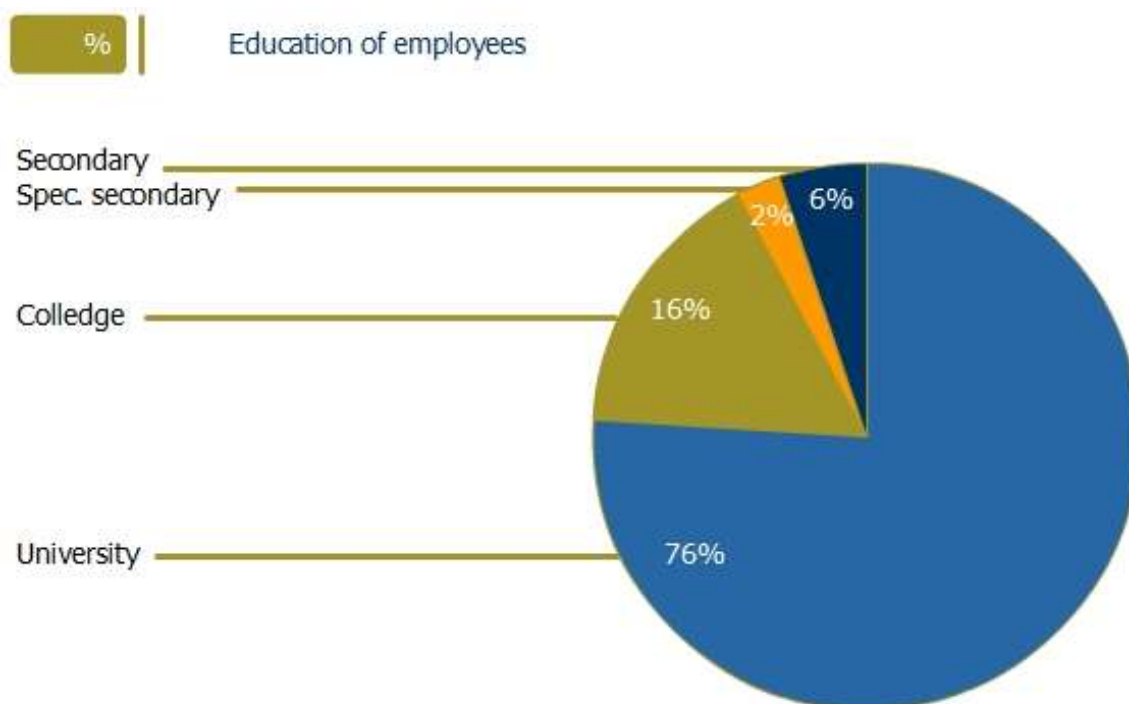
Compliance with and arrangement of the internal control as well as its monitoring are considered as one of the integral parts of the Bank's operational risk management process. It operates in every level of the Bank's management and in each process, its elements are integrated into procedures of each process.

The internal audit of the Bank's internal control system and assessment of the internal risk management is performed by the Bank's Internal Audit Department, which informs the Bank's Internal Audit Committee and the Bank's Board regarding the detected shortcomings and violations.

18. Employees

As of December 31st 2012 the Bank employed 481 staff members. In comparison with 2011 the number of employees in the Bank decreased by 2.6 per cent over the accounting year. At the end of the reporting period the enterprises of the Bank Group employed 556 staff members. Seeking to increase the efficiency of activities the number of employees performing the servicing functions was reduced (the cleaners, security guards).

76 per cent of the total number of the Bank's employees had the university education, 16 per cent had college, 2 per cent – secondary education and 6 per cent had special secondary education.



Personnel strategy

The Bank's Personnel strategy is based on the objective to employ the competent, motivated and loyal employees who would be able to implement the Bank's strategy and the set goals.

**The team of Bank's employees**

The professional, reliable, open, optimistic and strong team of employees acting in compliance with the Bank's values and following the provisions of the updated Bank's Code of Ethics is especially important to the Bank as the quality of its work influences whether customers are satisfied with the services provided by the Bank.

Relations with employees

The Bank fosters the long-term work relations with employees. At the end of 2012 even 30 per cent of the Bank's employees have been working there for 10 years and longer.

Recruitment, selection and career development

The purposeful recruitment and selection process is designed to attract and recruit the best potential candidates to occupy the vacancies. In order to maintain the employees' experience and knowledge they are provided with opportunities to continue their career. Every Bank employee has the opportunity to take part in internal competitions - thus enabling to realize their abilities.

Education of Employees

In 2012 much attention was paid to the education of the staff. More than 90 per cent of the middle chain management participated in the project of „Creation of Students' Internship in Financial and Insurance sectors“ arranged by the Lithuanian Confederation of Industrialists and financed by the European Union. The knowledge gained by the Bank's management during the 90 academic hours seminars and workshops are used not only to form the skills of students but also the abilities of the employees who just started their career at the Bank as well as to share the experience and arrange trainings in the place of work thus educating the staff. During the project more than 50 students had their internship at the outlets of the Bank.

Seeking to achieve the goals set by the Bank and in order to foster the process of sales the Bank conducted trainings for the client servicing officers and their directors. The training called „Active sales“ had been arranged to the credit specialists and senior client servicing managers. This training was focused on improvement of the active selling skills, development of the competences required in selling, recognition of client's needs and his assessment, also on improvement of ability to present the services suggestively and to seek for the efficiency in sales motivating the sellers to create the sustainable relations with the customer. 68 employees had participated in the mentioned trainings.

After the trainings in the field of sales arranged for the employees regarding the continuity of the successful work, the seminars „The Leader's Instruments for Education“ conducted for the heads and directors were oriented to the education of employees and the instruments to be used for management of work results, development of the relations between the heads and their subordinates, the motivation, importance of the feedback, assumptions of the leadership and principles. All the directors of the client servicing outlets had participated there.

The employees also participated in the various trainings organized over the year in the areas of anti-money laundering, crediting, etc. depending on the specifics of their direct duties.

Motivation

The Bank Group companies apply various motivation measures to stimulate their employees. The employees receive the bonuses on quarterly bases depending on the implementation of objectives set to the Bank, its separate departments or the individual goals. Each year the Bank carries out the traditional elections of the „Person of the Year“ as well as sports and leisure festival in summer. The careful attitude to the staff, their insurance against the accidents, the preventive medical care, pay outs in case of accident in the family, presents on the personal occasions, bonuses to the employees with the longest work experience on the occasion of the Bank's birthday, the discounts in gym – are the additional benefits provided to the staff.



Average monthly salary of the relevant employee group before taxes:.

Employees' group	2008		2009		2010		2011		2012	
	Average number of employees	Average salary per month, in LTL	Average number of employees	Average salary per month, in LTL	Average number of employees	Average salary per month, in LTL	Average number of employees	Average salary per month, in LTL	Average number of employees	Average salary per month, in LTL
Management	8	23 039	8	17 106	8	14 910	12	23 568	11	24 207
Officers	484	2 410	454	1 980	441	1 967	418	2 476	411	2 780

The Bank does not have agreements with the employees foreseeing compensations in case of retirement or dismissal without the reasonable ground or in case their capacities would be cancelled because of changes in the bank's control.

The Bank also is not the party of material agreements, which would become effective, change or would be cancelled because of changes in the bank's control.

19. Information on implementation of Remuneration policy

The information is prepared and delivered implementing the requirement set by the cl. 25 of the resolution No. 03-175 of the Board of the Bank of Lithuania as of December 23, 2010 regarding "The amendment of the "Policy of minimal requirements to remuneration of employees of credit institutions" approved by resolution No. 228 of the Board of the Bank of Lithuania as of December 10, 2009 ".

The Bank acts in compliance with the Remuneration Policy approved by the Supervisory Council of the Bank dated March 28, 2011.

Relation between the remuneration and operating results. The Bank uses the following items of the remuneration system:

- the fixed salary agreed in the labour contract;
- the variable remuneration (quarterly bonuses to employees and annual premiums to employees in the position which can have the significant impact on the risks accepted by the Bank);
- single time pay-outs / allowances (pay-outs not related to the Bank's results);
- other benefits.

Alongside with other factors such as the specifics of the labour market and sector, employee's professional qualification, experience, etc.) The principles of remuneration establishment are related with the results of employee's performance results. It means that the annual performance result of the employee is taken into consideration while establishing the individual salaries and amounts of the variable remuneration. The variable remuneration depends on the Bank's outlet where the officer is employed as well as on his personal achievements.

The variable remuneration can be paid to each employee of the Bank's financial group, however, the provisions applicable to the positions which might have the significant impact on the risks accepted by the Bank have to comply with the principles of payment of the variable remuneration set by the Remuneration policy: a share of variable remuneration is paid in the form of the Bank's financial instruments (Bank's shares) and the payment is subject to the grace period.

The criteria used for assessing the performance results, the correction of the remuneration in compliance with the risks, criteria of assignment of remuneration and principles of grace period. While assessing the achievement of the personal objectives the quantitative and qualitative criteria have to be met. Evaluating the employee's achievements personal financial result is as important as non-financial/non-



quantitative factors, i.e. relations with the clients, colleagues, compliance with the standards, implementation of the internal regulations, policies and procedures, initiative, responsibility, improvement of activities, etc.

In compliance with the requirements passed by the bank of Lithuania, the Remuneration Policy provides the list of employees whose professional performance may have a significant impact on the risks accepted by the Bank. As of December 31, 2011 — 22 employees of the Bank and 27 employees of the Bank's financial group were included into the mentioned category, as of December 31, 2012 – 21 employee of the Bank and 26 employees of the Bank's financial group.

The variable remuneration can decreased or not aid if the Bank's performance results do not comply with the indicators foreseen by the strategy or in case the Bank is operating in loss. The deferred portion of the variable remuneration is corrected (decreased) in cases when the Board of the Bank or the Bank's supervisory authority determined any of the following events:

- the Bank's financial status is not stable (the conclusion that the Bank faces the liquidity problems or there is a real threat that it might face the liquidity problems or will become insolvent);
- if after paying out the accrued fund of the variable remuneration, the Bank's financial status would become not stable;
- in case of other material events causing the threat to the continuity of the Bank's activities (the big loss is being incurred, the Bank fails meeting the prudential requirements set by the Bank of Lithuania, etc.)

Subject to the possible risks related to the evaluated annual results of the employee whose professional performance may have a significant impact on the risks accepted by the Bank, payment of not less than 40 per cent of variable remuneration is subject to 3 (three) years of grace period paying it in equal portions. 50 per cent of the variable remuneration which is payable immediately and after period of grace is foreseen to be paid in the Bank's shares, which are subject to one-year period of restriction to transfer.

The criteria of the assessment of the performance results which serve as the basis for the right to the Bank's shares, financial measures related to the shares and other integral parts of the variable remuneration.

The right to the Bank's shares as the portion of the variable remuneration is bases on the same criteria of the assessment of the performance as are applicable to the monetary portion.

The process of decision-making defining and reviewing the principles of the Policy including the information on the Remuneration Committee (its structure and authorizations), the external consultants if the services of the latter had been used while preparing the Policy.

The Remuneration Policy is reviewed annually. The suggestions regarding the principles of remuneration are submitted by the Remuneration Committee. The Remuneration Policy is approved by the Supervisory council of the Bank, while the Board of the Bank bears responsibility for its implementation. The services of the external consultants have not been engaged while creating the Remuneration Policy.

In May 2011 the Remuneration Committee was established within the Bank, the composition of which was approved by the Board of the Bank. The Remuneration Committee is authorized to the following :

- competently and independently evaluate the principles of variable remuneration which are the part of the Remuneration Policy;
- supervise the variable remuneration of the leading managers responsible for the risk management and control of compliance ;
- prepare the draft resolutions of the variable remuneration subject to decision of the Bank's Supervisory Council taking into account the long-term goals of the Bank's shareholders and investors.

The general quantitative information about remuneration by business areas. No business areas are distinguished within the Bank. The general quantitative information about remuneration to the employees distinguishing the heads of the Bank – the general amounts of fixed and variable of remuneration (without taxes to the soc. Insurance and guarantee fund) in LTL thou as well as number of recipients are provided in the table below:

2011	Fixed portion of remuneration	Variable portion of remuneration	Number of recipients
Heads (Board members)	2 065	390	7
Employees	13 216	808	423
In total	15 281	1 198*	430
2012	Fixed portion of remuneration	Variable portion of remuneration	Number of recipients
Heads (Board members)	2 010	-**	7
Employees	13 916	1 856	415
In total	15 926	1 856	422

Financial Group's data:

2011	Fixed portion of remuneration	Variable portion of remuneration	Number of recipients
Heads (Board members)	2 388	446	12
Employees	14 234	845	457
In total	17 669	1 291*	469
2012	Fixed portion of remuneration	Variable portion of remuneration	Number of recipients
Heads (Board members)	2 447	-**	12
Employees	14 954	1 945	451
In total	17 401	1 945	463

* The pay outs of the variable remuneration for the IV q. the 2011 in the form of bonuses were paid in I q of 2012, while 60 per cent of pay outs to due to employees whose position can have the significant impact on the risks accepted by the Bank were paid in II q of 2012.

** the employees whose professional activities can have the significant impact on the risks accepted by the Bank had not been entitled to pay outs from the assigned funds.

The amounts of variable remuneration for 2011 split into monetary pay outs, pensions, Bank's shares, financial instruments related to the Bank's shares, other financial or non-monetary measures.

Bank's data:

Parts of variable remuneration	
Monetary pay outs	LTL 359 thou
Bank's shares	402 thou units
Pensions	-
Financial instruments related to the shares	-
Other financial or non-monetary measures.	-

Financial Group's data:

Parts of variable remuneration	
Monetary pay outs	LTL 424 thou
Bank's shares	433 thou units
Pensions	-
Financial instruments related to the shares	-
Other financial or non-monetary measures.	-



The amounts of outstanding deferred variable remuneration for 2011 split to assigned and non-assigned parts.

Bank's data:

The deferred portion of the variable remuneration	
Monetary pay outs	LTL 144 thou
Bank's shares	160 thou units

Financial Group's data:

The deferred portion of the variable remuneration	
Monetary pay outs	LTL 170 thou
Bank's shares	172 thou units

The variable remuneration fund was not allocated to the employees whose position can have the significant impact on the risks accepted by the Bank and the pay outs for 2012 had not been executed.

The amounts of the deferred variable remuneration assigned over the financial years, paid out and corrected according to the activity results. The share of 60 per cent for 2011 was paid out over the accounting year, no pay out performed for the year 2012.

The amount and number of recipients of the guaranteed variable remuneration foreseen by the new agreements and payments related to the termination of the agreement. The guaranteed variable remuneration had not been foreseen. The payments related to the termination of the agreement had not been executed over the financial year.

Assignment of payments related to the termination of the agreement over the financial year, the number of recipients and the biggest amount per person. In 2012 the Bank terminated the labour contract with one employee belonging to the group of the leading management.

The reasons and criteria of assignment of the part of the variable remuneration and all the other benefits received not in cash. Following the requirements set by the Bank of Lithuania and the Remuneration Policy the variable remuneration in non-monetary measures can be assigned only in Bank's shares and only to the Bank's the employees whose professional activities can have the significant impact on the risks accepted by the Bank.

Other information which, in the Bank's opinion, is significant. The outstanding amounts of the deferred portion of the variable remuneration split into assigned and non-assigned portions to employees; the amounts of deferred variable remuneration assigned during the accounting year paid and corrected according to the results of performance; the amounts and the number of recipients of the payments related to termination of agreements over the financial year performed to the Bank's employees specified in the Remuneration Policy whose professional activities can have the significant impact on the risks accepted by the Bank shall be disclosed after the executed pay outs, i.e. after the general meeting of the Bank's shareholders in the interim report for the second quarter of the year 2013.



20. Members of the Committees formed within the Bank, the areas of their performance

The Loan, Internal Audit, Risk Management and Remuneration Committees are formed within the Bank. The functions, procedures of formation and the policy of activities of these committees are defined by the legal acts of the Republic of Lithuania, legal acts of the Bank of Lithuania as well as provisions of the certain committees approved by the Board and Supervisory Council of the Bank.

The Internal Audit Committee monitors and discusses the process of financial statement preparation, the efficiency of the Bank'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 provisions of the Internal Audit Committee. The composition, competences and arrangement of activities of the internal Audit Committee are defined by the provisions of the internal Audit Committee approved by the Bank's Supervisory Council. The Internal Audit Committee is directly subordinate to the Bank's Supervisory Council and reports to it not less than once a year.

The Risk Management Committee performs the functions related to the efficiency of the Bank's activities taking into consideration the parameters of the acceptable risks and integrating the management of the interest rates, capital and liquidity, also, performs other functions foreseen by its provisions.

The Loan Committee analyses loan application documents, decides regarding granting of loans and amendment of their terms, assesses risks of loans, suggests regarding loan granting, loan interest rates, improvement of loan administration procedures and performs other functions foreseen by its provisions.

The Remuneration Committee evaluates the Policy of variable remuneration, practice and incentives created to manage the risks accepted by the Bank, its capital and liquidity, supervises the variable remuneration of the employees responsible for risk management and control of compliance, prepares draft resolutions regarding variable remunerations and performs other functions foreseen by its provisions.

Data of the members of the committees as of 31 December 2012:

Name, surname	Beginning / end of tenure	Share of capital under the right of ownership, %	Workplace
Internal Audit Committee			
Sigitas Baguckas	2012-03-29 / 2016	0,65	„Namų statyba“ UAB
Vytautas Junevičius	2012-03-29 / 2016	0,13	Company group „Alita“, AB
Ramunė Vilija Zabulienė	2012-03-29 / 2016	0,00	Registered individual activity of the resident of Lithuania
Rimantas Purtulis	2012-03-29 / 2016	0,10	Registered individual activity of the resident of Lithuania
Risk Management Committee			
Donatas Savickas	2012-05-29 / constantly operating	0,10	Šiaulių bankas AB
Jolanta Dūdaitė	2012-05-29 / constantly	0,00	Šiaulių bankas AB

Pranas Gedgaudas	operating 2012-05-29 / constantly operating	0,01	Šiaulių bankas AB
Morena Liachauskienė	2012-05-29 / constantly operating	0,00	Šiaulių bankas AB
Vytautas Sinius	2012-05-29 / constantly operating	0,07	Šiaulių bankas AB
Loan Committee			
Vytautas Sinius	2012-03-27 / constantly operating	0,07	Šiaulių bankas AB
Edas Mirijauskas	2012-03-27 / constantly operating	<0,01	Šiaulių bankas AB
Danutė Gaubienė	2012-03-27 / constantly operating	<0,01	Šiaulių bankas AB
Daiva Kiburienė	2012-03-27 / constantly operating	0,06	Šiaulių bankas AB
Aurelija Pociūtė	2012-03-27 / constantly operating	<0,01	Šiaulių bankas AB
Giedrius Sarapinas	2012-03-27 / constantly operating	<0,01	Šiaulių bankas AB
Donatas Savickas	2012-03-27 / constantly operating	0,10	Šiaulių bankas AB
Remuneration Committee			
Avydas Salda	2011-05-09 / constantly operating	2,59	„Šiaulių banko turto fondas“ UAB
Pranas Gedgaudas	2012-08-13 / constantly operating	0,01	Šiaulių bankas AB
Ernesta Laurinavičienė	2011-05-09 / constantly operating	0,00	Šiaulių bankas AB
Živilė Skibarkienė	2011-05-09 / constantly operating	0,05	Šiaulių bankas AB

21. The Bank's management bodies

The management bodies of the Bank are as follows: the General Meeting of the Shareholders of the Bank, Council of the Bank, Board of the Bank and Chief Executive Officer (the Head of the Bank).

Exclusively the General Shareholders' Meeting:

- amends Charter of the Bank, except in cases, provided in the laws;
- amend the Bank's head office;
- elects the Bank's Supervisory Council members;
- recalls the Bank's Supervisory Council or its individual members;
- elects and recalls the audit company to audit the annual financial statements, sets the terms of payment for audit services;



- approves the set annual financial statements of the Bank;
- sets class, number, par value and minimum issue price of the shares, issued by the Bank;
- adopts resolution regarding:
 - issuing of convertible bonds;
 - cancellation of the preference right to purchase shares or convertible bonds of the Bank of a given emission to all of the shareholders;
 - conversion of the Bank's shares of one class into another, approval of the conversion order;
 - allocation of profit (loss);
 - making, use, reduction and cancellation of reserves;
 - increase of authorized capital;
 - reduction of authorized capital, except of the cases, provided in the laws;
 - purchase by the Bank of its own shares;
 - reorganization or demerge of the Bank, approving terms of such reorganization or demerge;
 - restructuring of the Bank;
 - liquidation of the Bank, cancellation of liquidation, except cases, provided in the laws;
 - to select and cancel the Bank's liquidator, except cases, provided in the laws.

The Council of the Bank is a collegial body supervising the activities of the Bank and directed by its Chairman.

The number of members of the Council is seven. The Council shall be elected by the General Meeting of Shareholders for a term of four years. In accordance with the Bank's Charter the number of tenures of the Council member is not limited.

The Council shall:

- elect members of the Board and remove them from office, make recommendations to the Board regarding the candidature for the Chairman of the Board. Prior approval of the Council is necessary to obtain before setting salaries of the Board members who hold other positions in the Bank, Chief Executive Officer and his deputies, as well as other terms of labour contract. If the Bank operates at a loss, the Council must consider the suitability of the Board members for their positions;
 - elect members of the Internal Audit Committee;
 - supervise activities of the Board and the Chief Executive Officer;
 - supervise the implementation of business plans of the Bank, analysis the Bank's income and expenses, own investments and capital adequacy issues;
 - adopt Council work regulation;
 - approve business plans of the Bank and annual budget;
 - approve any type of policies related to the Bank's activities including the risk management policy;
 - approve the business strategy of every entity controlled by the Bank;
 - ensure the effective internal control system in the Bank;
 - make proposals and comments to the General Shareholders' Meeting on the Bank's work strategy, the Bank's annual financial statements, the draft of the profit (loss) distribution and the report on the Bank's activities as well as activities of the Board and the Chief Executive Officer of the Bank;
 - approve loan granting policy and set order of borrowing subject to Supervisory Council's approval;
 - make proposals to the Board and the Chief Executive Officer to cancel their resolutions that contradict the laws and other legal acts, this Charter or resolutions of the Meeting;
 - set the list of transactions and resolutions, making or implementation of which is subject to the Council's approval;
-



- adopt resolutions, assigned to the Council's competence according to the orders, approved by the Council; such order shall be adopted by the Council following the laws, this Charter or resolutions of the Meeting;
- consider other matters, subject to its consideration or solution, provided for in the laws of this Charter or in the resolutions adopted by the Meeting.

Six meetings of the Bank's Supervisory Council took place in 2012. Neither member of the Supervisory Council missed more than half of the meetings over the accounting period.

The Board of the Bank is a collegial Bank management body, consisting of five members. It manages the Bank, handles its matters and answers under the laws for the execution of the Bank's financial services. Order of the Board's work is set by the Board work regulations. The Board of the Bank is elected by the Council for a term of 4 years.

The Board shall consider and approve:

- the consolidated annual report of the Bank
- the structure of the Bank management and positions; posts in which persons are employed only by holding competitions;
- regulations of the branches, representatives and other separate subdivisions of the Bank;
- order of the Bank's loans granting, following the loan granting policy, approved by the Council;
- order of issuing guarantees, securities and taking of other liabilities;
- order of writing-off of the loans and other debt liabilities;
- regulations of the Loan Committee and Risk Management Committee of the Bank.
- the Board shall elect and remove from office the Chief Executive Officer and his deputies. The Board sets salary and other terms of labour contract with the Chief Executive Officer, approves his Staff Regulations, induces and imposes sanctions to the Chief Executive Officer;
- the Board determines the information to be considered commercial secret of the Bank.

The Board shall adopt:

- decisions on the Bank becoming the incorporator, member of other legal entities;
- decisions on opening branches, representatives and other separate subdivisions of the Bank as well as on cancellation of their activities;
- decisions on the investment, transfer or lease of long-term assets the balance-sheet whereof amounts to over 1/20 of the Bank's authorized capital (calculating separately for each kind of transaction);
- decisions on the mortgage or hypothecation of long-term assets the value whereof amounts to over 1/20 of the Bank's authorized capital (calculating separately for each kind of transaction);
- decisions on offering guarantee or surety for the discharge of obligations of other entities, when the amount of the obligations exceeds 1/20 of the Bank's authorized capital;
- decisions on the acquisition of long-term assets the price whereof exceeds 1/20 of the Bank's authorized capital;
- decisions on issuing of non-convertible bonds;
- Board work regulation;
- decisions on other matters it has to consider or solve under the Laws or Charter of the Bank.

The Board shall set:

- terms for the shares issue of the Bank;
- order for issue of the bonds of the Bank. When the General Shareholders' Meeting adopts a resolution regarding the issuing of convertible bonds, the Board is entitled to set additional terms of issuing and to



- approve bond subscription agreements, signed by the Chief Executive Officer or his authorized person;
- order and cases of employment in the Bank, when the employees are engaged with the Board's approval.

The Board shall analysis and evaluate the material submitted by the Chief Executive Officer on:

- implementation of the Bank's activities strategy;
- arrangement of the Bank's activities;
- financial state of the Bank;
- results of economic activities, income and expenditure estimates, stock-taking data and other records of valuables.

The Board shall also analysis, assess the Bank's draft annual financial statements and draft of the profit (loss) allocation and submit them to the Board and Meeting. The Board shall solve other matters of the Bank's activities, if they are out of the other managing bodies' competence under the laws and this Charter.

The Board shall convene and hold the General Shareholders' Meetings in due time.

Chief Executive Officer arranges everyday activities of the Bank and performs other actions necessary to perform his functions, to implement the decisions of the Bank's bodies and to ensure the Bank's activities.

Chief Executive Officer:

- arranges everyday activities of the Bank;
- engages and discharges employees, makes work contracts with them and terminates them, induces them and imposes sanctions. The Head of the Bank is entitled to authorize another Bank employee to perform actions listed therein;
- without special authorization represents the Bank in its relations with other persons, in court and arbitration;
- grants and cancels powers of attorney and procurements;
- issues orders;
- performs other actions, necessary to perform his functions, to implement decisions of the Bank's bodies and to ensure Bank's activities.

Chief Executive Officer is responsible for:

- arrangement of the Bank's activity and implementation of its aims;
- making of annual financial statements and preparation of the Bank's annual report;
- making of a contract with the audit company;
- delivery of information and documents to the Meeting, Board and Council in the cases, provided for in the laws or upon request;
- delivery of the Bank's documents and data to the custodian of the Register of Legal Entities;
- delivery of the documents to the Securities Commission and to the Central Securities Depository of Lithuania;
- publication of the information, prescribed by the laws and other legal acts, in the newspapers, stated in this Charter;
- information delivery to the shareholders;
- execution of other duties, prescribed by the laws and legal acts, this Charter and Staff regulations of the Chief Executive Officer.

The Chief Executive Officer acts on the Bank's behalf and is entitled to make transactions at his sole discretion, except for the exceptions, stated therein or in the resolutions of the bodies of the Bank.

22. Members of the Collegial bodies

The Bank's Supervisory Council:



Arvydas Salda

A member of the Supervisory Council of Šiaulių bankas AB since 1991, the Chairman of the Supervisory Council since 1999.

Education: Kaunas Institute of Technology.

Vilnius University, a specialty of applicable mathematics.

Work experience: a consultant of "Šiaulių banko turto fondas" since 2004.



Sigitas Baguckas

The Deputy Chairman of the Supervisory Council of Šiaulių bankas AB since 2000, a member of the Council since 1991

Education: Vilnius Civic Engineering Institute. An engineer-constructor.

Work experience: Director of "Namų statyba" UAB until 2007, a procurist since 2007.



Gintaras Kateiva

A member of the Supervisory Council of Šiaulių bankas AB since 2008.

Education: Vilnius Pedagogic Institute, a teacher.

Work experience: an advisor of the director of "Litagros chemija" UAB (currently – "Litagra") until 2005, the Chairman of the Board – since 2005, director of "Litagros prekyba" UAB until 2008, director of "Litagros mažmena" UAB since 2008..



Vigintas Butkus

A member of the Supervisory Council of Šiaulių bankas AB since 2004

Education: Marijampole School of Culture, a director.

Work experience: Director of "Mintaka" UAB since 2000, Director of Trade House "Aiva" UAB since 2002.



Vytautas Junevičius

A member of the Supervisory Council of Šiaulių bankas AB since 2006.

Education: Kaunas Institute of Technology, an engineer-economist.

Vilnius University, a specialist of international economy relations.

Work experience: the Director General of "Alita" AB until 2009, the Consultant of the Director General of the Company's Group "Alita", 2009-2011.



Peter Reiniger

A member of the Supervisory Council of Šiaulių bankas AB since 2011.

Education: Technical University of Budapest, an engineer-mechanic (master), an engineer of production organization (master).

Work experience: European Bank for Reconstruction and Development (EBRD), the Director of the Business Group until 2010, the Managing director since 2010-2011; Chief Advisor of the First Vice-president and Executive Committee since 2011.



Ramunė Vilija Zabulienė

Independent member of Supervisory Council of the Bank since 04-05-2012,

Education: Vilnius University, an engineer-economist.

Work experience: member of the Board of the Bank of Lithuania, Deputy Chairperson of the Board until 2011;

Acts in compliance with the individual activity certificate of the resident of Lithuania.

Bank Board:



Algirdas Butkus

The Chairman of the Board.

Education: Kaunas Technology Institute, a master of economy.

Work experience: the Chairman of the Board, Chief Executive Officer of Šiaulių bankas AB from 1999 to February 2011, the Deputy Chief Executive Officer since February 2011.



Audrius Žiugžda

The Deputy Chairman of the Board, Chief Executive Officer.

Education: Vytautas Magnus University, a master of Business Administration and Management, *Work experience:* the Chairman of the Board and President of SEB AB 2006-2009, the Advisor of the Director General TEO LT, AB 2010-2011 m., the Chief Executive Officer of Šiaulių bankas AB since February 2011.



Donatas Savickas

The member of the Board, Deputy Chief Executive Officer, Head of Finance and Risk Management Division.

Education: Vilnius University, a master of economy.

Vytautas Magnus University, a master of Business Administration and Management.

Work experience: the Deputy Chairman of the Board of Šiaulių bankas AB since 1995, Deputy Chief Executive Officer, Head of Finance and Credit Division since 2005, Head of Finance and Risk Management Division since 2011.



Daiva Kiburienė

The member of the Board, Deputy Chief Executive Officer, Head of Šiauliai region.

Education: Vilnius University, a master of economy.

Vytautas Magnus University, a master of Business Administration and Management.

Work experience: the Deputy Chairperson of the Board of Šiaulių bankas AB since 1998, Deputy Chief Executive Officer, Head of Corporate and Retail Banking Division since 2005, Head of Šiauliai region since 2011.



Vita Adomaitytė

The member of the Board, Chief Financial Officer, Head of Accounting and Reporting Division.

Education: Vilnius University, a master of finance and credit.

Work experience: the Chief Financial Officer of Šiaulių bankas since 2002, Head of Accounting and Reporting Division since 2005.



Jonas Bartkus

The member of the Board since 29-03-2012, Head of IT Division.

Education: Vilnius University, a master of mathematics.

Work experience: Head of Computerization Department of Šiaulių bankas AB since 2001, Head of Business Development Division since 2005, Head of IT Division since 2012.



Vytautas Sinius

The member of the Board, Head of Corporate Banking Division.

Education: Vilnius Higher School of Economics, a bank officer.

Vilnius University, a bachelor of economy.

Vytautas Magnus University, a master of Business Administration and Management.

Work experience: the Director of Retail Banking Division of SEB AB 2006-2010, Head of Corporate Banking Division of Šiaulių bankas AB since 2011.

Name, surname	Beginning / end of tenure	A share of capital under the right of ownership, %	A share of votes together with related persons, %
Arvydas Salda	beginning 2012-03-29 end 2016	2.59	43.17
Sigitas Baguckas	beginning 2012-03-29 end 2016	0.65	43.17
Vigintas Butkus	beginning 2012-03-29 end 2016	0.18	43.17
Vytautas Junevičius	beginning 2012-03-29 end 2016	0.13	43.17
Peter Reiniger	beginning 2012-03-29 end 2016	-	43.17
Gintaras Kateiva	beginning 2012-03-29 end 2016	6.24	43.17
Ramunė Vilija Zabulienė	beginning 2012-05-04 end 2016	-	-
Algirdas Butkus	beginning 2012-03-29 end 2016	4.39	43.17
Audrius Žiugžda	beginning 2012-03-29 end 2016	0.58	43.17
Donatas Savickas	beginning 2012-03-29 end 2016	0.10	43.17
Vita Adomaitytė	beginning 2012-03-29 end 2016	0.03	43.17
Daiva Kiburienė	beginning 2012-03-29 end 2016	0.06	43.17
Vytautas Sinius	beginning 2012-03-29 end 2016	0.07	43.17
Jonas Bartkus	beginning 2012-03-29 end 2016	0.05	43.17

The information regarding participation of the collegial bodies of the Bank and Chief Financial Officer in activities and capital of other undertakings is provided in the table below:

Name, surname	Participating in activities of other undertakings (name of the company, position)	Participating in capital of other undertakings (percentage in capital exceeding 5 %)
Arvydas Salda	Member of the Board „Klaipėdos LEZ valdymo bendrovė“ UAB	—
Sigitas Baguckas	Consultant „Šiaulių banko turto fondas“ UAB	—
Vigintas Butkus	Procurist of „Namų statyba“ UAB	„Namų statyba“ UAB – 47,12 %
	Director of Trading house „Aiva“ UAB	„Aiva“ UAB – 9,25 %
	Director of „Mintaka“ UAB	„Mintaka“ UAB – 9,80 %
Vytautas Junevičius	Senior advisor of Company Group „Alita“ AB, member of the Supervisory Council.	Company Group „Alita“, AB – 14,48 %
Gintaras Kateiva	Chairman of the Board of „Anykščių vynos“ AB	—
	Director General of „Litagra“ UAB, Chairman of the Board	„Litagra“ UAB – 36,95 %
	Director of „Litagros“ mažmena UAB	—
Ramunė Vilija Zabulienė	—	—
Peter Reiniger	Chief Counsellor of the first Vice-President and Executive Committee	—
Algirdas Butkus	—	Trading house „Aiva“ UAB – 66,35 %
	—	„Visnorus“ UAB – 48,94 %
	—	„Mintaka“ UAB – 68,08 %
Donatas Savickas	—	—
Audrius Žiugžda	Member of the Council of Vytautas Magnus University	—
	Member of the Board of „Limarko laivininkystės kompanija“ AB	—
Vita Adomaitytė	—	—
Daiva Kiburienė	Chairperson of the Board „Kėdainių oda“ UAB	—
Vytautas Sinius	—	Public undertaking Sporto šaltinis – 33,33 %
Jonas Bartkus	—	—



Amounts of funds calculated over 2012 and average sizes per member of the collegial body as well as provided guarantees:

Members of management bodies	Number of people	Total calculated amounts, in LTL	Average sizes, in LTL	Assets transferred, in LTL	Guarantees provided, in LTL
Members of the Bank's Council	7	0	0	0	0
Members of the Bank's Board	7	2 257 216	322 459	0	0
Chief Executive Officer and Chief Financial Officer	2	611 980	305 990	0	0

Loans granted to the members of the Council and the Board of the Bank as of December 31st 2012:

Members of management bodies	Granted loans, in LTL thou
Members of the Bank's Council	4 851
Members of the Bank's Board	6
IN TOTAL	4 857

23. Transactions with related parties

Implementing its usual activities the Bank concludes the banking transactions with the members of the Council and Board, other related parties and subsidiary companies. The related parties of the Bank are as follows:

- the members of the Bank's Supervisory Council and the Bank's Board, their close family members and companies where the related parties own more than 5 per cent of shares and/or take managing positions;
- the Bank's subsidiaries;
- the shareholders owning more than 5 per cent of the Bank's shares.

All the transactions have been entered in terms of normal market conditions. The comprehensive description of the transactions is provided in the explanatory note of the consolidated financial statement of the Bank for 2012.

24. Information on malicious transactions

No malicious transactions which did not correspond to the Bank's goals, usual market conditions, violated the interests of shareholders or other groups of persons, which had had or might have had a negative impact on the Bank's activities in the future or on the results of its performance were entered during the accounting period. Moreover, there were no transactions entered in terms of conflict of interest among the senior managers of the Bank, controlling shareholders or other related parties' positions to the Bank and their private interests and (or) positions.

25. Data on the publicly disclosed information

The following information was publicly disclosed over 2012:

- 18-01-2012 — the calendar of the Bank's information to be announced to the investors;
- 20-02-2012 — a pre-audited activity result of the Bank and the Group for 2011;
- 20-02-2012 — interim financial information of the Bank for 12 months of 2011;
- 05-03-2012 — convocation of the Ordinary General Meeting of Shareholders;



- 08-03-2012 — the draft resolutions prepared by the Board for the Ordinary General Meeting of Shareholders to be held on 29-03-2012;
- 09-03-2012 — corrected draft resolutions prepared by the Board for the Ordinary General Meeting of Shareholders to be held on 29-03-2012 (a corrected annex to the notification);
- 20-03-2012 — notification regarding the Board's decision to acquire the shares of „Pavasaris“ UAB;
- 29-03-2012 — resolutions of the Ordinary General Meeting of Shareholders held on 29-03-2012;
- 30-03-2012 — information regarding decisions of the Bank's Council and Bank's Board (with regard to the Bank's Board);
- 30-03-2012 — annual information;
- 02-04-2012 — supplement of annual information;
- 19-04-2012 — the un-audited activity result for the first quarter of 2012 of the Bank and the Group;
- 14-05-2012 — report regarding concluded transactions, related to payment of the variable remuneration in the Bank's shares;
- 18-05-2012 — interim information of the Bank for 3 months of 2012;
- 01-06-2012 — information regarding acquisition of the share block of „Pavasaris“ UAB.
- 19-07-2012 — unaudited operating results of the Bank and the Bank Group for the first half-year of 2012;
- 14-08-2012 — notification regarding the acquisition of voting rights;
- 20-08-2012 — interim financial information for six months of 2012;
- 19-10-2012 — unaudited operating results of the Bank and the Bank Group for 9 months 2012;
- 20-11-2012 — interim information of 9 months;
- Reports regarding the transactions with the Bank's shares entered by the Bank's top management.

In accordance with the procedures set by the Charter of the Bank and the legal acts of the Republic of Lithuania all the stock events are announced in the Central regulated information base and on the Bank's website www.sb.lt. Reports on the Meetings of Shareholders are additionally announced in the daily newspaper "Lietuvos rytas".

26. Procedures of Charter amendments

The Bank's Charter can be amended only by the resolution of the General Shareholders' Meeting at 2/3 majority of votes, except exclusive cases defined by the law.

27. Information regarding compliance with the Governance Code

The Bank operates in compliance with the many standards set in the Governance Code. Information about how the Bank complies with the particular articles of the Governance Code is provided in the annex enclosed to the present report together with the set of financial statements of 2012 and is also available on the website of the Bank www.sb.lt.

Chief Executive Officer
07-03-2013

A handwritten signature in black ink, appearing to be 'A. Žiugžda', written over a horizontal line.

Audrius Žiugžda



ŠIAULIŲ BANKAS AB Report
on the compliance with the Governance Code
for the companies listed
on the NASDAQ OMX AB Vilnius



ŠIAULIŲ BANKAS AB

Report on the compliance with the Governance Code for the companies listed on the NASDAQ OMX AB Vilnius

Šiaulių bankas AB, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and 24.5 clause of the listed rules on NASDAQ OMX AB Vilnius, discloses its compliance with the Governance Code, approved by the NASDAQ OMX AB Vilnius for the companies which securities are traded on the regulated market, and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes/No	General purposes of the Bank, in attaining of which the Bank fulfils its mission, and the main business areas, aiming at exceptional competence, as well as plans are publicly declared in the Bank's notifications and are placed on the website of the Bank.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	
1.4. A company's supervisory and management bodies should ensure that the rights and interests not only of the company's shareholders but also of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The rights and interest of the shareholders, employees, clients and other entities related to the bank's activities are respected; the bank works in compliance with requirements set by the Labour Code as well as with the provisions stated in the agreements between clients and suppliers.
Principle II: The corporate governance framework The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	The Bank's bodies include a general shareholders' meeting, the Bank's Supervisory Council, the Bank's Board and the chief executive officer.

2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The Board performs the function of the Bank's management and bears responsibility for the performance of the Bank, while the supervision of the management bodies falls on the Bank's Supervisory Council.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applicable	Both bodies are formed at the Bank - the Bank's Supervisory Council and the Bank's Board.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	The Supervisory Council is set up at the Bank. The candidates to the Supervisory Council are elected and the votes for them are given in compliance with procedures defined in the law. The right of small shareholders to have their own representative is not suppressed.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Bank's Board consists of 7 members; the Supervisory Council consists of 7 members. Taking into consideration the Bank's size, scope of activities and the number of shareholders such number of members is the most optimal. Each member has one vote while the bodies are making decisions.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The term of tenure of the Bank's Board and Supervisory Council members is 4 years. According to the Bank's Charter members of management and supervisory bodies can be re-elect for the next tenure. Only the body of the Bank who elected a member of Supervisory council or a member of the Board can remove them.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairman of Supervisory Council have never been the Bank's chief executive officer, previous and current positions do not constitute a barrier for the implementation of independent and impartial supervision.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting
The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.

3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	General Shareholders' Meeting shall elect a Supervisory Council. Candidates to the Supervisory Council are proposed; voting is held by following the procedures set in the laws. The election procedure of the Supervisory Council member applied by the Bank established in the Law on Companies of the Republic of Lithuania is favorable for the combination of minority shareholders to elect their representative to the Council.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes/No	Information on the candidates to the Supervisory Council is provided before the shareholders' meeting if the members are suggested in advance. During the meeting the members to the Supervisory Council introduce information on them required by laws and answer the shareholders' questions before voting. Eligibility of the member to be elected to the Supervisory Council is assessed by the Bank of Lithuania. The Bank's annual and interim reports include the updated information on the collegial bodies' members' education, professional experience and current position.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes/No	While electing the members of the Supervisory Council, their particular competences relevant to his/her service are disclosed. The Bank supposes that it is suffice to meet the standards and provisions set in the Acts of Law of the Republic of Lithuania including the requirement approved by the resolutions of the Bank of Lithuania which indicates that people who are being elected and assigned into senior management have to receive the permission from the Bank of Lithuania to be appointed to the relevant positions.
3.4 In order to maintain a proper balance in terms of the current qualifications possessed by the members of collegial body, the collegial body should determine its desired composition with regard to the company's structure and activities, and evaluate this periodically. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the	Yes/No	With regard to the fact that all the members of the collegial body receive licenses of the Bank of Lithuania to hold positions, it is considered that they possess necessary knowledge of and experience to properly implement the tasks. The members of the audit committee have knowledge in field of finance; an independent member is competent in the field of audit. The director of the Bank's Personnel department, who has knowledge and experience in the salary establishment

members of the remuneration committee should have knowledge of and experience in the field of remuneration determination policy.		policy, is a member of the Remuneration Committee
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes/No	New members shall meet with their duties, the Bank and its activity. Annual verification is not performed subject to the condition that persons participating in the activity of the Bank and other organizations have sufficient knowledge and skills.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	Performing their duties the members of the Supervisory Council seek avoiding the conflict of interests. The shareholders offering the candidates to the Supervisory Council and voting for them have their own opinion concerning which candidates will represent their interest in the Council best. There is 1 independent member in the Supervisory Council.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred	No	The Supervisory Council does not have an independent member. See section 3.6.

<p>compensations);</p> <p>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</p> <p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>		
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	Yes	While electing the independent member of the Council, he has been considered as independent. The Bank's annual report also contained information stating that the member of the Supervisory Council is independent.

3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	Not applicable	The independent member of the Council meets all criteria of independence.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Yes/No	The bank has concluded the agreement with the independent Council member foreseeing the remuneration from the Bank's funds, however, according to the Law on Companies the confirmation of the size of the remuneration by the shareholders' meeting is not subject to the competence of the meeting.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance	Yes	The Supervisory Council performs all the control and monitoring functions within its competence assigned by the company regarding the management performance. The Supervisory Council shall submit its responses and offers to each General Shareholders' Meeting.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	The members of the Supervisory Council act in good faith with regard to the Bank and according to the interest of the Bank and its shareholders but not of their own one or of the third parties trying to maintain their independence while making decisions. The independence of the members was not assessed.



4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes/No	The members of the Supervisory Council actively participate in the meetings and devote sufficient time to properly perform his duties as a member of the collegial body. The Bank does not provide information to its shareholders regarding the members' participation in meetings during the last financial year.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes/No	All the transactions between the Bank and shareholders as well as between supervisory and managing members are concluded according standard conditions performing usual banking activities. Not all transactions of the Bank are approved by the collegial body. The Bank's Supervisory Council defines a list of transactions and resolutions the formation and implementation of which are subject to the Supervisory Council's approval.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using their services with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that they would not at the same time advise the affiliated company, executive director or members of management body.	Yes	The work and decisions of the Supervisory Council are not influenced by people who elected the members of this body. The members of the Supervisory Council have a right to receive the information and documents necessary for appropriate performance of their duties through the Bank's Board and Chief Executive Officer.

<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	Yes/No	<p>The Bank has formed the Audit Committee with an independent member as well as the Remuneration Committee. The Nomination Committee is not formed. The functions of this committee are performed by the Supervisory Council itself.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should act independently and based on integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	Yes	<p>The Audit Committee submits the Supervisory Council recommendations regarding its decisions. There is an independent Council member in the Audit Committee.</p> <p>The Remuneration Committee evaluates the principles of variable remuneration, prepare draft resolutions regarding variable remuneration and submits them to the Supervisory Council. Establishing the remunerations of the Board members who take other positions within the Bank as well as salaries of the Bank's CEO and his deputies a pre-approval from the Council should be received.</p> <p>The Nomination Committee is not formed. The functions of this committee are performed by the Supervisory Council itself.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be</p>	Yes/No	<p>The Audit Committee consists of 4 members.</p> <p>It has an independent Council member.</p> <p>The Remuneration Committee consists of 4 members, the Chairman of the Board is the Chairman of the Bank's Supervisory</p>



<p>constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to refresh membership and that undue reliance is not placed on particular individuals.</p>		<p>Council, other members – the Bank's employees. The Nomination Committee is not formed.</p>
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>Yes/No</p>	<p>The authority delegated to the Audit Committee as well as its accounting are set in the Committee's provisions approved by the Supervisory Council. The Bank announces the information on the activity's purposes as well as work directions of the Audit Committee in the Prospects of securities issue. This information as well as number of held meetings of Committee and the Committee's members' participation there is not provided in the annual report. The functions of the Remuneration Committee are defined by the Remuneration Policy approved by the Bank Board, Supervisory Council and the regulations of the Remuneration Committee. The Supervisory Council bears responsibility for the establishment of the principles of the Remuneration Committee and models of variable remuneration calculations. Information regarding the functions of the Remuneration Committee, composition of the Remuneration and Audit committees are declared in the Bank's annual report. However, information regarding the number of committee meetings and participation of the committee members herein is not declared there.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>Yes</p>	<p>Other members of the management bodies who are not Committee's members participate in the meetings in case the Committee invites.</p>

<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	No	There is no Nomination Committee at the Bank. The Supervisory Council itself performs the activity attributed to this Committee.
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, 	Yes/No	<p>The Remuneration Committee at the Bank evaluates the principles of the variable remuneration, supervises the variable remunerations of managing employees responsible for risk management and control of compliance, prepares draft resolutions regarding variable remunerations which are approved by the Supervisory Council taking into consideration the long-term goals of the Bank's shareholders and investors.</p> <p>The Remuneration Policy is reviewed by the Supervisory Council at least once a year.</p> <p>The official salaries of the employees and senior managers are established or approved by the Bank's CEO, Board and Supervisory Council in accordance with the competence.</p>

<p>the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</p> <ul style="list-style-type: none"> • Ensure that remuneration of individual executive directors and the member of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; • Periodically review the remuneration policy (as well as the policy regarding share-based remuneration) for executive directors or members of management body, and its implementation; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general shareholders' meeting for this purpose.</p> <p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p>		
	Yes	The Audit Committee in the Bank consists of 4 members among who is the independent Council member.

<ul style="list-style-type: none"> • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different</p>	<p>The Audit Committee in the Bank consists of 4 members among who is the independent Council member.</p>
---	---

<p>approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		<p>The Audit Committee in the Bank consists of 4 members among who is the independent Council member.</p> <p>The Audit Committee in the Bank consists of 4 members among who is the independent Council member.</p>
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result</p>	No/Yes	<p>The Bank does not have practice of assessment of the Supervisory Council's performance and making it public. Information about the internal organization of Supervisory Council (chairman, deputy and members) is announced on the website of the Bank, annual and interim reports.</p>

of the assessment of the collegial body of its own activities.		
<p>Principle V: The working procedure of the company's collegial bodies</p> <p>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</p>		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The Supervisory Council is chaired by the Chairman of the Supervisory Council, the Bank's Board is chaired by the Chairman of the Bank's Board. These persons are responsible for the proper convocation of the meeting of relevant collegial body and its handling.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month	Yes	The Meetings of the Supervisory Council are carried not less than 4 times a year. The interval between two meetings cannot be longer than 4 months. The Meetings of the Bank's Board are carried not less than once a month.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-ordinating dates of the meetings, their agendas and resolving other issues of corporate governance.	Yes	



Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.		
Principle VI: The equitable treatment of shareholders and shareholder rights The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The ordinary registered shares that comprise the Bank's authorized capital grant the same rights all their holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares	Yes	The rights provided by the newly issued shares are described in the Securities prospects.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No/Yes	The decisions regarding the long-term assets the balance value of which exceeds 1/20 of the Bank's authorized capital, purchase, pledge or hypothec as well as liabilities of other persons the amount of which exceeds 1/20 of the Bank's authorized capital are made by the Bank's Board. Shareholders are aware of important transactions by the Bank's announcement on stock events.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	
6.5. If is possible, in order to ensure the foreigners the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting, including decisions projects of the meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	

6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Bank's shareholders may participate in the general shareholders' meeting in person or through their representative. The voting is possible by filling the general voting bulletin.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by providing opportunity to the shareholders to vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The Bank is not ready and does not suppose it is necessary to use the modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. Foreigner's shareholders participate in the meeting via their representatives, the voting instructions to whom usually provide with the SWIFT notifications.

Principle VII: The avoidance of conflicts of interest and their disclosure

The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	All the transactions with the members of the Bank's bodies are concluded in usual (standard) conditions. Information to the shareholders is provided in annual and interim reports.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	

7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
Principle VIII: Company's remuneration policy Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.		
8.1. A company should make a public report of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration report should be published as a part of the company's annual statement as well as posted on the company's website.	Yes/No	The report of the Remuneration policy is prepared according to the requirements set by the resolution of the Board of Lithuania.in the scope set by this document. Information regarding implementation of the Remuneration policy is provided in the annual report in the scope set by the valid requirements.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Yes/No	The data provided in the report of the Remuneration policy covers all the employees whose professional activities might have significant impact on the risks accepted by the Bank. Due to the fact that preparation of this report has been started only during the reporting year there are no essential amendments in the Remuneration policy.
8.3. Remuneration statement should leastwise include the following information: <ul style="list-style-type: none"> •Explanation of the relative importance of the variable and non-variable components of directors' remuneration; •Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; •An explanation how the choice of the activities' results evaluation criteria contributes to the long-term interests of the company; •An explanation of the methods, applied in order to determine whether the activities' results evaluation criteria have been fulfilled; •Sufficient information on provision periods with regard to variable components of remuneration; •Sufficient information on the linkage between the remuneration and activity's results; •The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; •Sufficient information on the policy regarding termination payments; •Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 ; •Sufficient information on retention of shares after vesting, as referred to in point 8.15 of this Code; •Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the 	Yes/No	Considering the possible risks related to the evaluated annual results of the employee whose professional activities might have significant impact on the risks accepted by the Bank not less than 40 per cent of the variable remuneration is subject to 3 years of grace period paying in equal portions. Calculating the variable remuneration the performance results of the employee for the period not less than three years is taken into consideration. 50 per cent of variable remuneration paid immediately and deferred are foreseen to be paid in bank's shares with a 1 year grace period to the right of transfer. Referring to the Remuneration Policy approved by the Board, the variable remuneration including the deferred portion is paid only in case of sustainable financial status of the bank. The cases when the variable remuneration can be corrected (reduced) are specified in the Bank's internal procedures.



<p>company concerned;</p> <ul style="list-style-type: none"> • A description of the main characteristics of supplementary pension or early retirement schemes for directors. • The remuneration report can not contain confidential information in a commercial view. 		
<p>8.4. Remuneration report should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, <i>inter alia</i>, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	Not applicable	The report of the Remuneration policy is not prepared in compliance with the scope defined in the present clause.
<p>8.5. Remuneration report should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 	Not applicable	According to the requirements set by the Bank of Lithuania the report reveals the average sizes of the remuneration. Other information defined in this documents is not published.

<ul style="list-style-type: none"> • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the coming financial year. <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component of remuneration. The non-variable component of remuneration should be sufficient to allow the company not to pay variable components of remuneration when activity's results evaluation criteria are not met.</p>	Yes	<p>There are no particular limits set to the variable remuneration, however, each year the principles corresponding to the business goals, strategy, long-term objectives of the bank and fostering reliable and efficient risk management are prepared. The variable remuneration is paid only in case of sustainable financial status of the bank.</p>
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable activity's results evaluation criteria.</p>	Yes	<p>The amount of the variable remuneration is based on the general evaluation of the employee's, outlet's or bank's activity result.</p>
<p>8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.</p>	Yes	<p>The deferred portion of the variable remuneration applicable to the employees is not less than 40 per cent.</p>
<p>8.9. Contractual arrangements with executive or members of management bodies should include provision which permits the company to reclaim variable components of remuneration that was awarded on the basis of data which subsequently proved to be manifestly misstated.</p>	No	<p>The Remuneration policy foresees the review of the assignment of the differed portion of the variable remuneration and to pay it only in case the set goals and the results of the bank meet the goals set in the strategy.</p>
<p>8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.</p>	Not applicable	<p>No principles of termination payments are foreseen by the Remuneration policy.</p>

8.11. Termination payments should not be paid if the termination is due to inadequate activity's results	Not applicable	See section 8.10
8.12. The information on preparatory and decision-making processes, during which a remuneration policy of directors is being established, should also be disclosed. Information should include data, if applicable, on authorization and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	Yes/No	The official salaries of the employees and senior managers are established or approved by the Bank's CEO, Board and Supervisory Council in accordance with the competence. The principles of the variable remuneration are supervised and assessed by the Remuneration Committee which prepares draft resolutions regarding variable remunerations and submits them to the Supervisory for approval. If the services of the external consultant were used they would be specified in the report of the Remuneration Policy.
8.13. Shares should not vest for at least three years after their award in case the remuneration is share-based.	Yes/No	As foreseen by the Remuneration Policy not less than 40 per cent of the variable remuneration is subject to 3 years of grace period. 50 per cent of variable remuneration paid immediately and deferred are foreseen to be paid in bank's shares with a 1 year grace period to the right of transfer.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable activity's results evaluated criteria.	Yes/No	Share options or any other right to acquire shares or to be remunerated on the basis of share price movements are not foreseen by the Remuneration Policy. 50 per cent of variable remuneration paid immediately and deferred are foreseen to be paid in bank's shares with a 1 year grace period to the right of transfer. The Remuneration policy foresees the review of the assignment of the differed portion of the variable remuneration and to pay it only in case the set goals and the results of the bank meet the goals set in the strategy.
8.15. After vesting, directors should retain a particular number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	No	The share transfer is limited for a period of 1 year. No restrictions are foreseen after this period.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	The members of the Supervisory Council are not subject to any form of remuneration.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general shareholders' meetings and make considered use of their votes regarding directors' remuneration.	No	The meeting for the work in the Supervisory Council can allocate to the Council members annual bonuses (tantiemes). Determination of the remunerations for the members of the Board under the structure of the bank's bodies is not the priority of the shareholders' meeting.



8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The Remuneration Policy and its implementation are the prerogative of the Remuneration Committee and the Council of the Bank. Therefore, the voting does not take place in the shareholders' meeting.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	See section 8.17.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: <ul style="list-style-type: none"> • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors. 	No	See section 8.17.
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	Not applicable	Share options or any other right to acquire shares without remuneration on the basis of share price movements are not foreseen by the Remuneration Policy.
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	Not applicable	Employees of the bank or subsidiaries are not remunerated for the work with shares or share options or the other rights to acquire shares.

8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	Not applicable	See section 8.17.
Principle IX: The role of stakeholders in corporate governance The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The interest holders' rights are respected. The Bank obeys the agreements with the suppliers, creditors, and clients. The relations with employees are regulated by the labour contracts. The employees can provide offers in the filed improvement of work conditions. The Bank's employees participate in the Bank's authorized capital.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	
Principle X: Information disclosure and transparency The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.		
10.1. The company should disclose information on: <ul style="list-style-type: none">• The financial and operating results of the company;• Company objectives;• Persons holding by the right of ownership or in control of a block of shares in the company;• Members of the company's supervisory and	Yes	The information disclosed in this section is submitted in annual and interim reports, in prospects of securities issue and in the website of the Bank.

<p>management bodies, chief executive officer of the company and their remuneration;</p> <ul style="list-style-type: none"> • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended to disclose the consolidated results of the whole group to which the company belongs when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>Yes</p> <p>Yes/No</p> <p>Yes</p>	<p>The information regarding the professional experience of the Supervisory Council and the Bank Board, and capacities taken in other companies is provided in the Annual Reports of the Bank and is available on the bank's website. The information regarding received remuneration of the particular person is not published. The information regarding income in average values is published in the Annual Report of the Bank.</p>
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	
<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website.</p>	<p>Yes</p>	



It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.		
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	
Principle XI: The selection of the company's auditor The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.		
11.1. An annual audit of the company's financial reports and annual reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements	Yes	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The candidate for the Bank's audit agency is provided by the Bank's Board to the General Shareholders' Meeting in compliance with the results of audit agency review. The opinion of the Supervisory Council regarding the audit agency is provided during the Meeting.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes/No	The Bank's firm of auditors did not receive remuneration from the bank for the rendered non-audit services during the accounting year.

Chief Executive Officer

Audrius Žiugžda

07-03-2013