



ŠIAULIŲ BANKAS AB  
**ANNUAL REPORT**  
31 DECEMBER 2014

# Consolidated Annual Report of Šiaulių Bankas AB for 2014

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## 1. REPORTING PERIOD COVERED IN THE CONSOLIDATED ANNUAL REPORT

The present consolidated report of Šiaulių Bankas AB (hereinafter — the Bank) covers the period from 01 January 2014 to 31 December 2014.

## 2. CONTACT INFORMATION OF THE COMPANIES OF THE GROUP

### CONTACT INFORMATION OF THE BANK

<b>Name:</b> Šiaulių Bankas AB	<b>Legal form:</b> Limited Liability Public Company	<b>Registration date:</b> 04/02/1992
<b>Registrar:</b> State Enterprise Centre of Registers	<b>Company code:</b> 112025254	<b>Domicile address:</b> Tilžės st.149, LT-76348 Šiauliai
Tel.: + 370 41 595 607, fax +370 41 430 774 E-mail <a href="mailto:info@sb.lt">info@sb.lt</a> , <a href="http://www.sb.lt">www.sb.lt</a>		

### CONTACT INFORMATION OF THE COMPANIES OF THE GROUP

The Bank directly controls the following subsidiaries:

<b>Name:</b> Šiaulių Banko Lizingas UAB (hereinafter — SB Lizingas) <ul style="list-style-type: none"> <li>assets: LTL 209.43 million;</li> <li>nature of activities: finance lease (leasing) and operating leases.</li> </ul>	<b>Name:</b> Šiaulių Banko Turto Fondas UAB (hereinafter — SB Turto Fondas) <ul style="list-style-type: none"> <li>assets: LTL 95.16 million;</li> <li>nature of activities: real estate management activities.</li> </ul>	<b>Name:</b> Šiaulių Banko Investicijų Valdymas UAB (hereinafter — SB Investicijų Valdymas) <ul style="list-style-type: none"> <li>assets: LTL 24.59 million;</li> <li>nature of activities: investment management activities.</li> </ul>
<b>Legal form:</b> Limited Liability Private Company	<b>Legal form:</b> Limited Liability Private Company	<b>Legal form:</b> Limited Liability Private Company
<b>Registration date:</b> 16/08/1999	<b>Registration date:</b> 13/08/2002	<b>Registration date:</b> 31/08/2000, Vilniaus st.167, LT-76352 Šiauliai
<b>Registrar:</b> State Enterprise Centre of Registers	<b>Registrar:</b> State Enterprise Centre of Registers	<b>Registrar:</b> State Enterprise Centre of Registers
<b>Company code:</b> 45569548	<b>Company code:</b> 45855439	<b>Company code:</b> 145649065
<b>Domicile address:</b> Vilniaus st. 167, LT-76352 Šiauliai	<b>Domicile address:</b> Vilniaus st. 167, LT-76352 Šiauliai	<b>Domicile address:</b> Šeimyniškių str. 1A, 09312 Vilnius
Tel. : +370 41 420 598010, +370 5 272 3015 fax +370 41 423 437 El. paštas <a href="mailto:lizingas@sb.lt">lizingas@sb.lt</a> , <a href="http://www.sblizingas.lt">www.sblizingas.lt</a>	Tel.: + 370 41 525 322, fax +370 41 525 321 E-mail <a href="mailto:turtofondas@sb.lt">turtofondas@sb.lt</a> , <a href="http://www.sbp.lt">www.sbp.lt</a>	Tel.: + 370 5 272 2477 E-mail <a href="mailto:sbiv@sb.lt">sbiv@sb.lt</a> , <a href="http://www.sbp.lt">www.sbp.lt</a>

**Name:****SBTF UAB (hereinafter – SBTF)**

- assets: LTL 40.31 million;
- nature of activities: management, administration of liquid real estate and movable assets and assurance and realization of current activities.

**Legal form:**

Limited Liability Private Company

**Registration date:**

24/11/2004

**Registrar:**

State Enterprise Centre of Registers

**Company code:**

00069309

**Domicile address:**

Vilniaus st. 167, LT-76352 Šiauliai

*Tel.:* + 370 41 525 322,*fax* +370 41 525 321*E-mail* [sbtf@sb.lt](mailto:sbtf@sb.lt), [www.sbp.lt](http://www.sbp.lt)**Name:****Minera UAB (hereinafter – Minera)**

- assets: LTL 42.54 million;
- nature of activities: real estate management activities.

**Legal form:**

Limited Liability Private Company

**Registration date:**

30/09/1992, Vilniaus st.167, LT-76352 Šiauliai

**Registrar:**

State Enterprise Centre of Registers

**Company code:**

21736330

**Domicile address:**

Dvaro st. 123, LT-76208 Šiauliai

*Tel.:* + 370 41 399 423,*fax* +370 41 399 423*E-mail* [info@minera.lt](mailto:info@minera.lt), [www.sbp.lt](http://www.sbp.lt),[www.minera.lt](http://www.minera.lt)**Name:****Pavasaris UAB (hereinafter – Pavasaris)**

- assets: LTL 54.67 million;
- nature of activities: development of residential apartment area.

**Legal form:**

Limited Liability Private Company

**Registration date:**

25/09/1992, Šiltnamių str. 27, 04130 Vilnius

**Registrar:**

State Enterprise Centre of Registers

**Company code:**

121681115

**Domicile address:**

Jonažolių str. 3-113, 04138 Vilnius

*Tel.:* + 370 5 244 8096,*fax* +370 5 240 1623*E-mail* [info@pavasaris.net](mailto:info@pavasaris.net)[www.pavasaris.net](http://www.pavasaris.net)**Name:****Ūkio Banko Lizingas UAB (hereinafter — ŪB Lizingas)**

- assets: LTL 180.86 million;
- nature of activities: finance lease, consumer lease and consumer credits.

**Legal form:**

Limited Liability Private Company

**Registration date:**

31/09/1997

**Registrar:**

State Enterprise Centre of Registers

**Company code:**

234995490

**Domicile address:**

K. Donelaičio g. 60, 44248 Kaunas

*Tel.* (8 37) 40 72 00,*faks.* (8 37) 40 72 03*El. paštas* [info@ubl.lt](mailto:info@ubl.lt),[www.ubl.lt](http://www.ubl.lt)**Name:****Life Insurance Bonum Publicum UAB (hereinafter — Bonum Publicum)**

- assets: LTL 92.23 million;
- nature of activities: life insurance

**Legal form:**

Limited Liability Private Company

**Registration date:**

31/09/2000

**Registrar:**

State Enterprise Centre of Registers

**Company code:**

110081788

**Domicile address:**

Vilniaus str. 28, 01402 Vilnius

*Tel.:* + 370 5 236 27 23*fax* +370 5 236 27 24*E-mail* [life@bonumpublicum.lt](mailto:life@bonumpublicum.lt),[www.bonumpublicum.lt](http://www.bonumpublicum.lt)

**The Bank indirectly controls the following subsidiaries:**

As of 31 December 2014 ŠB Investicijų Valdymas, 100 per cent owned by the Bank, controlled 100 per cent of block of shares of Semelitas and Sandworks. These are the target-focused companies the purpose of which is to manage the particular exhaustive real estate projects. Such form of the projects has been chosen to have more possibilities to realize them.

<b>Name:</b>	<b>Name:</b>
<b>Semelitas UAB (hereinafter – Semelitas)</b>	<b>Sandworks UAB (hereinafter – Sandworks)</b>
<ul style="list-style-type: none"> <li>assets: LTL 6.70 million;</li> <li>nature of activities: real estate management.</li> </ul>	<ul style="list-style-type: none"> <li>assets: LTL 17.59 million;</li> <li>nature of activities: real estate management.</li> </ul>
<b>Legal form:</b>	<b>Legal form:</b>
Limited Liability Private Company	Limited Liability Private Company
<b>Registration date:</b>	<b>Registration date:</b>
10/10/2012, Rūgių str. 12-17, 08430 Vilnius	10/10/2012, Joniškės str. 24G-54, 91266 Klaipėda
<b>Registrar:</b>	<b>Registrar:</b>
State Enterprise Centre of Registers	State Enterprise Centre of Registers
<b>Company code:</b>	<b>Company code:</b>
302894865	302896357
<b>Domicile address:</b>	<b>Domicile address:</b>
Šeimyniškių str. 1A, 76208 Vilnius	Šeimyniškių str. 1A, 76208 Vilnius
<i>Tel.:</i> +370 615 34251	<i>Tel.:</i> +370 615 34251

As of 31 December 2014 the Bank had the following subsidiaries held for sale:

- subsidaries engaged in real estate development activities acquired under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas: Sporto Klubų Investicijos UAB, Trade Project UAB, Investicinio Turto Valdymas UAB, ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB, Žalgirio Sporto Arena UAB, Nacionalinis Futbolo Stadionas UAB;
- Kėdainių Oda UAB engaged in leather processing and manufacturing.

As of 31 December 2014 the share of the Bank in all the subsidiaries held for sale comprised 100 per cent. The Bank directly controlled the following subsidiaries held for sale: Sporto Klubų Investicijos UAB, Trade Project UAB, Investicinio Turto Valdymas UAB, ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB. Such companies as ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB controlled by the Bank together controlled 100 per cent of Žalgirio Sporto Arena UAB shares. Žalgirio Sporto Arena UAB controlled 100 per cent of Nacionalinis Futbolo Stadionas UAB shares. Šiaulių Banko Investicijų Valdymas UAB controlled by the Bank controlled 100 per cent of Kėdainių Oda UAB shares.

### 3. STRATEGY OF THE BANK

Implementing its operational strategy, the Bank pays special attention to the financing of small and medium-sized enterprises (SMEs), provides financial services to private and corporate clients and helps them achieve financial welfare and stability. The aim of the Bank is to be a strong Lithuanian bank with advanced banking traditions.

Simplicity, commitment, professionalism and expediency are the main working principles of the Bank, ensuring long-term and mutual trust-based relationships in communicating and cooperating with partners and clients, providing them financial services.

#### MISSION

We come from the same roots. Through provision of financial services we create well-being of Lithuanian people and business, and grow together.

#### OUR VALUES

- Confidence
- Expertise
- Respect
- Responsibility

After taking over part of Ūkio bankas assets and liabilities the Bank completed the process of synergy of two banks in 2014. Refusing its intention to sell the Ūkio banko lizingas UAB and life insurance company Bonum Publicum UAB which previously had taken over from the failed Ūkio bankas the Bank decided to classify them as consolidated subsidiary companies. Thus, it has strengthened its positions in leasing and life insurance markets.

After becoming much more significant and the biggest Lithuanian capital bank, the Bank has successfully solidified its position in Lithuanian financial market and is further expanding its activities with a support of its major shareholder, the European Bank for Reconstruction and Development (EBRD).

## 4. NATURE OF THE BANK'S ACTIVITIES

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 typical activity of commercial banks. The key area of the Bank's activities is focused on lending to small and medium-sized business.

The private and corporate customers are entitled to the following banking services:

- opening and handling of bank accounts in litas (in euro since 1 January 2015) and foreign currency to Lithuanian and foreign clients;
- domestic and international payments;
- collection utility bills and other settlements;
- direct debit services, standing and conditional orders;
- account management on the Internet;
- mobile banking services;
- trading in foreign currencies;
- conclusion of various types 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 Exchanges;
- 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;
- distribution of commemorative coins and numismatic sets, etc.

The Bank's head office is located in Šiauliai. The Bank's network covers major towns and financially active regional centres. As of 31 December 2014, the Bank had 74 customer service points operating in 39 Lithuanian towns.

## 5. 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 International Payment Card Association
- MasterCard Worldwide International Payment Card Organization
- International initiative under the UN – Global Compact
- Association of Lithuanian Banks
- Stock Exchange NASDAQ OMX Baltic
- Association of Lithuanian Financial Brokers
- Lithuanian Business Employers' Confederation (centre and Utena)
- 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
- Mažeikiai Association of of Entrepreneurs
- Šilalė Association of of Entrepreneurs
- ISACA
- Kelmė Association of of Entrepreneurs
- Tauragė Association of of Entrepreneurs
- Association of HR Professionals

## 6. AUTHORIZED CAPITAL AND SHAREHOLDERS OF THE BANK

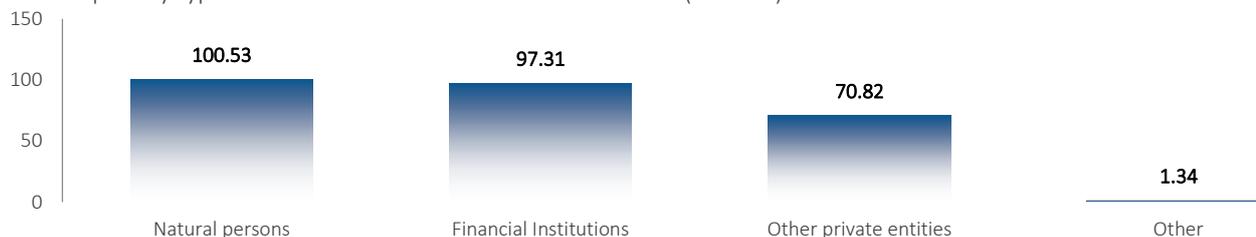
The authorized capital of the Bank is LTL 270,000,000. The amendments of the Charter related to the capital increase were registered at the Register of Legal Entities on 03 June 2014.

65.21 per cent of the authorized capital belongs to the undertakings and private persons registered in Lithuania. The major shareholder of the Bank - the European Bank for Reconstruction and Development (EBRD) owns 19.57 per cent of the Bank's shares.

The Bank's authorized capital increased by LTL 89.64 million over the five recent years: LTL 54.5 million was raised from the additional shareholders' contributions and LTL 35.14 million from the Bank's own funds.

	14/05/2008	22/06/2010	04/08/2011	31/05/2013	03/06/2014
Capital, LTL	180,357,533	204,857,533	234,857,533	250,000,000	270,000,000

Authorized capital by types of shareholders as of 31 December 2014 (LTL mln):

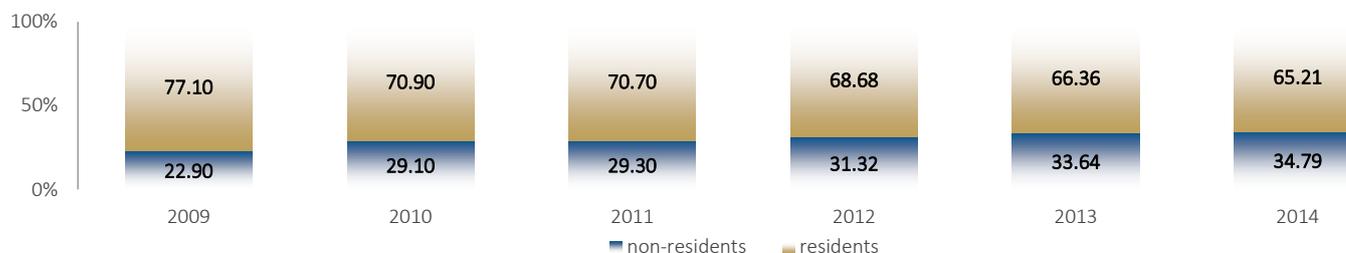


Structure of the Bank's authorized capital:

Type of shares	Number of shares	Total nominal value, LTL	Total nominal value, LTL
Ordinary registered shares, ISIN LT0000102253	270,000,000	1	270,000,000

All issued shares grant the shareholders equal rights under the Law on Companies of the Republic of Lithuania and the Charter of the Bank.

A share of capital managed by the Bank's shareholders by the place of residence (per cent)



The Bank's shareholders are entitled to the following property rights:

- to receive a share of the Bank's profit (dividend);
- to receive the Bank's funds when the authorized capital of the Bank is reduced seeking to pay the Bank's funds to Shareholders;
- to receive the shares free of charge in case the authorized capital is increased from the Bank's funds, except the cases, provided in the laws;
- in case the shareholder is a natural person - to bequeath 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;
- the pre-emptive right to acquire the shares issued or converted bonds of the Bank, except the case when the Meeting decides to cancel this right to all the shareholders;
- to lend to the Bank in the ways, prescribed in the laws. However, the Bank, borrowing from its shareholders, is not entitled to mortgage its assets for the shareholders. In the case the Bank borrows from its shareholder, interest rate cannot exceed the average interest rate of the commercial banks, located in the living or business place of the lender, valid on the moment the loan agreement was concluded. In such case the Bank and the shareholders are prohibited from making an agreement regarding higher interest rate;
- other property rights, provided in the laws.

Persons who are the shareholders of the Bank at the end of the tenth business day following the date of the General meeting of Shareholders having adopted respective resolution, i.e. at the end of the day of accounting of rights, have the rights to dividends, free shares and pre-emptive right to gain the shares issued by the Bank.

The Shareholders of the Bank have the following non-property rights:

- to participate in the General meeting of shareholders;
- to vote in the Meetings according to the rights, granted by the shares;
- to submit the questions to the Bank related to the agenda issues of the General meeting of shareholders in advance;
- to receive information on the Bank, as provided for in the Law on Companies;
- to apply to court with the claim, asking to compensate the loss, made to the Bank, that has occurred because of failure to execute obligations, provided for in the laws and present Charter, duly or their omission by the Head or Board members of the Bank, as well as in other cases, provided for in the laws;
- to authorize a natural or legal entity to represent him in relationship with the Bank or other persons;
- Other non-property rights, provided in 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 2014 are as follows:

Shareholder	Number of shares under the right of ownership, units	Share of authorized capital under the right of ownership, %	Share of votes under the right of ownership, %	Share of votes together with the related persons, %
European Bank for Reconstruction and Development (United Kingdom)	52,843,282	19.57	19.57	42.26
Gintaras Kateiva (Lithuania)	16,853,868	6.24	6.24	42.26

Shareholders of the Bank that have signed shareholders agreement - European Bank for Reconstruction and Development, Trade House Aiva UAB, Mintaka UAB, Company Group Alita AB, Algirdas Butkus, Arvydas Salda, Sigita Baguckas, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Kastytis Jonas Vyšniauskas,- and shareholders related to them, votes of which are calculated together based on the legal acts of Republic of Lithuania, form a group of acting together shareholders. As of 31 December 2014, this group possessed 42.26 percent of the authorised capital and votes of the Bank.

**There no restrictions set to transfer of the securities.** The shareholders are entitled to property ad non-property rights and have the duties defined in the Law on Companies of the Republic of Lithuania and the Charter of the Bank.

**The shareholders entitled to exclusive 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 Exercise the Voting Right.** All the issued shares of the Bank are ordinary registered shares of LTL 1 nominal value. Each share grants one voting right at the Bank's 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 Bank's General Meeting of Shareholders.

**Taxation of capital gains.** According to the recast of article 17 of the Law on Income Tax of Individuals of the Republic of Lithuania which came in force on 01 January 2014, income gained from the securities sold or transferred to ownership otherwise are exempt from the residents' income tax if a difference of income from the sold financial instruments or from other transfer to ownership or from realization of financial derivatives and the initial purchase price of these financial instruments and other costs related to their sales or to other types of their transfer to ownership as well as to realization of financial derivatives does not exceed LTL 10,000 per tax period. Difference exceeding LTL 10,000 per tax period shall be subject to taxation rate of 15 per cent. The income from the sold securities are taxed at the same rate if a shareholder sells his shares or otherwise transfers them to other ownership of the issuer or when the shares received 2014 from the issuer are sold free of charge (increasing a share capital) or in other cases defined in the Law on Income Tax of Individuals of the Republic of Lithuania.

Following the Profit Law of the Republic of Lithuania the profit which is gained by the legal entities of Lithuania from the sold securities is subject to income tax of 15 per cent from capital gains. Capital gains are such earned income which comprises of the amount by which an asset's selling price exceeds its initial purchase price. The asset's purchase price includes the paid commissions, thus, selling the sales price is reduced by the amount of sales costs. If a legal entity incurs loss from the sales of securities, this loss is transferred to the next tax year, however, it will be covered only from the profit gained from the transfer of securities. Depending on the nature of the company's business, the law foresees different procedures for transfer of securities' loss.

## 7. TRADE IN SHARES OF THE COMPANIES OF THE 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: 270,000,000. Shares of the Bank's subsidiary companies are issued for non-public circulation.

The Bank's shares are included into the OMX Baltic 10 which consists of shares of the 10 most liquid companies of the trading list of the OMX Baltic. Shares issued by the Bank are also 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.

The change of the share price over 2012-2014 (a share price is provided in Euro as trading in shares is carried out in Euro since 22 November 2010):



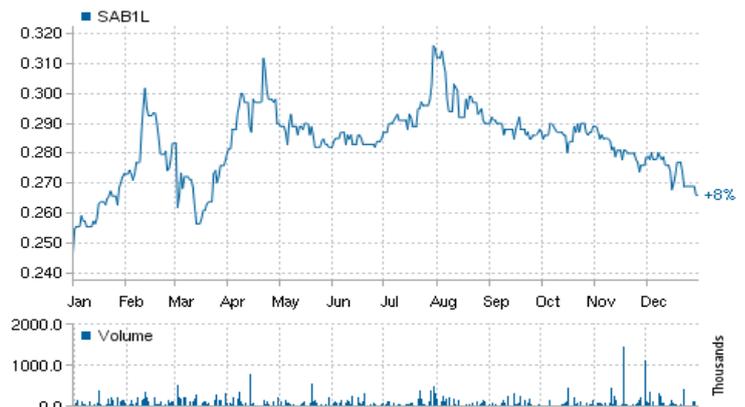
Source: [NASDAQ OMX Vilnius AB website](#)

Turnover and price of the Bank's shares over the period of 2012 -2014:

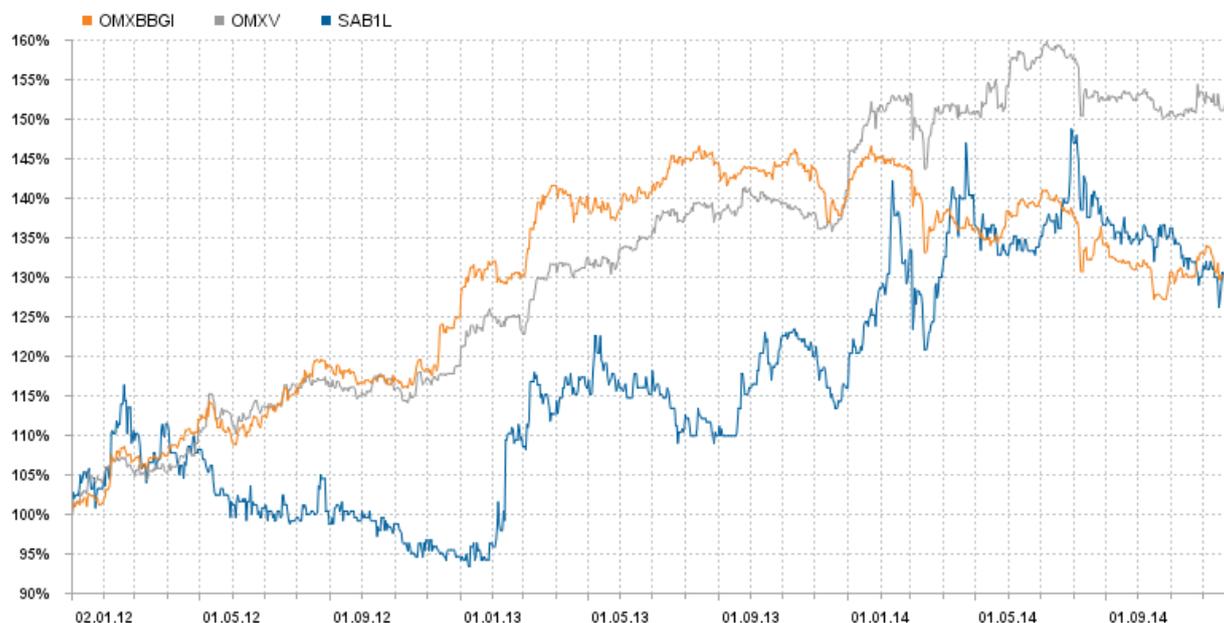
Year	Last trading session price, EUR	Max. price, EUR	Min. price, EUR	Average price, EUR	Number of shares, units	Turnover, EUR mln
2012	0.231	0.285	0.230	0.256	11,106,241	2.48
2013	0.266	0.310	0.227	0.266	20,496,506	5.45
2014	0.266	0.331	0.266	0.290	28,107,139	8.15

Turnover and price of the Bank's shares over the accounting year (EUR):

Source: [NASDAQ OMX Vilnius AB website](#)



The charts of the share price changes of OMX Vilnius index, OMX Baltic Benchmark and Bank's shares during the period of 2012-2014 are provided below:



The Chart's data:

Index/Shares	01/01/2012	31/12/2014	+/-, %
OMX Baltic Benchmark GI	431.94	566.56	31.17
OMX Vilnius	298.78	452.42	51.42
SAB1L	EUR 0.213	EUR 0.266	24.82

Source: [NASDAQ OMX Vilnius AB website](http://NASDAQ OMX Vilnius AB website)

As of 31 December 2014 the Bank's capitalization was LTL 247.98 million (EUR 71.82 million) and as of 31 December 2013 it comprised LTL 229.61 million (EUR 66.50 million).

The capitalization the Bank and the total capitalization of shares quoted on the NASDAQ OMX Vilnius AB as of the last trading day of 2013 and 2014 is provided below:

The list of the Baltic shares	31/12/2013	31/12/2014	Change
Šiaulių bankas – SAB1L	EUR 66,500,000	EUR 71,820,000	8.00 %
The Baltic regulated market in total	EUR 5,731,270,188.87	EUR 5,853,752,058	2.14 %

Source: [NASDAQ OMX Vilnius AB website](http://NASDAQ OMX Vilnius AB website)

Price/Earnings (P/E) indicator of the Group:

Indicator	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014
P/E	negative	14.10	13.29	11.48	5.74

## 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 others over the reporting period. The shares to those employees who in compliance with the Bank's Remuneration Policy should receive the shares are purchased at the NASDAQ OMX Vilnius stock exchange on behalf of the group by the joint order which is covered from the Bank's funds.

## 9. AGREEMENTS WITH INTERMEDIARIES IN PUBLIC CIRCULATION OF SECURITIES:

The Bank's Securities Accounting Department is in charge of accounting of the securities issued by the Bank.

To execute and account other transactions with securities the Bank has entered into agreements with the following intermediaries in public circulation of securities:

- with the BankasFinasta AB - Investment service provision agreement;
- with the Lithuanian branch of Danske Bank A/S - Investment service provision agreement.
- with DnB Bankas AB - Agreement regarding management of financial instrument account and execution of orders.
- with Swedbank AB - Agreements of securities account management and brokerage.
- with SEB bankas AB - Agreements of securities account management.
- with the bankCredit Suisse- Order transfer and execution agreement.
- with Raiffeisen Bank International AG - Agreements of securities account management and brokerage.

## 10. INFORMATION IN COMPLIANCE WITH THE PRUDENTIAL REQUIREMENTS SET TO THE BANK

During the reporting period the Bank complied with all the prudential requirements stipulated by the Bank of Lithuania. Detailed information is provided in the Financial Risk Management disclosure in sections to the financial statements for the year ended 31 December 2014.:

- maximum exposure per borrower - section 1.8;
- liquidity ratio – section 3.1;
- requirements for own funds – section 8.

## 11. RISK MANAGEMENT

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

The risk management policy is confirmed by the Bank's Supervisory Council and its implementation controlled by the Board of the Bank. It specifies the risks incurred in the activities of the 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 among the key preconditions for the 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 particular risks and ensure the integrity of the risk management process throughout the Group. The Group revises its risk management policies and systems regularly, at least once a year, with regard to market changes, new products, and newly applied principles best practices.

Risk management is a structured, consistent and on-going process taking place in all levels of the Group which assists establishing and assessing possibilities and threats affecting the achievement of the Group's goals and allows making decisions with respect to certain actions. Since various risks encountered by the Group are interdependent, their management is centralized and performed by the Bank's Risk Management Committee. Organization and coordination of the experienced risk management system is one of the main goals of the Bank's Risk Management Committee. Seeking to avoid the conflict of interest, the Bank's units performing the risk management functions are separated from the units, the direct performance of which are related to the emergence of various types of the banking activity risks.

Internal Capital Adequacy Assessment Process (ICAAP) is one of key elements in the Group's risk management and decision-making. The purpose of the Group's ICAAP is to implement the processes ensuring calculation of the requirement of the Group's capital sufficient to cover the activity risks and to ensure the continuity of the performance as well as appropriate formation of the capital base. ICAAP includes the Bank's self-assessment, stress testing and establishment of the internal capital requirement. During the internal self-assessment risks that are characteristic to the Group's activities are identified and evaluated applying selected methods of assessment. An impact of a certain risk on the Group's income and capital is assessed while determining the level of risk. The major goal of the stress testing is to establish if the Group's capital is adequate to cover the likely loss which could be incurred from the deterioration of the Group's financial status.

The more detailed information is provided in Detailed information is provided in the *Financial Risk Management* disclosure in sections to the financial statements for the year ended 31 December 2014.

- Credit risk management – section 1;
- Market risk management – section 2;
- Foreign exchange risk management – section 2.1.;

- Interest rate risk management – section 2.2.;
- Liquidity risk management – section 3 ;
- Operational risk management – section 6;
- Capital management – section 8.

## 12. RATINGS ASSIGNED BY THE INTERNATIONAL AGENCIES

The credit rating agencies are registered and certified in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. The credit rating of the Bank is determined by the international rating agency Moody's Investors Service LTD, the licence of which was updated on 31 October 2011.

The international rating agency Moody's Investors Service updated the rating of Šiaulių Bankas on 20 March 2013 as follows:

Long-term credit rating	B1
Short-term credit rating	NP
Financial strength rating	E+
Rating outlook	developing

\*2015 Moody's Investors Service, Inc. and/or its licensors and affiliates (MOODY'S). All rights reserved.

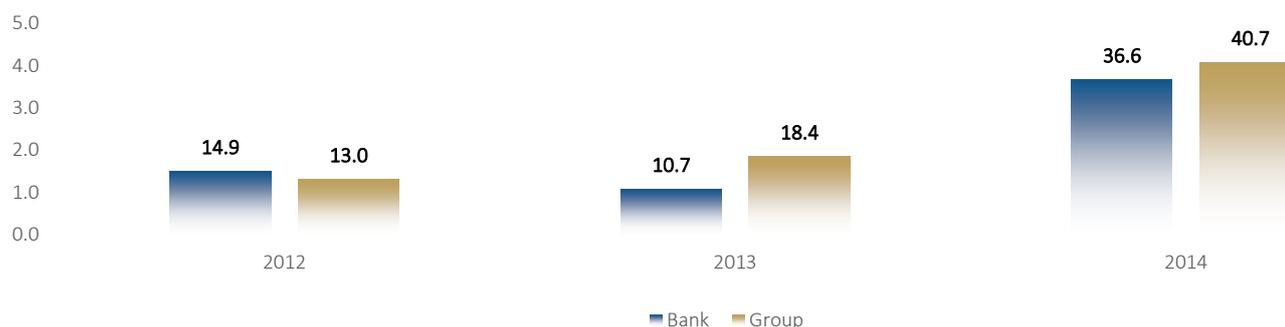
## 13. INFORMATION ON THE RESULTS OF PERFORMANCE

Though financial status of corporate and private customers improved in 2014, the demand for credits was not high. This was influenced by increased geopolitical tensions between Russia and Ukraine. In this context, corporate customers remained cautious while making investment and investment financing decisions and mainly used some internal or alternative sources instead of banks' credits.

In October 2014 the Bank refused its intention to sell the Ūkio banko lizingas UAB and life insurance company Bonum Publicum UAB, which previously had been acquired from the failed Ūkio bankas and so far listed as held for sale, and decided to classify them as consolidated subsidiary companies. The remaining companies acquired from Ūkio bankas are still included in the list of subsidiaries held for sale.

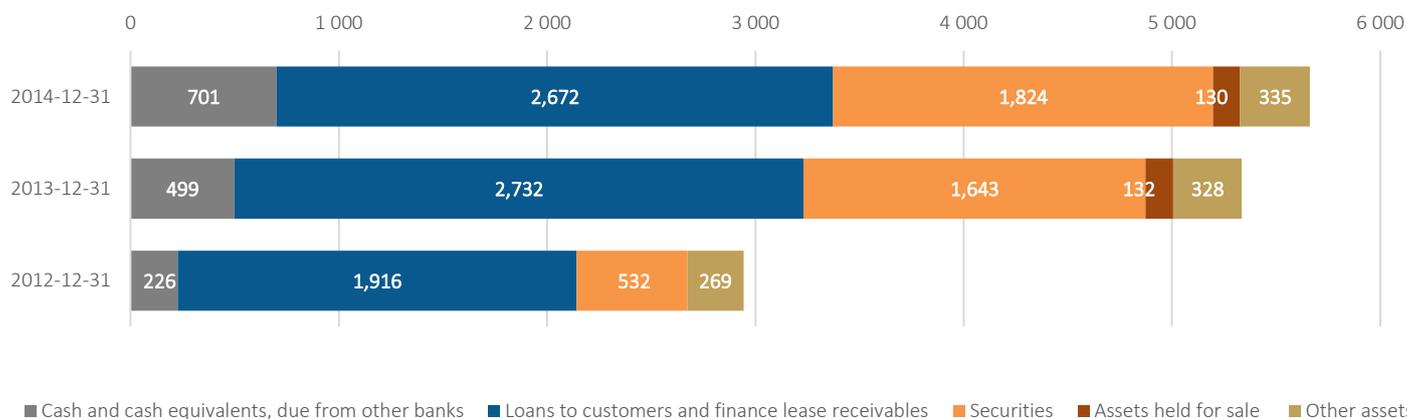
The prevailing uncertain geopolitical situation in 2014 did not stop the Group from achieving good performance results. Both the Group and the Bank had been continuously growing and doubled their performance results. In 2014 the Group generated net profit of LTL 40.7 million, which 2.2 times exceeded the result achieved in 2013 when the net profit amounted to LTL 18.4 million. The net profit of the Bank amounted to LTL 36.6 million in 2014, i.e. 3.4 times more than in 2013 when the profit reached LTL 10.7 million. Operating profit before impairment losses of the Group increased by 66 per cent while the operating profit before impairment losses of the Bank increased by 83 per cent in comparison with 2013.

Dynamics of the Bank and the Group's net profit in 2012-2014, LTL mln

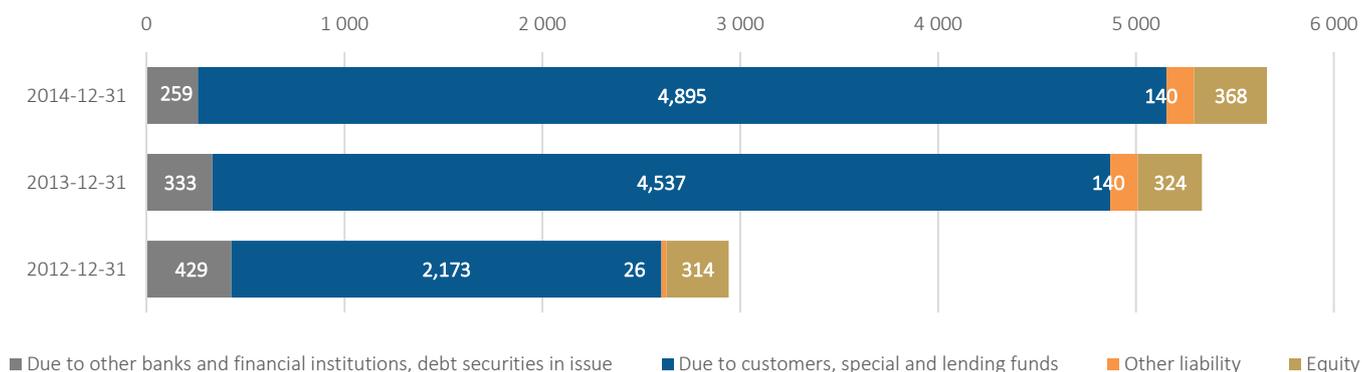


The Group's assets grew by more than 6 per cent up to LTL 5.7 billion over the year. On-going tension caused by the conflict between Russia and Ukraine as well as further uncertainty led to decline in lending volumes. The loan portfolio of the Group decreased by 1 per cent in 2014 and comprised almost LTL 2.5 billion at the end of 2014.

Free funds invested into securities increased the securities portfolio by 11 per cent, which exceeded LTL 1.8 billion at the end of 2014. More detailed information on the securities portfolio is provided in the notes 12 and 15 to the financial statements for the year ended 31 December 2014.

**Dynamics of the Bank Group's asset structure in 2012-2014, LTL mln**


The amount of funds trusted by the clients to the Bank before the euro adoption increased the deposit portfolio by LTL 358 million or by 8 per cent during the reporting year and reached LTL 4.9 billion late in the year. The deposit placed by private customers grew by 5 per cent while the growth of corporate clients' funds comprised 25 per cent. More detailed information on the deposit portfolio is provided in the note 22 to the financial statements for the year ended 31 December 2014.

**Dynamics of the Bank Group's liability structure in 2012-2014, LTL mln**


Loan to deposit ratio decreased and comprised 55 per cent at the end of 2014 (it comprised 60 per cent in the end of 2013). Among other banks operating in Lithuania, the Bank steadily holds the fourth place both in the loan and deposit markets.

### Dynamics of loan market growth

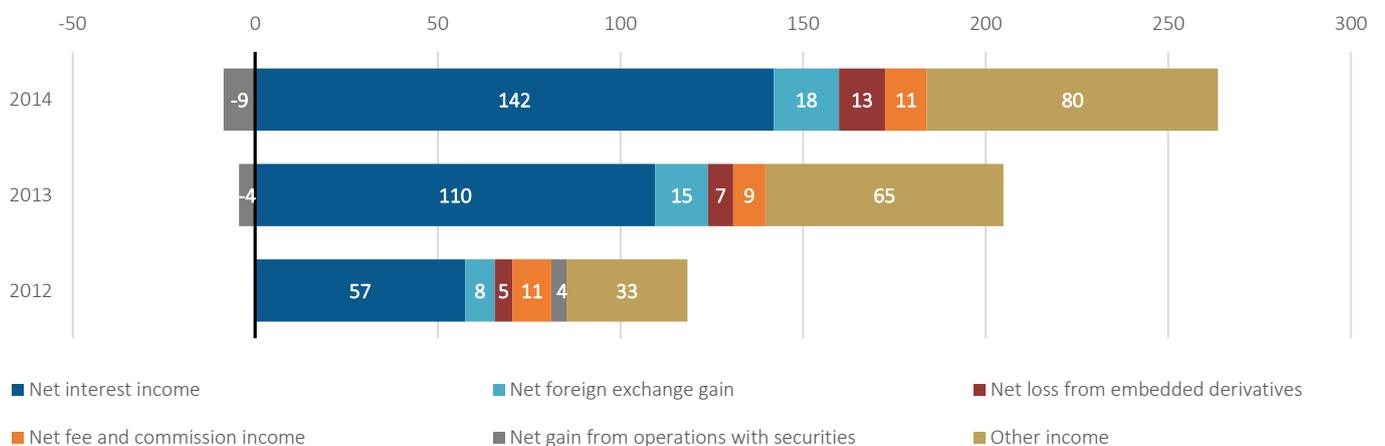


### Dynamics of deposit market growth



Interest income generated by the Group grew by 9 per cent per annum while constantly decreasing costs of the main funding source - term deposits led to 15 per cent reduced interest expenses as compared to 2013. Net interest income increased by 30 per cent comparing to 2013 and amounted to almost LTL 142 million. Growing number of customers and their increasing activity as well as significantly increased number of financial operations resulted in growth of the net fee and commission income - LTL 17.9 million was earned in 2014 which is by 23 per cent more than in 2013. The annual profit from the transactions in foreign currency grew by 86 per cent and comprised LTL 12.6 million.

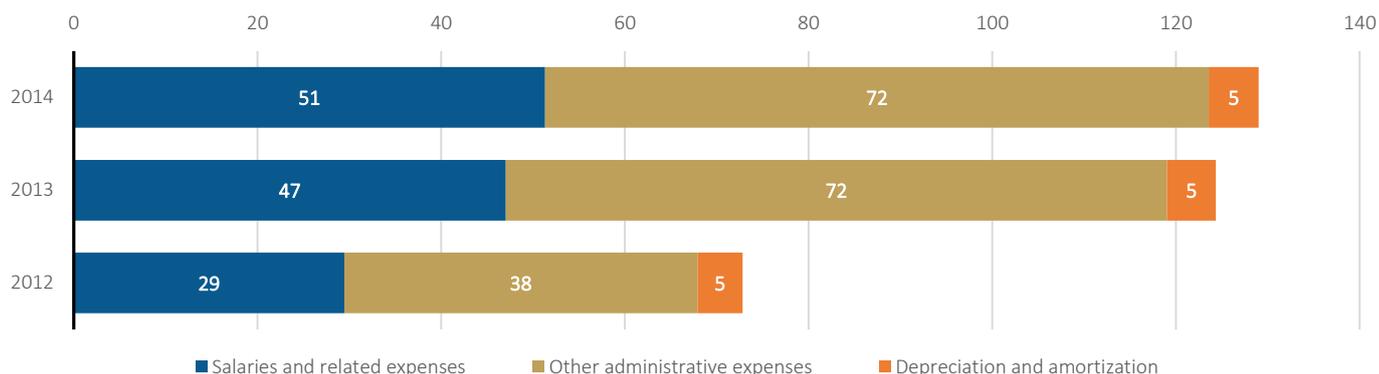
### Dynamics of the Bank Group's operating income structure in 2012-2014, LTL mln



The impairment of assets had a negative impact on the result of the Bank Group's performance. The change in value of the assets of Bank Group as well as of the impairment of loans taken over from Ūkio bankas accounted for LTL 71.7 million of impairment loss over the year. More detailed information on impairment is provided in the note 7 to the financial statements for the year ended 31 December 2014. This was partially compensated by the positive impact of the recoveries of the loans from former Ūkio Bankas customers, which was included in other income of the Group. Including the impact mentioned above, actual impairment loss amounts to LTL 45.9 million over the year.

During the reporting period the Bank Group's expenses grew by 4 per cent - operating expenses amounted to LTL 129 million in total. Almost 40 per cent of operating expenses consisted of salaries expenses, i.e. LTL 51.3 million (38 per cent in 2013). Amortization and depreciation expenses grew only by 1 per cent and comprised LTL 5.4 million. Other operating expenses increased slightly and amounted to LTL 72.3 million over 2014. More detailed information on operating expenses is provided in the note 4 to the financial statements for the year ended 31 December 2014.

#### Dynamics of the Group's operating expenses structure in 2012-2014, LTL mln



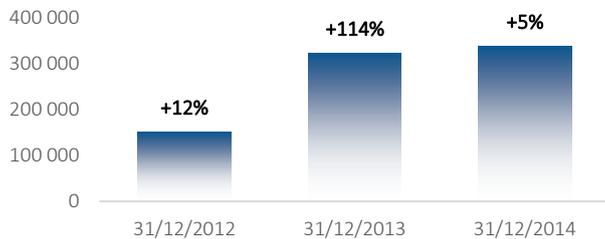
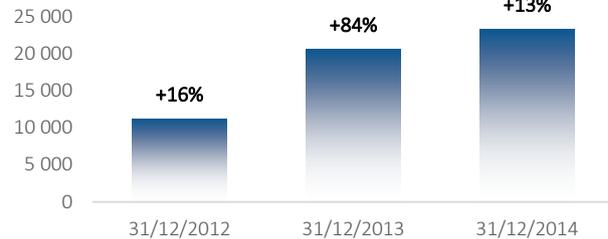
In 2014 increased operating expenses made an impact on the performance ratios of the Group as well. The cost to income ratio decreased by 11.5 percentage points over the year to 50.6 per cent while annual ratios of the return on equity and return on assets had doubled and comprised 11.4 per cent and 0.7 per cent respectively.

		Profitability ratios, %		
		2012	2013	2014
Bank	Cost / income	47.13	52.68	38.74
	ROAA, %	0.52	0.20	0.68
	ROAE, %	4.79	3.36	10.38
Financial group	Cost / income	47.64	52.70	39.65
	ROAA, %	0.54	0.16	0.70
	ROAE, %	4.90	2.65	10.69
Group	Cost / income	61.52	62.05	50.58
	ROAA, %	0.46	0.34	0.74
	ROAE, %	4.24	5.79	11.45

According to the data as of 31 December 2014 the Bank complied with all the prudential requirements set by the Bank of Lithuania:

		Requirements		
		2012	2013	2014
Bank	Capital adequacy	> 8 %	12.81	11.40
	Liquidity	> 30 %	42.78	53.94
	Maximum exposure per borrower	< 25 %	22.33	19.62
Financial group	Capital adequacy	> 8 %	13.00	11.60
	Liquidity	> 30 %	41.53	54.07
	Maximum exposure per borrower	< 25 %	22.04	19.38
Group	Capital adequacy	> 8 %	12.64	11.14

At the end of 2014 the customer service network of the Bank consisted of 74 units operating in 39 towns throughout Lithuania. The number of corporate customers increased by 13 per cent to 23 thousand while the number of private clients grew by 5 per cent to 337 thousand.

**Number of private clients**

**Number of corporate clients**


The Bank's clients could use 230 ATMs belonging to bank's joint network operating in 56 cities and towns throughout Lithuania. At the end of 2014 the Bank's clients could withdraw cash or place their funds to the payment card accounts through more than 2,000 terminals of Perlo paslaugos UAB all over Lithuania.

## 14. ACTIVITY PLANS AND FUTURE OUTLOOK

- Bank will continue to operate in low interest rate environment influenced by geopolitical threats.
- Stable net interest margin will be maintained: downward pressure on loan interest rates and debt securities yield will be balanced by lower costs of main funding source - term deposits.
- Growth of the loan portfolio will be financed by current liquid assets.
- Organic equity growth will be ensured by keeping retained earnings.
- Net fee and commission income lost by the Bank due to Euro introduction will partially compensated by fees from housing Renovation financing programme. .
- Despite very good result from operations with securities in 2014, more conservative assumptions are made for this activity in 2015. Lower expectations on gain from de-recognition of financial assets.
- More attention will be paid to the Bank's marketing activities; it is planned to present the Bank's values, vision and mission as well as to launch an image strengthening campaign related to the Bank's logo.
- Significant investments will be made to the Bank's IT systems, thus, improving the quality of the banking products and expanding the range of services.
- Activities of the companies belonging to the Group will be optimized.

## 15. SOCIAL RESPONSIBILITY

Being a member of the international initiative of Global Compact for the six years already the Bank annually strengthens its performance in the area of social responsibility following the human and labour rights, the principles of environment protection and anti-corruption.

In 2014 the Bank paid exceptional attention to creation and smooth instalment of an efficient employees' assessment system. In order to increase the efficiency of the Bank's activities as well as employees' motivation, the Bank launched an individual assessment of its employees. The employees are encouraged to improve the Bank's various processes and products actively and to share their ideas and knowledge. Various events with the purpose to increase expertise and knowledge were arranged to the Bank's employees and directors of the units. All employees of the Bank and Bank subsidiary companies were invited to the *The Conference of the Bank's Values* (see more in Chapter 22, Employees).

Like every year, on the Bank's birthday occasion much attention was paid to the employees with the longest working experience. They received premiums for the responsible and diligent long-term service and, for the first time, as a sign of respect and gratitude, these workers were granted the Bank's commemorative badges. Quarterly bonuses are paid to the employees in order to encourage them for their professional work, completed projects, significant achievements and initiatives.

The traditional *Summer sports holiday* attracted a few hundreds of employees in 2014. The Bank's employees traditionally, for the tenth year in turn, elected and honoured *A Person of the Year 2014*. The traditional bike ride was arranged to the Bank's staff as well - this time they went to Kurtuvėnai. In autumn, the Bank's employees - travelling enthusiasts visited Rundale, Riga and had a chance to watch a ballet at the Riga's Opera and Ballet Theatre. On the occasion of Christmas, the children of the employees received the gifts from the Bank.

During the reporting period the Bank's representatives participated in inter-bank sports events: volleyball tournament, basketball tournament, where they won the second place, karting championship, where they became champions. Bank's employees team of running enthusiasts as well as individual workers took part in running marathons in Trakai, Vilnius, Riga and Šiauliai, also, some of them competed in track cycling.

Taking care of the employees' health and their well-being the Bank insured all its employees against accidents that could result in employee injury, disability or death worldwide 24 hours per day. Seeking to protect the employees against influenza, the Bank

compensates vaccination of those employees who are willing to. Besides, for several years now the Bank has been promoting healthy nutrition and active lifestyle habits among its employees: the Bank offers partial compensation of gym subscription expenses.

Seeking to improve the quality of client servicing the Bank's organizational structure was supplemented by the Client Servicing Quality Department which worked on the Client Servicing Standard, completed and started applying it in everyday activities in 2014. According to the data received from the survey conducted by the company Dive Lietuva (Slapto Pirkėjo Tyrimai UAB) the above mentioned solutions led to the positive results - comparing the results of the customer servicing quality in the banking sector achieved in 2013 the Bank lifted its position up in the area of the customer servicing quality by almost 20 percentage points in 2014.

In 2014 for the third year in turn the Bank participated in the in *The Junior Colleague* day arranged by *Lithuanian Junior Achievement* during which the Bank's branches in Šiauliai, Tauragė, Kelmė and Panevėžys were visited by half a hundred students of senior classes who wanted to get familiar with the Bank, its performance and career opportunities. In spring the employees of Kelmės branch introduced a banker's profession and Bank's services topical to students during the regional the Students' Economy Olympics organized in the Kelmė adult training centre. In September the Bank was visited by the first-year students of the Social Science Faculty of Šiauliai University. The bankers presented the organization and its performance - the students were told about banking products, principles of finance management, risk management instruments, subtleties of Bank's marketing and personnel management policies, etc. The Bank funded the studies of one student from the Social Science Faculty of Šiauliai University.

For academic achievements and constant striving for improvement in the field of studies the Bank traditionally granted two nominal scholarships to two students of Vytautas Magnus University in 2014.

In 2014 the Bank arranged the highly popular Child deposit campaign, thus, fostering parents and children to take care of their financial stability in the future.

The Bank arranged conferences and seminars to the Bank's existing and potential customers. It also participated in the events organized by other partners where the Bank introduced business funding possibilities as well as other services which could be important to particular business entities. The Bank's representatives participated in the conference *Business Development and Funding. Development Capital* in Vilnius as well as in the seminar *Funding Possibilities to Small and Medium-sized Business. Mission is Possible* in Ukmergė, the services rendered to the farmers were presented during the seminar *Get Farming with Hope* in Raseiniai, business financing opportunities were discussed in the seminar *Start Your Own Business!* arranged by the Tourism and Business Information centre in Ukmergė, the possibilities of cooperation developing joint business projects in Lithuania and Belarus were discussed during the international seminar organized by the Ministry of Economy to the Lithuanian and Belarus business people, the Bank's representatives took part in the economy forum *Economic Development of Šiauliai Region: State's Investments into Business Promotion Ideas* as well as in the event *Verslas Veža*. Particular attention was paid to presentations of renovation projects in various Lithuanian cities.

During the reporting period the Bank provided financial support to such traditional holidays as 1 September in Vilnius, the Sea Festival organized in Klaipėda, birthday event of Šiauliai, Šiauliai Days, Šiauliai Nights, to Anykščiai town festival, the event *Bėk bėk, žirgeli*, tp Klaipėda running event "Amber nautical mile, Marijampole town festival and the harvest festival *Sūduvos kraitė*, to Šeduvos town anniversary, anniversary of Ukmergės gymnasium, jubilee of Ukmergės hospital, Ukmergė town festival, Utena town festival and town's birthday event, to the competition arranged by the Utena Business information Centre intended to encourage business enterprises to grow, as well as construction of the monument to Ch. Frenkel in Šiauliai, to the Šiauliai basketball team, to the Utena College Book *Utena's College. Steps of Time* and to the issue of the book *Strategic Management* published by Vilnius University. Moreover, the Bank was a partner of the Constitution exam arranged by the Ministry of Justice.

In cooperation with the donation portal [www.aukok.lt](http://www.aukok.lt) managed by the public undertaking *Projects of Goodwill* the donations boxes were placed in 66 units of the Bank in 2014. During the half of the year the Bank's customers donated 4431 litas to donations boxes intended for the projects of the mentioned portal.

## 16. DIVIDENDS PAID

The Bank does not have an established procedure for allocation of dividends. The General Shareholders' Meeting annually decides either to pay dividends or not while allocating the Bank's profit.

	2012	2013	2014
Per cent from the nominal value	0.00	0.05	0.00
Amount of dividends per share, LTL	0.00	0.005	0.00
Amount of dividends, LTL	0.00	1,174,288	0.00
Dividends to net profit, %	0.00	7.89	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 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 received since 01 January 2014 are charged by 15 per cent tax, which is deducted and paid to the budget by the Bank in compliance with the applicable orders.

## 17. PRINCIPLES OF INTERNAL AUDIT'S PERFORMANCE

The purposes, functions, organization, rights, duties and responsibilities of the Internal Audit Division are foreseen by the Provisions of the Internal Audit Division 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.

While carrying out its functions the Internal audit Division performs audits in the fields of finance, compliance, operations, governance, information systems and projects. The purpose of Internal Audit is to provide independent and objective assurance and consulting activity, to systematically and comprehensively evaluate and promote the improvement of the Bank's risk management and the efficiency of the internal control system. Also to assist the Bank in achieving its goals by seeking to ensure that the objectives of internal control are achieved at the lowest cost and the functions of internal control are implemented efficiently.

The Internal Audit Division performs its functions by exercising the operational plan for 2015 and the strategic plan for 2015-2017 (both approved by the Internal Audit Committee).

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

- INTEGRITY, i.e., to perform their work honestly, with due diligence, in compliance with the laws, to not participate in any illegal activities, not take any actions, that could discredit an internal auditor's profession and the Bank, to respect lawful and ethical objectives of the Bank and to support their implementation;
- OBJECTIVITY, i.e., to not participate in any activities and not have any relations that harm or might harm their impartiality and would contradict with the Bank's interest, to not accept presents in order 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, to not use the information for their own purposes;
- COMPETENCY i.e., to provide only such services, for the performance of which they possess necessary knowledge, skills and experience, to provide internal audit services in compliance with the International Audit Standards, to improve their qualification on a regular basis, to improve the quality and efficiency of the services.

The Internal Audit division is under the direct control of the Internal Audit Committee and reports to it on a quarterly basis.

The key objectives of the Internal Audit Committee are to supervise the process of the Bank's internal control implementation, the Bank's risk management implementation, efficiency of organizing the internal audit process, the statutory audit process, the Bank's operational compliance with laws and regulations and to ensure the independence of the Internal Audit's performance.

The Bank's Internal Audit Committee consists of 4 members including an independent member of the Supervisory Council. The Internal Audit Committee performs functions foreseen in the provisions of the Internal Audit Committee (approved by the Supervisory Council of the Bank). The Internal Audit Committee reports to the Bank Supervisory Council no less than once a year.

The employees of the Internal Audit Division prepare an inspection programme before each inspection that specifies the purpose, scope and duration of the audit. The inspection programme is approved by the Head of Internal Audit Division. Based on the recommendations and comments made by the Internal Audit Division the Bank's management approves a Plan for eliminating deficiencies and implementing recommendations. The Head of Internal Audit Division based on the significance of the comments and recommendations assigns its employees of the Internal Audit Division to control the implementation of recommendations (monitoring of progress).

The post-audit activities (monitoring of progress) include the elimination of deficiencies identified during the inspection by external auditors and the Bank of Lithuania as well as evaluation of the implementation of recommendations.

On a quarterly basis the Head of the Internal Audit Division provides the Bank's senior management with the information regarding the recommendations submitted after the performed inspections and their implementation.

## 18. EXTERNAL AUDIT

In 2014 the Bank's audit was carried out by the audit company PricewaterhouseCoopers UAB (company's address: J. Jasinskio str. 16B, 01112 Vilnius Tel. (8 5) 300 2392, Fax. (8 5) 301 2392, the company registered on 29/12/1993, No. UJ 93-369, code 111473315). The company was selected after the Board interviewed a number of international audit companies and discussed their offers. The selection

of the audit company is based on the reputation risk, the price of service and other factors. On 28 March 2014 the Bank's General meeting of shareholders passed a resolution to elect PricewaterhouseCoopers UAB to audit the Bank's annual financial statements and consolidated annual report for the year 2014 and 2015. The determined price of the audit services to be carried out over 2014 and 2015 should not exceed LTL 150 thousand (excluding VAT) per annum. The same audit company performed the bank's audit for the year 2013. In 2013 the price for the audit services was set at LTL 189 thousand excluding VAT.

In 2014 the audit company received LTL 34 thousand from the Bank for the additional consultations as remuneration for the services not related to the audit. In 2013 the audit company received LTL 60 thousand from the Bank for the additional consultations and for the provided consultations and reports regarding prudential requirements as remuneration for the services not related to the audit.

## 19. TRANSACTIONS WITH RELATED PARTIES

Members of the Supervisory Council and the Board act in the interest of the Bank and its shareholders and avoid any conflict of interest. Any transactions with the executives of the Bank are concluded in accordance with market conditions. The regulation stipulating the work of the Board provides that a member of the Board must avoid any conduct that could cause a conflict of interest. Prior to starting the term of office as the member of the Board, the candidate must reveal to the Bank all the information that could potentially cause a conflict of interest and keep the relevant information constantly updated. Board members abstain from voting and participating in the Board meeting that addresses a question pertaining to his/her activity in the Board or his/her responsibility as well as issues that could be related to the Board member's interest or cases where the absence of the Board member's impartiality could pose any risk.

Each prospective member of the Supervisory Council must inform the General Shareholders Meeting of any occupation and duties exercised as well as details of how such activity is connected with the Bank or other legal entities involved with the Bank.

In the Bank, transactions with the senior management executives are separated from the rest of the transactions by means of technology and the amounts of such transactions are shown in the explanatory note to the financial statements for 2014.

The Bank follows a conflict of interest policy that establishes the requirements for internal procedures and measures that help identify and manage any circumstances that may give rise to a conflict of interest related to the provision of the banking services and specifies the ways and actions to be followed in case such conflicts arise. The policy applies to all Bank employees and executives, including members of the Board and the Supervisory Council. Apart from other measures described in the policy, the person in charge of performing internal control is also responsible for monitoring those financial transactions that could potentially cause a conflict of interest and must immediately report of any instances of procedural violations in writing to the Internal Audit Committee and the Board of the Bank.

More detailed information is provided in the note 30 to the financial statements for the year ended 31 December 2014.

## 20. INFORMATION ON MALICIOUS TRANSACTIONS

During the reporting period, no malicious transactions not meeting the objectives of the Bank, normal market conditions, breaching the shareholders' or other group's interests which have had or will likely have a negative impact on the Bank's performance or activity results. Nor was there any transactions made on the conflict of interest between the Bank's senior management, controlling shareholders or other related parties' obligations to the Bank and their private interests and (or) office.

## 21. ASSESMENT OF INTERNAL CONTROL AND RISK MANAGEMENT

The risk management system of the Group includes the policy of the risk management in the banking activities, individual procedures for management of different types of risks, as well as the internal control system and internal audit.

Seeking to avoid the conflict of interest, the Bank's units performing the risk management functions are separated from the units, the direct performance of which is related to the emergence of various types of the Bank's risks.

Due to the fact the risks experienced by the Bank are interdependent their management is centralized. Arrangement and coordination of the experienced credit risk management system is one of the main goals of the Risk Management Committee.

The risks incurred in the activities of the Group as well as the principles of their management are defined in the Bank's Risk Management Policy. The most important types of risks encountered by the Bank include compliance, concentration, credit, liquidity, operational risks and market risk (interest rate risk, foreign currency risk and securities price risk).

The Bank's Remuneration policy is an integral part of the risk management system. The Remuneration policy is consistent with the Bank's strategy, level of assumed risks, the Bank's objectives, values and long-term vision.

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

Arrangement of the internal control environment management and its monitoring is one of the components of the Bank's operational risk management process. The internal control is integral and continuous part of the Bank's daily activities. It operates in every level of the Bank's management and in each process, its elements are integrated into procedures of each process.

The Head of Compliance has been assigned to bear responsibility for the implementation of the compliance function within the Bank. Other assigned compliance officers are in charge of the implementation of the compliance function in the areas delegated to them. The compliance officers carry out their functions independently. Moreover, all the bank's employees who participate in the internal control system while carrying out their functions are responsible for the compliance within the Bank, i.e. they bear responsibility that all the Bank's employees' actions would meet the requirements set by the laws and other legal acts regulating the Bank's performance.

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

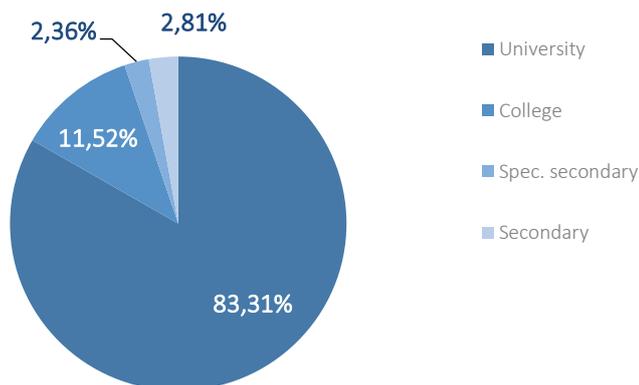
## 22. EMPLOYEES

As of 31 December 2014 the Bank employed 677 staff members. Comparing to 2013 the number of employees at the Bank changed slightly over the reporting period (the Bank had 680 employees as of 31 December 2013).

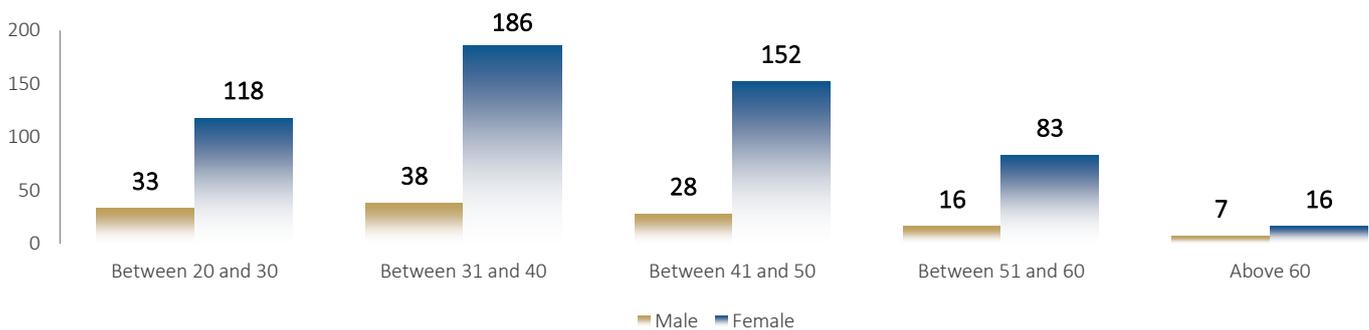
As of 31 December 2014 the Group (except subsidiaries held for sale) had 829 employees (31 December 2013: 895 employees).

83.31 per cent of the total number of the Bank's employees had university education, appr.12 per cent gained college education, 2.81 per cent had secondary education and 2.36 per cent – special secondary education.

### Structure of the Bank's employees education by level of education, 31/12/2014



### Structure of employees by age and gender, 31/12/2014



### Personnel strategy

To create environment that allows attracting and selecting professional and loyal employees who deliver the best results.

### Policy on the Assessment of the Suitability of Members of the Management Body And Key Function Holders

The Policy on the Assessment of the Suitability of Members of the Management Body and Key Function Holders (hereinafter - the Policy) was approved by the Supervisory Council of the Bank on 07 August 2014. The Policy defines an aggregate of assessment principles and processes of suitability of members of the management body and key function holders of the Bank following which the suitability of the Bank's members of the management body and key function holders to perform their duties shall be assessed.

The Policy aims to determine instruments and procedures appropriate to the Bank to be applied for the assessment of the suitability of members of the management body and key function holders to perform their duties as required per resolution No. 03-181 *Regarding confirmation of the provisions of the assessment of the suitability of members of the management body and key function holders of the*

*financial market participant subject to the supervision of the Bank of Lithuania* issued by the Board of the Bank of Lithuania dated 14/11/2013.

The Policy applies to members of the Supervisory Council, members of the Management Board, Chief Executive Officer, Head of Internal Audit Division, directors of the branches.

The suitability to perform the duties shall be evaluated by assessing the following characteristic of Top Manager:

- reputation;
- qualification and experience;
- possible conflict of interests, ability to commit the sufficient time to work at the Bank as well as his/her independence.

#### **Relations with the employees**

The Bank fosters long-term relationships with its employees. At the end of 2014 the percentage of the employees who had been working at the Bank for more than 10 years comprised 26 per cent.

#### **The performance management system**

Seeking to achieve the best activity results and to improve the Bank and the Group management a unified system of the annual performance discussions was launched according to which the heads of units should regularly discuss implemented works and planned projects with their employees. What is more, these discussions also include expectations of an employee towards the Bank and vice versa as well as his/her career possibilities and training needs which could consequently lead to the better Bank's performance results. In 2014, i.e. during the first year of the process implementation, the comprehensive performance discussions were held with the directors and employees working at the Bank's Head office as well as with the directors of branches and customer service units who, in their turn, held such discussions with their employees and agreed on goals to be achieved over 2014 and competences to be assessed next year. In 2015 the system of annual performance discussion will be completely implemented and include all the employees of the Bank and its subsidiary companies.

#### **Customer Service Standard**

The Bank relates its prospects with the highest level of customer servicing standards. For this purpose it approved a new customer servicing standard. The standard aims to create and develop a unified client service culture, increase customers' satisfaction and loyalty, and to train staff's skills in communication and direct client servicing as well as to continually monitor and evaluate the level of customer service and enhance the image of the Bank through the high quality of servicing. In 2014 each employee of the Bank received a book *We and our clients* which defines the standard, reveals client servicing framework and provides concrete examples of communication.

#### **Employee training**

Seeking for the successful implementation of the performance management more than 70 directors of the Bank and its subsidiary companies participated in the seminars *Discussions on Annual Performance* conducted by the external consultants in spring of 2014.

In 420 employees of the Bank including specialists and heads of the subsidiary companies involved in customer servicing took part in the seminars on the customer servicing standard.

Almost six hundred employees of the Group participated in the Conference of the Bank's Values in December. They had a chance to listen to evaluation from the point of view of the Bank's customers, to observe the heads' discussion and insights on the values and mission of the Bank, as well as to express their own opinion on what is important for each employee and how they see the Bank in the future. The conference participants had an opportunity to listen to the famous people from Lithuania.

Forty employees of the Bank and the Group responded to the invitation to become the ambassadors of values - they participated in the introductory training on the changes and concept of values. In the coming years these people will foster the values educed during the conference.

In preparation for euro adoption the employees participated in seminars organized by the Bank of Lithuania. During the reporting period the trainings on innovation in the field of banking products and their implementation, prevention, investments and other relevant topics were conducted by the Bank's specialists to the customer service officers.

The Bank's top management participated in trainings organized by the Baltic Institute of Corporate Governance.

The most promising employees from the Bank's branches received funding for participation in the training *Financing of small and medium-sized business* which took place in Luxembourg.

In 2014 the directors of the Head office departments and the employees participated in various events and trainings depending on the character of their work both in Lithuania and abroad.

#### **Opportunities of apprenticeship**

The Bank is always open to the high school students who are willing to have their apprenticeship there. Every year taking students of the various study programmes for the apprenticeship, the Bank provides an opportunity for future labour market participants to gain necessary experience, knowledge, and contributes to formation of their job skills by organizing their training in the workplace. Those students who performed well during their apprenticeship and are willing to relate their career with the banking in the future are invited to join the Bank team after their studies. In 2014 more than 70 students had their apprenticeship at the Bank.

#### **Motivation**

The Group applies various motivation measures to stimulate the employees. The employees receive bonuses on a quarterly basis for the implementation of targets set by the Bank and individual outlets as well as for individual goals. Each year the Bank holds traditional election of the Person of the Year as well as sports and leisure event of the Bank in summer. Careful treatment of the staff, their insurance against the accidents, preventive healthcare, pay-outs in case of accident in the employee's family, presents on personal occasions, bonuses to the employees with the longest work experience on the occasion of the Bank's birthday and partial coverage of the gym memberships are the additional benefits provided by the Bank to its employees. The Bank's employees' sports teams are known for their achievements in basketball, volleyball and karting interbank tournaments.

The monthly average salary of the appropriate group of employees before taxes:

Employees' Team	2010		2011		2012		2013		2014	
	Average number of employees	Average monthly salary, in LTL	Average number of employees	Average monthly salary, in LTL	Average number of employees	Average monthly salary, in LTL	Average number of employees	Average monthly salary, in LTL	Average number of employees	Average monthly salary, in LTL
Management	8	14,910	12	23,568	11	24,207	11	29,228	11	33,724
Officers	441	1,967	418	2,476	411	2,780	609	2,925	632	3,240

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.

### 23. 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 applies the Remuneration Policy approved by the Bank's Supervisory Council on 02 May 2013.

#### RELATION BETWEEN REMUNERATION AND ACTIVITY RESULTS

The Bank uses the following elements of the remuneration system:

- the fixed official pay stipulated in the labour contract;
- variable remuneration (quarterly bonuses and annual bonuses to the employees in the positions which can materially impact the risk assumed by the Bank);
- lump-sum payments/ benefits (payments not associated with the Bank's results);
- other benefits.

Alongside with other factors (the specifics of the labour market and sector, employee's professional qualification, experience, etc.), the principles of remuneration establishment are also related with the employee's performance results. It means that the results of the annual performance evaluation of the employee are taken into consideration while establishing individual salaries and amounts of the variable remuneration.

#### The criteria for assessment of performance results, correction of remuneration in compliance with the risks, criteria of remuneration assignment and deferment principles

While assessing the achievement of the set out objectives, the quantitative and qualitative criteria are taken into consideration. While evaluating the employee's achievements, not only the achievement level of the set out personal objectives, financial results of the outlet but also non-financial/non-quantitative contribution, i.e. relations with customers, colleagues, compliance with the standards, implementation of the internal regulations, policies and procedures, pro-activeness, responsibility, improvement of activities, etc are taken into consideration.

In compliance with the requirements set out the Bank of Lithuania, the Remuneration Policy provides the list of employees whose professional performance and passed resolutions may have a significant impact on the risks assumed by the Bank. As of 31 December 2014, a total of 20 employees of the Bank and 5 employees of SB lizingas were included into the mentioned category (as of 31 December 2013, also 21 employees of the Bank and 5 employees of SB lizingas).

The variable remuneration can be decreased or not paid if the Bank's performance results do not comply with the indicators foreseen in the strategy or in case when the Bank is operating at a loss.

A deferred portion of variable pay is adjusted (reduced) in case when the Bank's Management Board and the Bank's supervisory authority established any of the following events:

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

Given the possible risks related to the assessed annual results of the employee whose professional performance may have a significant impact on the risks assumed by the Bank, payment of not less than 40 % of the variable remuneration is subject deferment, paying it

out in equal shares during the period of 3 years. 50 % of the variable remuneration which is paid out immediately and of the deferred remuneration is paid in the form of the Bank's shares, which are subject to three-month period of transfer restriction.

**The criteria of assessment of performance results which serve as the basis for the right to the bank's shares, financial instruments relating to the shares, other integral parts of the variable remuneration**

The right to the Bank's shares as a share of the variable remuneration is based on the same criteria of the assessment of the performance as to the monetary share.

**The process of decision-making, defining and reviewing the policy principles, including the information on the remuneration committee (composition and authorisations), 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 external consultants have not been used while preparing the Remuneration Policy.

The composition of the Remuneration Committee was approved by the Supervisory Council of the Bank on May 2, 2013. The Remuneration Committee is authorised to the following:

- competently and independently evaluate the variable remuneration principles which are a part of the Remuneration Policy,
- supervise the variable remuneration of the management personnel responsible for the risk management and control of compliance,
- prepare draft resolutions on the variable remuneration which are subject to the adoption by the Bank's Supervisory Council, taking into account the long-term objectives of the Bank's shareholders and investors,
- provide proposals on the principles of the variable remuneration and creation and application of the models of calculation,
- perform other functions needed for improvement, assessment and supervision of the Remuneration Policy of the Bank and its efficiency.

**The general quantitative information about remuneration in terms of business areas**

No business areas are distinguished within the Bank.

**The general quantitative information about remuneration to employees, distinguishing the management of the bank. The total amounts of the fixed and variable remuneration and the number of recipients**

The Bank's data not assessing the payments to "Sodra" and guarantee fund (LTL, thou):

2014	Fixed portion of remuneration	Deferred portion of variable remuneration	Number of beneficiaries
The senior management (members of the Board)	2,480	637	7
Employees	23,189	2,872	636
Total:	25,669	3,509	643
2013	Fixed portion of remuneration	Deferred portion of variable remuneration	Number of beneficiaries
The senior management (members of the Board)	2,462	323	7
Employees	21,012	2,338	613
Total:	23,474	2,661	620

SB lizingas data not assessing the payments to "Sodra" and guarantee fund (LTL, thou):

2014	Fixed portion of remuneration	Deferred portion of variable remuneration	Number of beneficiaries
The senior management (members of the Board)	512	76	5
Employees	1,115	107	36
Total:	1,627	183	41
2013	Fixed portion of remuneration	Deferred portion of variable remuneration	Number of beneficiaries
The senior management (members of the Board)	427	64	5
Employees	1,129	92	38
Total:	1,556	156	43

The amounts of variable remuneration for 2013 split into monetary pay outs, pension contributions, Bank's shares, financial instruments related to the Bank's shares, other financial or non-monetary measures.

The Bank's data:

**Portion of variable remuneration:**

Monetary payments	440 thou LTL
Bank's shares	417 thou units
Pension contributions	-
Financial instruments related to shares	-
Other financial or non-monetary measures	-

SB lizingas data:

**Portion of variable remuneration:**

Monetary payments	45 thou LTL
Bank's shares	48 thou units
Pension contributions	-
Financial instruments related to shares	-
Other financial or non-monetary measures	-

The amounts of outstanding deferred variable remuneration for 2011-2013 split to assigned and non-assigned parts.

The Bank's data:

**Deferred portion of variable pay**

Monetary payments	320 thou LTL
Shares	359 thou units

SB lizingas data:

**Deferred portion of variable pay**

Monetary payments	34 thou LTL
Shares	38 thou units

**The amount and number of recipients of the guaranteed variable remuneration as foreseen by the new agreements and payments relating to the termination of the agreement over the financial year**

The guaranteed variable remuneration is not foreseen.

**Assignment of payments relating to the termination of the agreements over the financial year, the number of recipients and the biggest amount assigned per person**

In 2014, the Bank terminated a labour contract with one member of the senior management of the Bank. For this reason and in accordance with the confidentiality, a specific amount cannot be specified.

**The reasons and criteria of assignment of the share 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 non-cash variable remuneration can be assigned only in the form of the Bank's shares and only to those Bank's employees whose professional activities can have a significant impact on the risks assumed by the Bank.

**Other information which, in the bank's opinion, is significant**

The outstanding amounts of the deferred share of the variable remuneration, divided into assigned and non-assigned shares to the employees; the amounts of the deferred variable remuneration assigned over the financial year, paid out and corrected in accordance with the results of performance are disclosed after their payment, i.e. after the general meeting of the Bank's shareholders together with the interim report for the year 2015.

## 24. MEMBERS OF THE COMMITTEES OF THE BANK, AREAS OF THEIR ACTIVITIES

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 Management Board or Supervisory Council of the Bank.

- 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 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. Following the laws and legal act if the supervisory authority 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 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 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.

Information on the members of the committees as of 31 December 2014:

Name, surname	Beginning / end of tenure	Share of capital under the right of ownership, %	Employer
<b>Internal Audit Committee</b>			
Ramunė Vilija Zabulienė	29/03/2012 / 2016	0.00	Public Undertaking ArsDomina
Sigitas Baguckas	29/03/2012 / 2016	0.65	Namų Statyba UAB
Vytautas Junevičius	29/03/2012 / 2016	0.13	-
Rimantas Purtulis	29/03/2012 / 2016	0.10	Certificate of the Lithuanian resident for individual activity
<b>Risk Management Committee</b>			
Donatas Savickas	29/05/2012 / operating on a continuous basis	0.08	Šiaulių Bankas AB
Jolanta Dūdaitė	29/05/2012 / operating on a continuous basis	0.00	Šiaulių Bankas AB
Pranas Gedgaudas	29/05/2012 / operating on a continuous basis	0.02	Šiaulių Bankas AB
Morena Liachauskienė	29/05/2012 / operating on a continuous basis	0.00	Šiaulių Bankas AB
Edas Mirijauskas	12/03/2014 / operating on a continuous basis	0.01	Šiaulių Bankas AB
<b>Loan Committee</b>			
Vytautas Sinius	27/03/2012 / operating on a continuous basis	0.09	Šiaulių Bankas AB
Edas Mirijauskas	27/03/2012 / operating on a continuous basis	0.01	Šiaulių Bankas AB
Danutė Gaubienė	27/03/2012 / operating on a continuous basis	<0.01	Šiaulių Bankas AB
Daiva Kiburienė	27/03/2012 / operating on a continuous basis	0.08	Šiaulių Bankas AB
Aurelija Geležūnė	27/03/2012 / operating on a continuous basis	0.01	Šiaulių Bankas AB
Giedrius Sarapinas	27/03/2012 / operating on a continuous basis	0.01	Šiaulių Bankas AB
Donatas Savickas	27/03/2012 / operating on a continuous basis	0.08	Šiaulių Bankas AB
<b>Remuneration Committee</b>			
Gintaras Kateiva	02/05/2013 / operating on a continuous basis	6.24	Litagra UAB
Živilė Skibarkienė	09/05/2011 / operating on a continuous basis	0.07	Šiaulių Bankas AB
Pranas Gedgaudas	13/08/2012 / operating on a continuous basis	0.02	Šiaulių Bankas AB
Ernesta Laurinavičienė	09/05/2011 / operating on a continuous basis	0.00	Šiaulių Bankas AB

## 25. MANAGEMENT BODIES OF THE BANK

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 (hereinafter - Head of the Bank).

General Meeting of Shareholders takes place annually, within three months after the end of fiscal year. The shareholders, having no less than 1/10 of all the votes, as well as the Board and Council have an initiative right of convening the meeting. The Law on Companies specifies the cases when a general meeting can be convened by other persons. General Meeting of Shareholders is organized, voting is carried out and resolutions passed in compliance with the Law on Companies. If the meeting cannot take place due to lack of a quorum (more than ½ of the total votes), the re-convened meeting of shareholders with the valid agenda of the previous meeting shall be summoned.

### 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 Supervisory Council of the Bank** is a collegial body supervising the activities of the Bank. The Supervisory Council is directed by its Chairman. The Supervisory Council consisting of eight members is elected by the General Meeting of Shareholders for a term of four years. The initiators of the Meeting or the shareholders holding shares that grant at least 1/20 of the votes shall have the right of proposing the members of the Supervisory Council. The candidates are proposed before the Meeting or during such Meeting. Each candidate to the Supervisory Council's members shall inform the Meeting about his current capacity and how his activities are related to the Bank or to other legal entities associated with the Bank. While electing the Supervisory Council's members each shareholder shall have such number of votes which is equal to the product of the numbers of votes granted to him by the shares owned and number of the Supervisory Council's members to be elected. These votes are allocated by the shareholder at his own discretion - for one or several candidates. The candidates who receive the biggest number of votes are elected. 1 independent member is elected to the current tenure of the Supervisory Council. In accordance with the Bank's Charter the number of tenures of the Council member is not limited.

### The functions of the Supervisory Council are as follows:

- 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 Supervisory Council's 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 Supervisory Council's competence according to the orders, approved by the Supervisory Council; such order shall be adopted by the Council following the laws, this Charter or resolutions of the General Meeting of Shareholders;

- consider other matters, subject to its consideration or solution of the Supervisory Council, provided for in the laws of this Charter or in the resolutions adopted by the Meeting.

Five meetings of the Supervisory Council were held in 2014. One member of the Supervisory Council missed one Meeting.

**The Board of the Bank** is a collegial Bank's management body, consisting of eight 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 members are elected, recalled and supervised by the Bank's Supervisory Council. The Board of the Bank is elected by the Council for a term of 4 years - the number of tenures is not limited. If individual Board members are elected, they are elected till the end of the active Board's term.

The Bank's 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 Supervisory 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 hypothec 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 analyse 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, estimates of income and expenses, data on stock-taking data and other records on change of assets.

The Board shall also analyse, assess the Bank's draft annual financial statements and draft of the profit (loss) allocation and submit them to the Supervisory Council 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, concludes labour 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;
- preparation of set of annual financial statements and the Bank's annual report;
- conclusion of a contract with the audit company;
- delivery of information and documents to the Meeting, Board and Supervisory 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.

## 26. MEMBERS OF THE COLLEGIAL BODIES OF THE BANK

Supervisory Council of the Bank:

### Arvydas Salda



Member of the Supervisory Council since 1991, Chairman of the Supervisory Council of the Bank since 1999.

**Education:**

Kaunas Institute of Technology, Vilnius university, applicable mathematics.

**Work experience (not less than 5 years):**

Consultant of Šiaulių Banko Turto Fondas UAB since 2004, Consultant of

Eglės AB sanatorium since August 2014.

### Sigitas Baguckas



Deputy Chairman of the Supervisory Council of the Bank since 2000, Member of Supervisory Council of the Bank 1991.

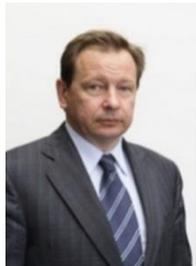
**Education:**

Vilnius Civic Engineering Institute, an engineer-constructor.

**Work experience (not less than 5 years):**

Procurist and director at Namų Statyba UAB since 2007.

### Gintaras Kateiva



Member of the Supervisory Council of the Bank since 2008.

**Education:**

Vilnius Pedagogic Institute, a teacher.

**Work experience (not less than 5 years):**

Chairman of the Board of Litagra UAB since 2005, director of Litagros prekyba UAB until 2008, director of Litagros Mažmena UAB since 2008.

### Vigintas Butkus



Member of the Supervisory Council of the Bank since 2004.

**Education:**

Marijampole School of Culture, a director.

**Work experience (not less than 5 years):**

Director of Mintaka UAB since 2000, Director of Trade House Aiva UAB since 2002.

**Vytautas Junevičius**


Member of the Supervisory Council of the Bank since 2006.

**Education:**

Kaunas Institute of Technology, an engineer-economist.  
Vilnius University, a specialist of international economy relations.

**Work experience (not less than 5 years):**

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

**Peter Reiniger**


Member of the Supervisory Council of the Bank since 2011

**Education:**

Technical University of Budapest, an engineer-mechanic, an engineer of production organization.

**Work experience (not less than 5 years):**

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

**Ramunė Vilija Zabulienė**


Independent member of the Supervisory Council of the Bank since May 2012.

**Education:**

Vilnius University, an engineer-economist.

**Work experience (not less than 5 years):**

the member of the Board of the Bank of Lithuania, Deputy Chairman until 2011. Acts in compliance with the certificate of the Lithuanian resident for individual activity. Director of the Public Undertaking ArsDomina.

**Valdas Vitkauskas**


Member of the Supervisory Council since April 2014.

**Education:**

Vytautas Magnus University, Master of Business Administration and Management;  
Southern Methodist University (USA), Master.

**Work experience (not less than 5 years):**

Head of the EBRD representative office in Minsk until 2011, EBRD senior banker since 2011, member of the Council of the bank belonging to the Societe Generale Group in Mobiasbanka (Moldova).

**Alexander Saveliev**

Member of the Supervisory Council from August 2013 to February 2014.

**Work experience (not less than 5 years):**

EBRD chief banker, consultant of the Megabank in the Ukraine, the member of the Supervisory Council and the Chairperson of the Strategic Development Committee.

**The Management Board of the Bank:**
**Algirdas Butkus**


Chairman of the Board.

**Education:**

Kaunas Technology Institute, Master of economy.

**Work experience:**

Chairman of the Board, Chief Executive Officer of the Bank from 1999 to February 2011, Deputy Chief Executive Officer since February 2011.

**Vytautas Sinius**


The Deputy Chairman of the Board, Chief Executive Officer.

**Education:**

Vilnius Higher School of Economics.  
Vilnius University, a bachelor of economy.  
Vytautas Magnus University, Master of Business Administration and Management.

**Work experience:**

Head of Retail banking Division of SEB bankas AB until 2010, Head of Corporate Banking Division of the Bank since 2011, Chief Executive Officer since February 2014.

**Donatas Savickas**


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

**Education:**

Vilnius University, Bachelor of Economy. Vytautas Magnus University, Master of Business Administration and Management.

**Work experience:**

Deputy Chairman of the Board of the Bank since 1995, Deputy Chief Executive Officer, Head of Finance and Credit Division, Head of Finance and Risk Management Division.

**Daiva Kiburienė**


Member of the Board, Deputy Chief Executive Officer, Head of Business Development Division.

**Education:**

Vilnius University, Bachelor of Economy. Vytautas Magnus University, Master of Business Administration and Management.

**Work experience:**

Deputy Chairperson of the Management Board since 1998, Deputy Chief Executive Officer of the Bank, Head of Corporate and Retail Banking Division, Head of Šiauliai region, Head of Business Development Division since 2014.

**Vita Adomaitytė**


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

**Education:**

Vilnius University, Master of finance and credit.

**Work experience:**

Chief Financial Officer of the Bank since 2002, Head of Accounting and Reporting Division since 2005..

**Jonas Bartkus**


Member of the Board, Head of the IT Division.

**Education:**

Vilnius University, Master in mathematics.

**Work experience:**

Head of Computerization of Šiaulių bankas AB since 2001, Head of Business Development Division since, Head of the IT Division.

**Iлона Baranauskienė**

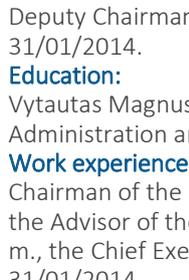

Member of the Board since February 2014; Head of the Assets Restructuring Division.

**Education:**

Kaunas University of Technology, a bachelor of Business Administration and Management; Šiauliai University, Master of economy.

**Work experience:**

Director General of SLEZVB UAB until 2013, Deputy Director of SBTf UAB since 2006, Director of the Special Financing Department of the Bank.

**Audrius Žiugžda**


Deputy Chairman of the Board and Chief Executive Officer 31/01/2014.

**Education:**

Vytautas Magnus University, Master of Business Administration and Management.

**Work experience:**

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 the Bank since 2011 to 31/01/2014.

Information on the share of Bank's capital and votes owned under the right of ownership by the members of the collegial bodies and chief accountant together with the related parties:

Name, surname	Beginning / end of tenure	Share of capital under the right of ownership, %	Share of votes together with the related persons, %
Arvydas Salda	beginning 29/03/2012/ end 2016	2.59	42.26
Sigitas Baguckas	beginning 29/03/2012/ end 2016	0.65	42.26
Vigintas Butkus	beginning 29/03/2012/ end 2016	0.04	42.26
Vytautas Junevičius	beginning 29/03/2012/ end 2016	0.13	42.26
Gintaras Kateiva	beginning 29/03/2012/ end 2016	6.24	42.26
Peter Reiniger	beginning 29/03/2012/ end 2016	—	—
Ramunė Vilija Zabulienė	beginning 04/05/2012/ end 2016	—	—
Alexander Saveliev	beginning 06/08/2013 /end 11/02/2014.	—	—
Valdas Vitkauskas	beginning 28/03/2014/ end 2016	—	—
Algirdas Butkus	beginning 29/03/2012/ end 2016	3.82	42.26
Vytautas Sinius	beginning 29/03/2012/ end 2016	0.09	42.26
Donatas Savickas	beginning 29/03/2012/ end 2016	0.08	42.26
Daiva Kiburienė	beginning 29/03/2012/ end 2016	0.08	42.26
Vita Adomaitytė	beginning 29/03/2012/ end 2016	0.04	42.26
Jonas Bartkus	beginning 29/03/2012/ end 2016	0.06	42.26
Ilona Baranauskienė	beginning 12/02/2014/ end 2016	0.03	42.26
Audrius Žiugžda	beginning 29/03/2012 /end 31/01/2014.	0.59	42.26

The information regarding participation of the collegial bodies of the Bank and Chief Accountant 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 of Klaipėdos LEZ valdymo bendrovė UAB Consultant of Šiaulių Banko Turto Fondas UAB, Consultant of Eglės AB sanatorium.	—
Sigitas Baguckas	Director of Namų Statyba UAB	Namų Statyba UAB - 47.12%
Vigintas Butkus	Director of Trade house Aiva UAB Director of Mintaka UAB	Aiva UAB - 9.25% Mintaka UAB - 9.80%
Vytautas Junevičius	-	-
Gintaras Kateiva	Director General of Litagra UAB, Chairman of the Board Director of Litagros mažmena UAB	Litagra UAB - 34.82%
Ramunė Vilija Zabulienė	Director of the Public Undertaking ArsDomina, Chairperson of the Board of Abiotek UAB	—
Peter Reiniger	Chief Counsellor of the first Vice-President and Executive Committee at the European Bank for Reconstruction and Development	—
Valdas Vitkauskas	Chief Banker at the European Bank for Reconstruction and Development	—
Algirdas Butkus	—	Trade house Aiva UAB - 66.35% Visnorus UAB - 48.94% Mintaka UAB - 68.08%
Vytautas Sinius	—	Public undertaking Sporto šaltinis – 33,33%
Donatas Savickas	—	—
Daiva Kiburienė	Chairperson of the Board Kėdainių Oda UAB	—
Vita Adomaitytė	—	—
Jonas Bartkus	—	—
Ilona Baranauskienė	Director of Šiaulių Banko Turto Fondas UAB, Deputy Director of SBTF UAB	—
Audrius Žiugžda	Member of the Council of Vytautas Magnus University Member of the Board of Limarko Laivininkystės Kompanija AB	—

Amounts of funds calculated over 2013 and 2014 and average sizes per member of the collegial body as well as provided guarantees:

Members of the Management Bodies	Number of members	Calculated total amounts, LTL		Average, LTL		Transferred assets, LTL	Provided guarantees, LTL
		2013	2014	2013	2014		
The Supervisory Council of the Bank	7	129,720*	20,000*	18,531*	2,857*	0	0
The members of the Board of the Bank	7	2,784,691	3,117,401	397,811	445,343	0	0
Chief Executive Officer and Chief Accountant	2	756,484	916,890	378,242	458,445	0	0

\* Only the independent member of the Supervisory Council received pay outs. In 2013 the total amount of tantiemes paid to the members of the Supervisory Council comprised LTL 106 thou.

Loans granted to the members of the Supervisory Council and Bank's Board as of 31 December 2014:

Members of the Management Bodies	Loans granted, in LTL thou
The Supervisory Council of the Bank	3,965
The members of the Board of the Bank	628
Total:	4,593

## 27. THE MOST IMPORTANT EVENTS OVER THE REPORTING PERIOD

- On 30 January the companies that achieved the best results cooperating with the investors as well as the most active market participants were announced and honoured during the Baltic Market Awards arranged by NASDAQ OMX in Vilnius, Tallinn and Riga. Šiaulių bankas received a nomination of The Challenge of the Year.
- On 19 March a scholarship of the Bank for academic achievements and constant striving for improvement in the field of studies was granted to the first year master student of the Marketing and International Commerce studies at the VMU Faculty of Economics and Management.
- A resolution to increase the bank's authorized capital by LTL 20 million from the bank's own funds and to distribute the newly issued shares among the shareholders free of charge was passed during the General meeting of shareholders of the Bank held on 28 March.
- On March 31 provision of the mobile e-signature service was started.
- On 14 April a new Bank's customer service point opened in already 39th town of Lithuania - in Šilalė.
- On 23 June nominal scholarship of the Bank was granted to one more student of the Vytautas Magnus University, future master in Economics and Management, for his academic achievements.
- On 30 June the Bank and Lithuanian Agricultural Advisory Service signed two collaboration agreements.
- On 17 July the Bank signed a Memorandum of Understanding on Good Practice during the Preparation for the Adoption of the Euro.
- In July the donations boxes have been placed in 66 units of the Bank in cooperation with the public undertaking Projects of Goodwill.
- On 18 August the Bank joined a Memorandum of Good Business Practice during the the Adoption of the Euro by which it confirmed its obligation to act in compliance with the memorandum principles during the adoption of euro in Lithuania.
- In August the German bank Commerzbank has awarded the Bank with Straight-Through Processing Award 2013 for a fully automated and top quality performance of international transactions for the third year in turn.
- On 28 August the Bank completed the integration process of two banks' IT systems after the transaction of takeover of part of Ūkio bankas' assets and liabilities in 2013 - all accounting processes related to the taken over assets and liabilities were transferred to the Bank's system.
- In September the international business and finance magazine Global Finance announced the Bank as the safest bank in Lithuania'2014 in the country-by-country category.
- In September in cooperation with the Bank of Lithuania, the Bank arranged seminars on preparation for the euro adoption in Lithuania since 01 January 2015 for business people from Vilnius, Kaunas, and Klaipėda.
- On 30 October the Bank refused its intention to sell the Ūkio banko lizingas UAB and life insurance company Bonum Publicum UAB which previously had taken over from the failed Ūkio bankas and up to now have been listed as held for sale and decided to classify them as consolidated subsidiary companies.
- On 12 November the Bank joined the educational social campaign initiated by the Bank of Lithuania during which the residents were introduced to the basic principles of how to check whether the euro banknotes are original.
- On 10 December in cooperation with the life insurance company PZU Lietuva UAB all the private customers who acquired payment cards from the Bank were insured against accidents worldwide including Lithuania 24 hours per day free of charge.
- On 17 December the Bank introduced a mobile apps designed for intelligent devices which allows managing funds in the bank's accounts, getting familiar with customer service network and bank's news as well as taking advantage of other relevant services.

- On December 23 being the first partner of the European Investment Bank in the country in granting preferential loans for renovation the Bank announced that it contributed EUR 20 million of own funds which would be distributed through the JESSICA holding fund.

## 28. DATA ON PUBLICLY DISCLOSED INFORMATION

The following information was publicly disclosed in 2014:

- 06/01/2014 - the calendar of the Bank's information was announced to the investors;
- 04/02/2014 - notification regarding the expiry of the call options rights with regard to the assets taken over from Ūkio bankas.
- 12/02/2014 - information regarding amendments in the Bank's Council and Management Board;
- 12/02/2014 - the calendar of the Bank's information was announced to the investors;
- 17/02/2014 - a pre-audited activity result of the Bank and the Group for 2013;
- 24/02/2014 - interim financial information of the Bank for 12 months of 2013;
- 07/03/2014 - convocation of the Ordinary General Meeting of Shareholders;
- 07/03/2014 - the draft resolutions prepared by the Board for the Ordinary General Meeting of Shareholders held on 28-03-2012;
- 10/03/2014 - notification regarding sales transactions of real estate.
- 28/03/2014 - resolutions of the Ordinary General Meeting of Shareholders held on 28/03/2014;
- 28/03/2014 - annual information;
- 20/04/2014 - a pre-audited activity result of the Bank and the Group for IQ of 2014;
- 19/05/2014 - interim information for 3 months of 2014;
- 21/05/2014 - report regarding concluded transactions, related to payment of the variable remuneration in the Bank's shares;
- 03/06/2014 - notification regarding the amendments of the Bank's Charter after registering the increased authorized capital.
- 19/07/2014 - a pre-audited activity result of the Bank and the Group for 1H of 2014;
- 20/08/2014 - interim information for 6 months;
- 28/08/2014 - notification regarding acquisition of the voting rights;
- 20/10/2014 - a pre-audited activity result of the Bank and the Bank Group for 9 months of 2014;
- 30/10/2014 - notification regarding the passed resolution with respect reclassification to investments into taken-over companies;
- 20/11/2014 - interim information for 9 months;
- 10/12/2014 - notification regarding loss of the voting rights;
- 23/12/2014 - notification regarding the signed agreement under which the Bank will invest its own funds into the renovation programme;
- 30/12/2014 - the calendar of the Bank's information to be announced to the investors for the year 2015;
- reports regarding the transactions with the Banks shares entered by the Bank's senior managers.

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](http://www.sb.lt). Reports on the Meetings of Shareholders are additionally announced in the daily newspaper *Lietuvos rytas*.

## 29. PROCEDURE 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.

## 30. 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 2014 and is also available on the website of the Bank [www.sb.lt](http://www.sb.lt).

Chief Executive Officer

6 March 2015



Vytautas Sinius

## 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.

<i>PRINCIPLES/RECOMMENDATIONS</i>	YES / NO / NOT APPLICABLE	<i>COMMENTARY</i>
<i>Principle I: Basic Provisions</i>		
<b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>		
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.
<i>Principle II: The corporate governance framework</i>		
<b>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.</b>		
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.



<p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>	<p>Not applicable</p>	<p>Both bodies are formed at the Bank - the Bank's Supervisory Council and the Bank's Board.</p>
<p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>	<p>Yes</p>	<p>The Bank's Board consists of 7 members; the Supervisory Council consists of 8 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.</p>
<p>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.</p>	<p>Yes</p>	<p>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-elected 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.</p>
<p>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 depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>Yes</p>	<p>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.</p>

**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.**

<p>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.</p>	Yes	<p>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.</p>
<p>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.</p>	Yes/No	<p>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.</p> <p>The Bank's annual and interim reports include the updated information on the collegial bodies' members' education, professional experience and current position.</p>
<p>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.</p>	Yes/No	<p>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.</p>
<p>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 members of the remuneration committee should have knowledge of and experience in the field of remuneration determination policy.</p>	Yes/No	<p>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.</p> <p>The director of the Bank's Personnel department, who has knowledge and experience in the salary establishment policy, is a member of the Remuneration Committee</p>
<p>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.</p>	Yes	<p>New members shall meet with their duties, the Bank and its activity.</p> <p>For the first time the Bank carries out the assessment of efficiency of performance of the Supervisory Council and Management Board as collegial bodies as well as of their structure, management procedures and etc. After this a plan for improvement of the internal management system will be prepared.</p>



<p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>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:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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 compensations);</li> <li>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);</li> <li>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;</li> <li>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;</li> <li>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</li> </ol>	<p>Yes</p>	



<p>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>	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.
<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	
<p>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.</p>	Not applicable	The independent member of the Council meets all criteria of independence.
<p>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.</p>	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.**

<p>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</p>	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.
<p>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</p>	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.

<p>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).</p>		
<p>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.</p>	Yes	<p>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. During the reporting period one member did not participate in one meeting.</p>
<p>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.</p>	Yes	
<p>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.</p>	Yes/No	<p>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.</p>
<p>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.</p>	Yes	<p>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>
<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</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>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>		
<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>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 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>	Yes/No	<p>The Audit Committee consists of 4 members. It has an independent Council member. The Remuneration Committee consists of 4 members, the Chairman of the Committee is the member of the Bank's Supervisory 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>	Yes/No	<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</p>





<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> <li>1) 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;</li> <li>2) 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, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</li> <li>3) 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;</li> <li>4) 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;</li> <li>5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>6) 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);</li> <li>7) 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.</li> </ol>	<p>Yes/No</p>	<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>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> <ol style="list-style-type: none"> <li>1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</li> <li>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> <li>3) 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.</li> </ol>	<p>Yes</p>	



<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>Yes/No</p>	<p>Information regarding the functions of the Remuneration Committee is published in annual reports and not accounted for during meetings of shareholders.</p>
<p>4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following:</p> <ol style="list-style-type: none"> <li>1) 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);</li> <li>2) 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;</li> <li>3) 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;</li> <li>4) 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;</li> <li>5) 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;</li> <li>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</li> </ol>	<p>Yes</p>	<p>The Audit Committee in the Bank consists of 4 members among who is the independent Council member.</p>
<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</p>	<p>Yes</p>	

<p>accounting treatment may be open to different 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>Yes</p> <p>Yes</p> <p>Yes</p> <p>No</p>	<p>Currently such procedure do not exist at the Bank, however, this year it is planned to develop such reporting system and, thus, expand the functions of the Audit Committee.</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>Yes/No</p>	<p>. The Audit Committee provides only its annual statements to the Supervisory Council as the Committees meets 4-5 times a year and it does not report for the every second meeting.</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 of the assessment of the collegial body of its own activities.</p>	<p>No/Yes</p>	<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>
<p><i>Principle V: The working procedure of the company's collegial bodies</i>  <b>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.</b></p>		
<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.</p>	<p>Yes</p>	<p>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.</p>

<p>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</p>	<p>Yes</p>	<p>The Meetings of the Supervisory Council are carried out 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 out not less than once a month.</p>
<p>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.</p>	<p>Yes</p>	
<p>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. 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.</p>	<p>Yes</p>	
<p><i>Principle VI: The equitable treatment of shareholders and shareholder rights</i>  <b>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.</b></p>		
<p>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.</p>	<p>Yes</p>	<p>The ordinary registered shares that comprise the Bank's authorized capital grant the same rights all their holders.</p>
<p>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</p>	<p>Yes</p>	<p>The rights provided by the newly issued shares are described in the Securities prospects.</p>
<p>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.</p>	<p>No/Yes</p>	<p>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.</p>
<p>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.</p>	<p>Yes</p>	
<p>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</p>	<p>Yes</p>	

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.		
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.
<b><i>Principle VII: The avoidance of conflicts of interest and their disclosure</i></b> <b>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.</b>		
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	
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	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.
7.4. 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 the Bank of Lithuania. Information regarding implementation of the Remuneration policy is provided in the annual report and interim reports 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	The Remuneration Policy report provides data about all employees and management, distinguishing the shares of the fixed and variable remuneration.
8.3. Remuneration statement should leastwise include the following information: <ol style="list-style-type: none"> <li>1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>3) An explanation how the choice of the activities' results evaluation criteria contributes to the long-term interests of the company;</li> <li>4) An explanation of the methods, applied in order to determine whether the activities' results evaluation criteria have been fulfilled;</li> <li>5) Sufficient information on provision periods with regard to variable components of remuneration;</li> <li>6) Sufficient information on the linkage between the remuneration and activity's results;</li> <li>7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>8) Sufficient information on the policy regarding termination payments;</li> <li>9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13;</li> <li>10) Sufficient information on retention of shares after vesting, as referred to in point 8.15 of this Code;</li> <li>11) 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 company concerned;</li> <li>12) A description of the main characteristics of supplementary pension or early retirement schemes for directors.</li> <li>13) The remuneration report can not contain confidential information in a commercial view.</li> </ol>	Yes/No	The Remuneration Policy report is prepared according to the requirements set by the resolutions of the Board of the Bank of Lithuania, therefore, not all clauses specified in this Code are described. 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 3 month 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.
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, inter alia, 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.	No	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> <ol style="list-style-type: none"> <li>1) 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;</li> <li>2) The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>3) 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;</li> <li>4) 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;</li> <li>5) 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;</li> <li>6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ol> <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> <ol style="list-style-type: none"> <li>1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>2) 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;</li> <li>3) 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;</li> <li>4) All changes in the terms and conditions of existing share options occurring during the coming financial year.</li> </ol>	<p>No</p>	<p>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.</p>
<p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ol style="list-style-type: none"> <li>1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>2) 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.</li> </ol> <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>No</p>	<p>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.</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>	<p>Yes</p>	<p>There are no particular limits set to the variable remuneration; however, it is underlined that it must not amount to a share of remuneration that would prompt an employee to disregard the long-term objectives of the bank. Each year the principles of establishment of the variable remuneration, corresponding to the business objectives, strategy, long-term objectives of the</p>

		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.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable activity's results evaluation criteria.	Yes	The amount of the variable remuneration is based on the general evaluation of the employee's, outlet's or bank's activity result.
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.	Yes	The deferred portion of the variable remuneration applicable to the employees is not less than 40 per cent.
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.	No	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.
8.10. 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.	Not applicable	No principles of termination payments are foreseen by the Remuneration policy.
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 3 month 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 3 month 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 3 month. 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: <ol style="list-style-type: none"> <li>1) Grant of share-based schemes, including share options, to directors;</li> <li>2) Determination of maximum number of shares and main conditions of share granting;</li> <li>3) The term within which options can be exercised;</li> <li>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>5) 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.</li> </ol> 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	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.

whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
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.
<b>Principle IX: The role of stakeholders in corporate governance</b> <b>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.</b>		
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	
<b>Principle X: Information disclosure and transparency</b> <b>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.</b>		
10.1. The company should disclose information on: <ol style="list-style-type: none"> <li>1) The financial and operating results of the company;</li> <li>2) Company objectives;</li> <li>3) Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>5) Material foreseeable risk factors;</li> <li>6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>7) Material issues regarding employees and other stakeholders;</li> <li>8) Governance structures and strategy.</li> </ol> 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.	Yes	The information disclosed in this section is submitted in annual and interim reports, in prospectus of securities issue and in the website of the Bank.

<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>Yes</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>Yes/No</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>10.4. 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>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. 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.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	

*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	In 2014, the bank paid an audit company 34 thousand LTL for additional consultations.

Chief Executive Officer

6 March 2015.



Vytautas Sinius