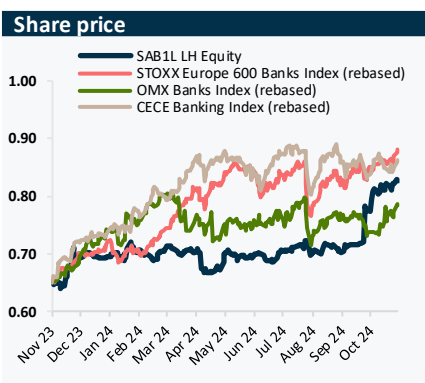


Šiaulių Bankas

Key share data	
Sector	Financials
Reuters	SAB1L.VL
Bloomberg	SAB1L:LH
Market Cap (EURm)	544
Free float (EURm)	321
Issued shares, m	663
Avg. daily value traded 3M	231,386



This report is paid for by the company covered in it.

Analysts

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Expectation exceeding 9-months delivered

Šiaulių Bankas' 3Q24 earnings were mainly supported by strong fee income, though NII was slightly below expectations. Cost reductions helped alleviate bottom-line pressures, and asset quality remained stable with no rise in stage 3 exposures. ROE exceeded expectations, reaching 14.9%. With solid long-term lending growth, strong ROE, and attractive dividend potential, we maintain a positive outlook on the stock, revising our valuation range at EUR 0.96-1.20/sh.

Šiaulių Bankas 3Q24 results:

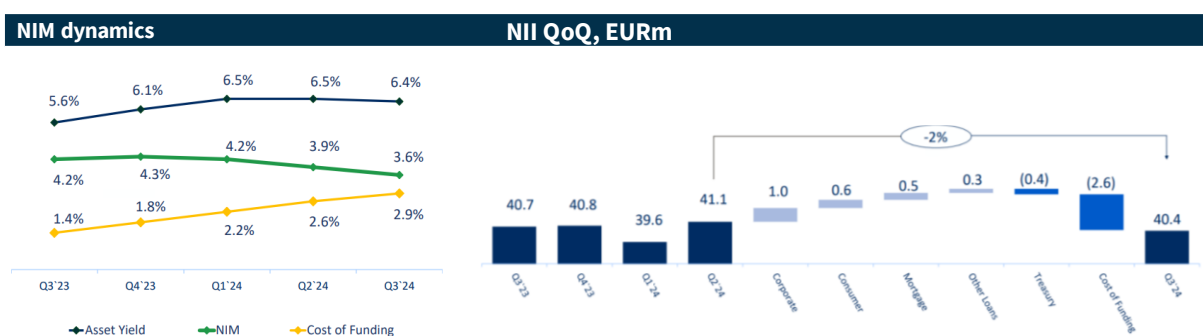
- 3Q NII was EUR 40.4m, approximately 2% below our estimate and down 2% QoQ. NIM was at 3.24% or 6bps down QoQ
- Quarterly volume growth was strong at around 8% (up 19% YoY), primarily driven by a 10% QoQ increase in corporate loans, while retail loans grew around 5% QoQ
- Fee income exceeded our estimates by 2%, achieving YoY growth of nearly 43%, primarily due to the INVL acquisition
- Total costs for 3Q were lower than anticipated, decreasing by approximately 8% QoQ, contrary to our projected 9% increase. This reduction was mainly due to lower other operating expenses, and there was no windfall tax expense incurred in 3Q, compared to a EUR 2.2m expense in 2Q24
- Loan losses were recorded at EUR 3.0m, slightly above our EUR 2.5m estimate but consistent with 3Q of last year. This reflects a loan loss rate of 38bps of gross lending, a 14bps increase QoQ
- Stage 3 exposure as a % of total exposure was at 211bps, slightly lower QoQ
- ROE was stronger than expected at 14.9%, closely matching the prior quarter's 15.1% but down from 20.9% YoY.

3Q/24 results	3Q/23	2Q/24	3Q/24	3Q/24e	Deviation
EURm			Reported	Norne	
Net interest income	40.6	41.1	40.4	41.2	-1.9%
Net commission income	5.0	7.3	7.3	7.1	2.2%
Net other operating income	3.5	6.7	6.8	5.9	16.3%
Total costs	16.1	28.0	26.1	30.5	-14.3%
Core earnings before loan losses	33.0	27.0	28.4	23.7	19.7%
Write-downs on loans	3.1	1.7	3.0	2.5	17.8%
Core earnings	29.9	25.3	25.4	21.2	19.9%
Pre-tax profit	29.9	25.3	25.4	21.2	19.9%
EPS (EUR)	0.040	0.031	0.031	0.026	18.2%
EPS adjusted (EUR)	0.040	0.034	0.031	0.028	9.5%
CET1 ratio, %*	18.8%	17.5%	17.7%	17.2%	0.5%p
ROE (annualised)	20.9%	15.1%	14.9%	12.7%	2.3%p

*Preliminary data

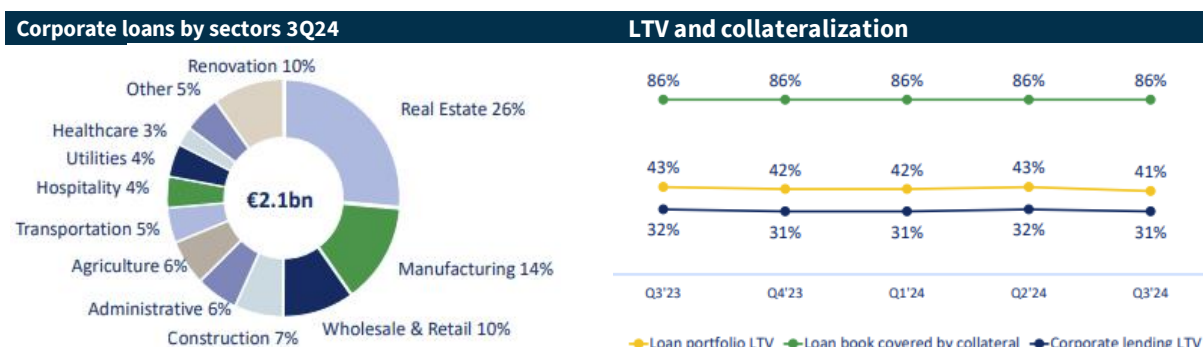
Pressure on margins likely to persist in 4Q and early 2025

Šiaulių Bankas saw significant headwinds on costs of funding this quarter in the amount of EUR -2.6m vs EUR -1.2m in 2Q24 driven by the peak of deposit rates, but also because the bank kept an old EUR 210m bond one month after new EUR 300m senior preferred note was issued which resulted in an additional EUR 1m funding cost. While the bank guides that the cost of deposits already started to decline, we expect some further headwinds from interest rate cuts by the ECB. The first interest rate reduction by ECB was done on June 12th and since then the interest rates have been reduced by 75bps. Due to the lag effects of fixing the EURIBOR and notice period to clients, we believe there are only marginal negative effects visible in 3Q. As a result, we expect rather flat NII in 4Q and 1Q as volume growth should be offset by a negative margin.



Strong corporate growth in 3Q

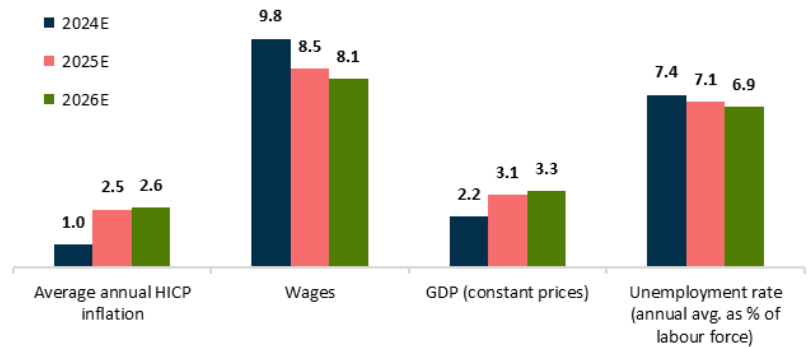
The bank's total loan book grew by 18% YoY and 8% QoQ, reaching EUR 3.4bn by 3Q, already exceeding the bank's EUR 3.3bn target for 2024. Retail loans increased by 5% QoQ (16% YoY), while the corporate loan book expanded by 10% QoQ (21% YoY), with diversified growth across sectors like manufacturing, retail, and renewable energy. Notably, exposure to real estate and construction sectors declined as a % of the corporate portfolio, potentially lowering segment-specific risks due to high cyclicalities to macro developments. Both corporate and overall loan portfolios maintain low LTV ratios, supported by high collateralization levels.



Lithuania's economy overview

Lithuania's economy remains resilient, with growth primarily driven by the services sector. Private consumption is rising, supported by higher wages and population growth, though the manufacturing sector lags, despite some industry-specific improvements. The labour market is relatively strong, but unemployment has risen slightly, and wage growth is slowing.

Lithuania's macroeconomic projections (annual % change)

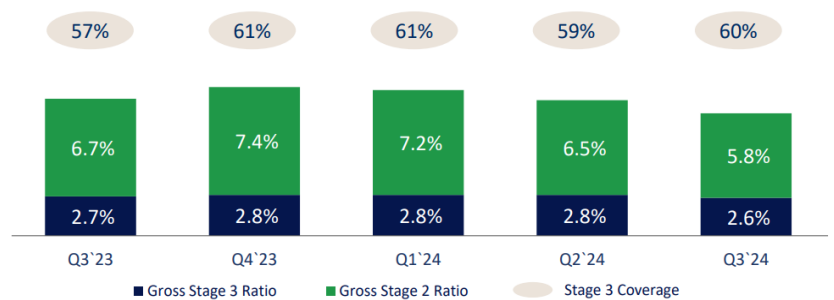


Data source: Bank of Lithuania

Looking ahead, economic growth is expected to slow in 2H24, impacted by weaker foreign economies, but is set to rebound in 2025, driven by stronger foreign demand and increased investment, particularly from EU funds. Real GDP is forecasted to grow by 2.2% in 2024 and 3.1% in 2025, with steady growth anticipated in the coming years.

Inflation has remained subdued, aided by stable global energy prices and improved supply chains. However, rising labour costs continue to push up service prices. Inflation is projected to gradually rise to 2.5% in 2025 as global commodity prices recover. All in all, we believe that macro trends are supportive of the bank's asset quality which is also reflected by lower loan losses and stage 3 loans on a YTD basis vs the same period last year.

Stage 2 and Stage 3 dynamics



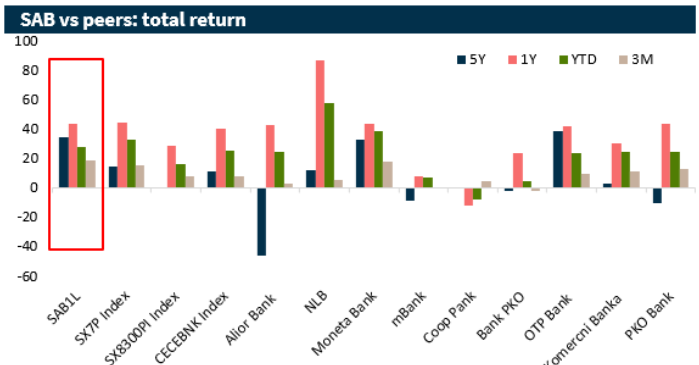
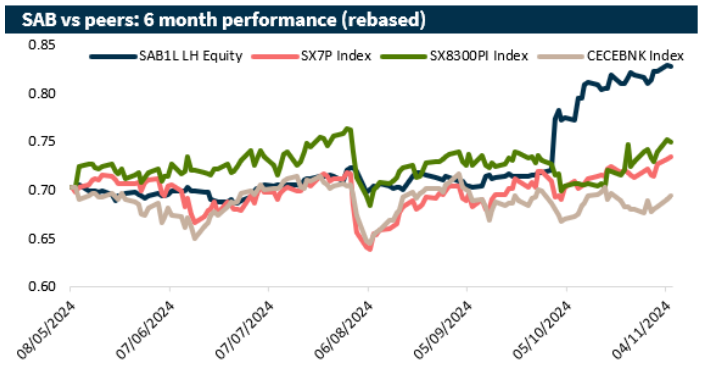
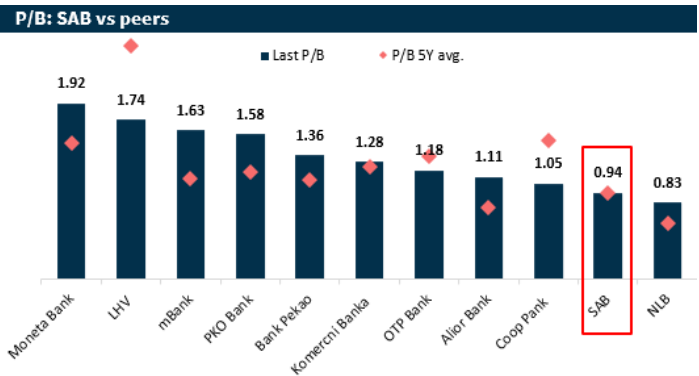
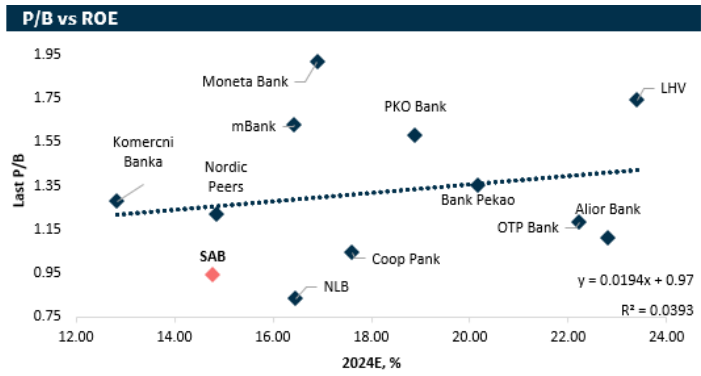
Estimate changes

Following the 3Q24 report, mixed revisions were made. Softer-than-expected NII led to lower top-line estimates for 2024-2026, reflecting margin pressure and reduced NIM resilience amid the ECB's rate cuts. Conversely, strong fee income in 3Q and YTD prompted higher commission income projections, while effective cost control resulted in a slightly lower cost outlook. However, increased loan losses in 3Q prompted more conservative loss estimates over the forecasted periods given the metrics volatility. Overall, the negative top-line and loan loss revisions are largely offset by positive adjustments in fee income and costs, leaving our EPS expectations for 2024-2026 largely unchanged.

Estimate changes (EURm)	4Q/24e			2024E			2025E			2026E		
	New	Old	Change	New	Old	Change	New	Old	Change	New	Old	Change
Net interest income	40.4	40.8	-1.2%	161.4	162.7	-0.8%	160.4	163.9	-2.1%	166.0	172.4	-3.7%
Net commission income	7.7	6.5	18.4%	28.8	27.4	5.0%	34.2	29.4	16.6%	37.6	33.4	12.6%
Net other operating income	6.5	5.1	27.6%	31.4	29.0	8.1%	24.2	26.8	-9.6%	24.2	26.7	-9.4%
Total costs	31.4	31.5	-0.1%	109.0	111.8	-2.4%	115.2	117.1	-1.6%	117.7	122.7	-4.1%
Write-downs on loans	3.0	-0.1	nm	10.0	6.3	56.9%	16.3	15.5	5.2%	15.7	14.6	7.2%
Core earnings	20.1	21.1	-4.7%	102.6	101.0	1.5%	87.3	87.4	-0.1%	94.4	95.1	-0.8%
Pre tax profit	20.1	21.1	-4.7%	98.6	95.4	3.4%	78.2	78.3	-0.2%	93.1	93.8	-0.8%
EPS (EUR)	0.02	0.02	-5.0%	0.12	0.12	3.1%	0.09	0.09	-0.2%	0.11	0.11	-0.9%
EPS adjusted (EUR)	0.03	0.03	-4.3%	0.13	0.12	1.2%	0.11	0.11	-0.1%	0.12	0.12	-0.8%
CET1 ratio	18.6%	19.7%	-1.1%p	18.6%	19.7%	-1.1%p	16.8%	17.4%	-0.6%p	17.3%	17.5%	-0.2%p
Dividend per share (EUR)	-	-	-	0.06	0.06	3.1%	0.05	0.05	-0.2%	0.06	0.06	-0.9%
Adj. ROE (annualised)	11.0%	11.6%	-0.6%p	14.8%	14.7%	0.1%p	12.2%	12.2%	0.0%p	12.4%	12.5%	-0.1%p

Valuation remains attractive

The bank's P/B of 0.94x, with an ROE forecast of 14.8% for 2024, underpins an attractive valuation compared to the peer average of 1.12x P/B and 15.0% ROE. Additionally, an adj. P/E of 6.5x versus peers at 7.3x indicates a significant discount on the bank's shares. This presents a compelling investment case with limited loan book risk, solid return prospects, and undemanding pricing. The valuation range has been revised upward to EUR 0.96-1.20/sh. (0.95-1.16). For detailed valuation calculations, please refer to the following pages in the report.



Source: Bloomberg, Norne Securities

Valuation

Assumptions

Cost of equity	
Risk free rate*	3.7%
Equity risk premium	6.0%
Beta	1.10
Cost of equity	10.3%

*Lithuania 10Y govt. bond yield (approx.)

Terminal value (TV) assumptions	
Long term growth rate for DDM*	2.5%
Long term growth rate for RIV	2.5%
Long term ROE**	11.5%

*g - 2027 Lithuanian GDP growth (average of Ministry of Finance and IMF)

**Average of last explicit year ROE and cost of equity, assuming convergence to cost of equity

Dividend Discount Model (DDM)

Estimates (EURm)	2024E	2025E	2026E	2027E	Base year
Net profit	80	65	77	85	87
Dividends paid	40	30	36	40	41
Payout ratio (Group)	49%	47%	47%	47%	50%
Share buybacks	12.4	0.0			
PV of dividends	39	27	29	29	
Capital Adequacy ratio, %	20.9%	20.5%	20.7%	21.5%	
Capital Adequacy ratio target, %	17.8%	17.8%	17.8%	17.8%	
RWA	2,894	3,121	3,333	3,450	
Excess capital to shareholders	89	84	98	126	

Valuation (EURm)	Share
NPV of dividends paid, forecasted period	124 20%
NPV of excess capital to shareholders	101
NPV of share buybacks	12
NPV of dividends paid, TV	388 62%
Total NPV of dividends	625 82%
Number of shares (mill.)	663
Value per share (EUR)	0.94

Sensitivity (EUR/share)		Cost of equity				
		8.3%	9.3%	10.3%	11.3%	12.3%
Long term growth	0.5%	0.98	0.89	0.81	0.75	0.70
	1.5%	1.08	0.96	0.87	0.80	0.74
	2.5%	1.21	1.06	0.94	0.86	0.79
	3.5%	1.39	1.18	1.04	0.93	0.84

Residual Income Valuation (RIV)

Estimates (EURm)	2024E	2025E	2026E	2027E	Base year
Equity to shareholders (start of year)	543	643	663	705	750
ROE	14.8%	12.2%	12.4%	12.7%	11.5%
Cost of Equity	10.3%	10.3%	10.3%	10.3%	10.3%
Residual income	25	12	14	17	9
PV of residual income	24	11	11	12	

Valuation (EURm)	Share
Opening equity to shareholders	543 79%
PV of residual income, forecasted period	59 9%
PV of residual income, TV	85 12%
Total value to shareholders	687 100%
Number of shares (mill.)	663
Value per share (EUR)	1.04

Sensitivity (EUR/share)		Cost of equity				
		8.3%	9.3%	10.3%	11.3%	12.3%
Long term growth	0.5%	1.23	1.11	1.01	0.93	0.86
	1.5%	1.26	1.13	1.02	0.93	0.86
	2.5%	1.31	1.16	1.04	0.94	0.86
	3.5%	1.38	1.19	1.06	0.95	0.86

Valuation range of blended approach

We have used a blended approach using three different valuation methodologies, where we give equal weight to each method. The summary of our valuation under all three methods and Low/Base/High cases is presented below.

Fair value range (EUR per share)				
	DDM*	RIV**	Peers-based***	Average
Low Case	0.84	1.15	0.90	0.96
Base Case	0.94	1.04	1.03	1.00
High Case	1.09	1.39	1.12	1.20

*Low/High case as variables for lower/higher terminal growth/cost of equity

**Low/High assuming 5YR min. ROE of 11.5% vs guided ROE >15%

***Low/High case assuming larger discount to peers/no discount

P/B multiple under target price				
	DDM	RIV	Peers-based	Average
Low Case	1.01	1.38	1.07	1.15
Base Case	1.13	1.24	1.23	1.20
High Case	1.30	1.66	1.34	1.43

Adj. P/E multiple under target price				
	DDM	RIV	Peers-based	Average
Low Case	6.69	9.16	7.14	7.66
Base Case	7.50	8.24	8.17	7.97
High Case	8.68	11.03	8.92	9.55

Our base case valuation range stands at EUR 0.94-1.04/share with a mid-point of EUR 1.00/share, which values Šiaulių Bankas at P/B of 1.20x and adj. P/E of 7.97x for 2024E. As for the Low-High case, our blended approach implies a valuation range of EUR 0.96-1.20/share, which suggests an upside potential to the current share price of 18-46% respectively for the Low/High case.

Relative valuation

Peer comparison

EURm	Source	Market Cap.	P/B	P/E			Dividend Yield, %			ROE, %			ROE, %	P/E	P/B
				2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	5Y avg.	5Y avg.	5Y avg.
SAB1L	Norne	544	0.94	6.5	7.4	6.8	7.3	5.6	6.8	14.8	12.2	12.4	15.5	6.6	0.94
SAB1L	Consensus*	-	-	6.8	7.3	6.3	7.3	6.8	7.8	13.9	12.2	12.9	15.2	5.8	0.94
Nordic Peers															
DNB Bank ASA	Consensus*	29,204	1.39	8.6	9.5	9.4	7.2	7.2	7.4	16.1	14.1	13.6	12.2	8.2	1.27
Svenska Handelsbanken AB	Consensus*	19,340	1.12	8.6	10.0	10.2	10.3	9.4	8.6	12.7	10.9	10.7	11.6	7.9	1.08
Nordea Bank Abp	Consensus*	38,036	1.24	7.5	7.9	7.8	8.9	8.8	8.9	16.0	14.6	14.4	10.2	7.8	1.11
Swedbank AB	Consensus*	21,255	1.18	7.6	8.5	8.4	7.4	8.2	8.5	15.8	13.4	13.0	13.5	7.8	1.14
Skandinaviska Enskilda Banken AB	Consensus*	27,897	1.41	8.9	9.7	9.2	7.6	6.4	6.4	15.8	14.1	14.4	13.6	8.8	1.25
Danske Bank A/S	Consensus*	24,048	0.99	7.7	8.1	7.8	11.4	7.6	7.9	12.6	11.7	11.7	5.9	8.3	0.66
Average			1.22	8.1	8.9	8.8	8.8	7.9	7.9	14.9	13.1	13.0	11.1	8.1	1.08
Median			1.21	8.2	9.0	8.8	8.3	7.9	8.2	15.8	13.8	13.3	11.9	8.0	1.13
<i>Premium/discount</i>			-22%	-20%	-18%	-22%	-1.0%p	-2.3%p	-1.4%p	-1.1%p	-1.6%p	-0.9%p	3.6%p	-18%	-16%
CEE Peers															
Alior Bank SA	Consensus*	2,753	1.11	5.0	5.5	6.4	7.0	8.6	8.5	22.8	18.6	14.4	8.9	5.3	0.78
LHV Group AS	Consensus*	1,101	1.74	7.9	8.7	8.1	2.7	2.4	2.7	23.4	18.0	16.9	19.6	9.5	2.55
Nova Ljubljanska Banka dd	Consensus*	2,570	0.83	5.1	5.3	5.3	9.2	9.5	9.8	16.5	14.8	13.6	15.9	5.1	0.61
Moneta Money Bank AS	Consensus*	2,408	1.92	11.0	11.0	10.5	8.7	8.0	8.1	16.9	16.6	16.7	14.8	9.4	1.48
mBank SA	Consensus*	5,727	1.63	7.2	5.6	6.1	0.0	0.0	6.4	16.4	21.3	19.4	-1.2	7.2	1.09
Coop Pank AS	Consensus*	214	1.05	6.1	6.3	5.8	3.8	3.8	3.8	17.6	15.2	14.6	13.5	6.4	1.51
Bank Polska Kasa Opieki SA	Consensus*	8,782	1.36	6.1	6.4	7.0	12.3	11.3	10.6	20.2	18.1	16.1	11.0	6.7	1.08
OTP Bank Nyrt	Consensus*	13,264	1.18	5.3	5.5	5.4	4.1	4.8	5.3	22.2	18.2	16.5	16.9	4.9	1.33
Komerčni Banka AS	Consensus*	6,187	1.28	9.5	10.1	9.5	10.3	8.2	7.0	12.8	12.3	12.6	11.9	9.6	1.22
PKO Bank Polski SA	Consensus*	17,068	1.58	7.1	6.8	6.7	7.0	9.2	8.8	18.9	18.5	18.1	7.8	7.7	1.17
Erste Group Bank AG	Consensus*	22,536	1.05	7.4	7.9	7.6	6.0	6.2	6.4	14.7	12.8	12.3	11.0	7.0	0.84
Average			1.34	7.1	7.2	7.1	6.5	6.5	7.0	18.4	16.8	15.6	11.8	7.2	1.24
Median			1.28	7.1	6.4	6.7	7.0	8.0	7.0	17.6	18.0	16.1	11.9	7.0	1.17
<i>Premium/discount</i>			-26%	-9%	16%	1%	0.3%p	-2.3%p	-0.2%p	-2.8%p	-5.8%p	-3.7%p	3.5%p	-7%	-20%
Western Europe Peers															
Deutsche Bank AG	Consensus*	32,450	0.50	7.9	6.0	5.4	4.0	6.0	7.0	6.0	7.6	7.8	1.8	na	0.35
Raiffeisen Bank International AG	Consensus*	5,987	0.33	3.0	3.3	3.5	7.4	8.5	9.2	11.0	9.2	8.2	13.0	3.1	0.48
KBC Group NV	Consensus*	28,827	1.30	8.9	8.9	8.1	6.8	6.7	7.3	14.1	13.2	12.5	12.3	8.7	1.29
Commerzbank AG	Consensus*	19,156	0.66	8.0	7.1	6.1	3.2	5.1	6.3	7.6	8.2	9.0	0.8	na	0.34
Societe Generale SA	Consensus*	21,388	0.31	6.4	5.3	4.5	4.0	5.1	5.9	5.7	6.6	7.4	3.0	6.4	0.32
Banco Santander SA	Consensus*	68,926	0.71	5.9	5.6	5.2	4.8	5.3	6.2	12.1	10.6	10.7	5.9	na	0.58
ING Groep NV	Consensus*	50,628	0.94	7.7	7.6	6.6	6.9	6.9	7.7	12.7	12.1	12.9	8.8	8.5	0.78
Average			0.68	6.8	6.3	5.6	5.3	6.2	7.1	9.9	9.6	9.8	6.5	6.7	0.59
Median			0.66	7.7	6.0	5.4	4.8	6.0	7.0	11.0	9.2	9.0	5.9	7.5	0.48
<i>Premium/discount</i>			43%	-16%	23%	27%	2.5%p	-0.4%p	-0.2%p	3.7%p	2.9%p	3.4%p	9.6%p	-12%	95%
Average all peers			1.12	7.3	7.4	7.1	6.7	6.8	7.3	15.0	13.8	13.2	10.1	7.4	1.01
Median all peers			1.15	7.5	7.4	6.9	7.0	7.1	7.3	15.8	13.8	13.3	11.3	7.8	1.09
<i>Premium/discount</i>			-18%	-14%	0%	-1%	0.3%p	-1.4%p	-0.5%p	-1.1%p	-1.6%p	-0.9%p	4.2%p	-16%	-13%

* Bloomberg

Annual financial data

Profit & Loss (EURm)	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Net interest income	72	76	81	107	157	161	160	166	173	178
Net commission income	17	16	17	19	20	29	34	38	39	41
Other income/Gains on financial instruments	29	21	30	14	21	31	24	24	26	26
Total income	119	113	128	139	198	222	219	228	239	245
Salaries and related expenses	23	23	27	31	36	50	58	62	65	68
Depreciation and amortization expenses	4	4	4	5	5	8	8	8	8	8
Other costs	24	21	25	19	39	51	50	48	47	46
Total costs	50	48	57	54	81	109	115	118	120	123
Core earnings before loan losses	68	65	71	85	118	113	104	110	119	123
Write-downs on loans	8	12	4	5	15	10	16	16	16	16
Core earnings	60	53	67	80	102	103	87	94	103	106
Dividends/associated companies	-	-	-	-	-	-	-	-	-	-
One-offs	-	-	-	-	7	4	9	1	-	-
Pre tax profit	60	53	67	80	96	99	78	93	103	106
Taxes	-8	-10	-12	-13	-20	-18	-14	-16	-18	-19
Minority interest	-	-	-	-	-	-	-	-	-	-
Net profit	52	43	55	67	75	80	65	77	85	88
Adj. profit after taxes	52	43	55	67	81	83	72	78	85	88
EPS	0.09	0.07	0.09	0.11	0.12	0.12	0.09	0.11	0.12	0.13
EPS (adj.)	0.09	0.07	0.09	0.11	0.13	0.13	0.11	0.12	0.13	0.14
Profitability										
ROE (adj.)	17.6%	12.7%	14.3%	16.1%	16.7%	14.8%	12.2%	12.4%	12.7%	12.3%
ROE (reported)	17.6%	12.7%	14.3%	16.1%	15.5%	14.0%	10.2%	11.5%	12.0%	11.7%
ROA	2.1%	1.4%	1.4%	1.6%	1.6%	1.7%	1.2%	1.4%	1.4%	1.4%
RORWA	3.1%	2.2%	2.6%	2.8%	3.1%	2.8%	2.1%	2.3%	2.5%	2.5%
Core earnings ROE	19.2%	14.9%	16.5%	18.1%	18.8%	16.0%	13.2%	13.4%	13.8%	13.4%
Core earnings in % of RWA	3.6%	2.8%	3.2%	3.3%	4.2%	3.5%	2.8%	2.8%	3.0%	3.0%
Cost/Income ratio	42.5%	42.6%	44.2%	38.8%	44.0%	51.0%	56.8%	52.3%	50.2%	49.9%
Adjusted Cost/Income ratio	42.5%	42.6%	44.2%	38.8%	40.7%	49.2%	52.7%	51.7%	50.2%	49.9%
Costs in % of total assets	2.0%	1.6%	1.4%	1.3%	1.7%	2.3%	2.2%	2.1%	2.0%	1.9%
Tax rate	13.8%	18.7%	17.9%	16.1%	21.3%	18.7%	17.5%	17.5%	17.5%	17.5%
Loss ratio	0.55%	0.75%	0.21%	0.21%	0.58%	0.31%	0.47%	0.42%	0.40%	0.40%
Net interest margin	3.20%	3.00%	2.99%	3.21%	4.05%	3.35%	3.20%	3.07%	2.98%	2.86%
Operating margin	4.7%	3.7%	3.2%	3.3%	4.1%	4.6%	4.2%	4.1%	4.0%	3.8%
Pretax margin	2.4%	1.7%	1.7%	1.9%	2.0%	2.0%	1.5%	1.7%	1.7%	1.7%
Growth rates (YoY)										
Core earnings	-	-11%	27%	19%	27%	0%	-15%	8%	9%	3%
EPS (adj.)	-	-16%	28%	22%	18%	-5%	-12%	8%	9%	3%

Balance sheet (EURm)	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Cash and receivables	343	590	1,162	630	1,041	287	362	420	621	838
Net lending to customers	1,515	1,606	1,909	2,392	2,645	3,238	3,476	3,734	3,885	4,043
Total securities	601	781	839	1,118	1,034	1,212	1,273	1,360	1,413	1,470
Associated companies	-	-	-	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Tangible assets	12	16	15	16	16	14	14	14	14	14
Other assets	37	36	38	26	74	76	76	76	77	77
Total assets	2,508	3,029	3,962	4,183	4,809	4,827	5,203	5,604	6,011	6,443
Total equity	311	355	406	443	543	643	663	705	750	793
Minority interest	-	-	-	-	-	-	-	-	-	-
Total deposits	2,108	2,575	3,377	3,470	3,733	3,499	3,787	4,099	4,436	4,801
Debt securities in issue	20	20	95	171	276	412	479	525	549	572
Other liabilities	69	79	84	98	257	273	274	275	276	277
Equity and liabilities	2,508	3,029	3,962	4,183	4,809	4,827	5,203	5,604	6,011	6,443
Growth of loans	-	6.0%	18.9%	25.3%	10.6%	22.4%	7.4%	7.4%	4.1%	4.1%
Growth of deposits	-	22.2%	31.1%	2.8%	7.6%	-6.3%	8.2%	8.2%	8.2%	8.2%
Equity ratio	12.4%	11.7%	10.3%	10.6%	11.3%	13.3%	12.7%	12.6%	12.5%	12.3%
CET1 ratio	15.0%	19.6%	19.5%	18.1%	19.9%	18.6%	16.8%	17.3%	18.1%	18.8%
Core capital (EURm)	247	377	410	439	485	538	574	625	675	721
Tier 1 ratio	15.0%	19.6%	19.5%	18.1%	19.9%	18.6%	18.4%	18.8%	19.6%	20.2%
Capital base (EURm)	267	397	430	459	547	604	640	691	741	787
Capital adequacy	16.2%	20.7%	20.4%	19.0%	22.4%	20.9%	20.5%	20.7%	21.5%	22.0%
RWA	1654	1917	2106	2421	2439	2894	3121	3333	3450	3578

Share data	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Shares outstanding, year end (mill.)	601	601	601	601	663	663	649	649	649	649
Share price, year end (EUR)	0.51	0.50	0.76	0.69	0.69	0.82	0.82	0.82	0.82	0.82
Market cap (EURm)	304	299	457	412	459	544	532	532	532	532
EPS	0.09	0.07	0.09	0.11	0.12	0.12	0.09	0.11	0.12	0.13
EPS (adj.)	0.09	0.07	0.09	0.11	0.13	0.13	0.11	0.12	0.13	0.14
Book value per share (EUR)	0.52	0.59	0.68	0.74	0.82	0.97	1.02	1.09	1.16	1.22
Dividends per share (EUR)	-	0.005	0.034	0.027	0.049	0.060	0.046	0.056	0.062	0.064
Share buybacks (EUR)	-	-	-	-	-	0.019	-	-	-	-
Dividend payout ratio (Group)	-	8%	37%	24%	43%	50%	50%	50%	50%	50%
Total Dividend payout ratio (incl. buybacks)	-	8%	37%	24%	43%	66%	50%	50%	50%	50%

Valuation	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
P/E	5.9	7.0	8.3	6.1	5.6	6.9	8.9	7.3	6.6	6.4
P/E (adj.)	5.9	7.0	8.3	6.1	5.2	6.5	7.4	6.8	6.3	6.1
P/B (excl. goodwill)	0.98	0.84	1.12	0.93	0.85	0.85	0.80	0.75	0.71	0.67
Dividend yield	-	1.1%	4.5%	3.9%	7.0%	7.3%	5.6%	6.8%	7.6%	7.8%

Growth (YoY)	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Growth of loans	-	6.0%	18.9%	25.3%	10.6%	22.4%	7.4%	7.4%	4.1%	4.1%
Growth of deposits	-	22.2%	31.1%	2.8%	7.6%	-6.3%	8.2%	8.2%	8.2%	8.2%
EPS (adj.)	-	-16.5%	28.3%	22.1%	18.2%	-5.2%	-11.8%	8.1%	9.3%	3.2%

Capital ratios	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Equity ratio	12.4%	11.7%	10.3%	10.6%	11.3%	13.3%	12.7%	12.6%	12.5%	12.3%
CET1 ratio	15.0%	19.6%	19.5%	18.1%	19.9%	18.6%	16.8%	17.3%	18.1%	18.8%
Tier 1 ratio	15.0%	19.6%	19.5%	18.1%	19.9%	18.6%	18.4%	18.8%	19.6%	20.2%
Capital adequacy	16.2%	20.7%	20.4%	19.0%	22.4%	20.9%	20.5%	20.7%	21.5%	22.0%

Profitability	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
ROE (adj.)	17.6%	12.7%	14.3%	16.1%	16.7%	14.8%	12.2%	12.4%	12.7%	12.3%
ROE (reported)	17.6%	12.7%	14.3%	16.1%	15.5%	14.0%	10.2%	11.5%	12.0%	11.7%
ROA	2.1%	1.4%	1.4%	1.6%	1.6%	1.7%	1.2%	1.4%	1.4%	1.4%
Costs/Income ratio	42.5%	42.6%	44.2%	38.8%	44.0%	51.0%	56.8%	52.3%	50.2%	49.9%
Adjusted Costs/Income ratio	42.5%	42.6%	44.2%	38.8%	40.7%	49.2%	52.7%	51.7%	50.2%	49.9%
Costs in % of total assets	2.0%	1.6%	1.4%	1.3%	1.7%	2.3%	2.2%	2.1%	2.0%	1.9%
Loss ratio	0.55%	0.75%	0.21%	0.21%	0.58%	0.31%	0.47%	0.42%	0.40%	0.40%
Net interest margin	3.20%	3.00%	2.99%	3.21%	4.05%	3.35%	3.20%	3.07%	2.98%	2.86%

Valuation, risk and sources

Valuation range

Valuation range history for Šiaulių Bankas Group during the previous 12 months:

Date	Valuation range (EUR/share)
23/07/2024	0.88-1.08
02/08/2024	0.91-1.11
24/10/2024	0.95-1.16
07/11/2024	0.96-1.20

Valuation

Any valuation range and/or discussion of valuation methodology and comparable analysis included in the report was not provided by or prepared in consultation with the Company. Any suggested valuation framework is based upon long-term analysis and is not linked to a near-term assessment of the likely performance of the Securities. The target prices for banks are based on a combination of a Dividend Discount Model (DDM) and Residual Income Valuation (RIV), and peers-multiple-based approaches, with a certain discount possible. We also look at the sustainability of dividends, asset quality, capitalization level vs. requirements and growth as well as other important metrics in order to determine the bank's attractiveness relative to other banks in our research coverage and relative to historical levels.

Risks

The main risks to our investment cases in Šiaulių Bankas are the following:

- The bank has **ambitious strategic targets** and our estimates partly reflect that. Failure to meet those targets might adversely affect the bank's ROE and financial position
- **Economic downturn** might lead to an increased **non-performing loan risk** and deteriorating asset quality (NPLs) as well as lower credit demand and commission fees related products such as savings, insurance, etc.
- **Capital risk.** Failure to meet capital requirements, leading to a risk of equity issues or dividend reductions
- **Interest rate risk.** A sharp reduction in future interest rates could potentially have an impact on the bank's interest rate spread (i.e., lending-deposit spread) in turn having an adverse impact on the bank's core business results. Similarly, a sharp interest rate downturn could result in a steeper than anticipated decline in NIM in turn weakening than foreseen NII earnings outlook.
- **Changes in regulatory requirements**, particularly related to capital levels (e.g. countercyclical buffer, MREL requirements) and/or revision in Pillar 2 requirements
- **Real estate market risk.** The bank is exposed to the real estate and construction sectors, which may experience potential reductions in market prices and transaction volumes. This could adversely affect the bank's debtors and reduce the value and liquidity of the collateral, thereby having a negative effect on the bank's financial position.
- **Geopolitical risk** and political uncertainty might adversely affect the general economic situation and financial market conditions in Lithuania.

Sources

The sources used in the preparation of this report were: Šiaulių Bankas, Bloomberg, and Infront.

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