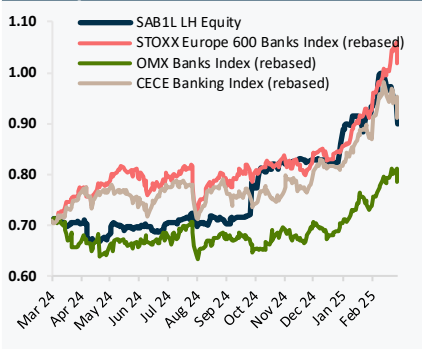


Šiaulių Bankas

Key share data

Sector	Financials
Reuters	SAB1L.VL
Bloomberg	SAB1L:LH
Market Cap (EURm)	598
Free float (EURm)	349
Issued shares, m	652
Avg. daily value traded 3M	276,181

Share price



Upcoming events

Annual report	March 31, 2025
1Q25 report	April 28, 2025
2Q25 report	July 30, 2025
3Q25 report	October 29, 2025

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

Analysts

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Guidance implies more ambitious growth outlook

Šiaulių Bankas reported its 4Q24 results on February 26th. The bank's 4Q ROE was spot on our estimate at 10.9%. As anticipated by us, the bank proposed a dividend in line with its minimum payout policy of 50%, yielding 7.3% for 2024. Along with the 4Q results, the bank has provided a revised financial guidance, now signalling a more ambitious growth outlook. Following the report, our valuation range is kept unchanged at EUR 1.03-1.28/sh. While our mid-point of valuation range still offers a decent upside potential, we acknowledge that the valuation gap to Baltic and CEE peers narrows following the recent share price rally, while further expansion in multiples will be highly dependent on delivery on its strategic targets.

Šiaulių Bankas 4Q24 results:

- NII was EUR 39.2m, approximately 3% below our estimate and down 3% QoQ. NIM fell 7bps QoQ to 3.17%
- Quarterly volume growth was flat versus ~8% in 3Q. Corporate loans grew by around 1.3% QoQ, while retail loans marginally contracted QoQ
- Fee income came in line with our estimate, marking around 43% YoY growth
- Total costs surpassed our expectations by around 6%, about 4% down YoY yet roughly 33% up QoQ. Adjusted for the one-off expense of EUR 4.7m, the total costs were broadly in line with our estimate (+15% QoQ)
- Loan losses were recorded at EUR 4.0m, somewhat above our EUR 3.6m estimate and 3Q24 figure (3.0m). This reflects a loan loss rate of 50bps of gross lending, a 12bps increase QoQ
- Stage 3 exposure as a % of total exposure fell by 30bps QoQ to 182bps
- CET1 ratio stood at 17.3% or 40bps down QoQ
- As expected by us, the bank proposed a dividend of EUR 0.06/sh. equating to a 50% payout and yielding 7.3% for 2024
- ROE was recorded spot on our estimate at 10.9% and above the 4Q23 figure (7.4%), albeit down QoQ (14.9%). Adj. ROE landed at 13.7%, relatively stronger vs our estimate and up YoY.

4Q/24 results	4Q/23	3Q/24	4Q/24	4Q/24e	Deviation
EURm			Reported	Norne	
Net interest income	40.8	40.4	39.2	40.2	-2.6%
Net commission income	5.7	7.3	8.1	8.1	-0.3%
Net other operating income	7.5	6.8	9.5	8.2	16.7%
Total costs	36.1	26.1	34.8	32.9	5.7%
Adj. total costs	29.5	26.1	30.1	31.2	-3.4%
Core earnings before loan losses	17.9	28.4	21.9	23.5	-6.7%
Write-downs on loans	6.8	3.0	4.0	3.6	11.2%
Core earnings	11.1	25.4	17.9	19.9	-9.9%
Pre-tax profit	11.1	25.4	17.9	19.9	-9.9%
EPS (EUR)	0.015	0.031	0.023	0.023	-1.1%
EPS adjusted (EUR)	0.023	0.031	0.029	0.027	7.1%
Dividend per share (EUR)	0.049	-	0.060	0.060	-0.2%
CET1 ratio, %	19.9%	17.7%	17.3%	17.6%	-0.3%p
ROE (annualised)	7.4%	14.9%	10.9%	11.0%	-0.1%p
Adj. ROE (annualised)	11.8%	14.9%	13.7%	12.8%	0.9%p

Upgraded long-term financial guidance

The bank has revised its guidance for the 2025–2029 period, signaling a more ambitious growth outlook. Loan book and deposit targets have been raised compared to previous projections, reflecting greater confidence in the bank’s ability to expand its lending and funding base. Fee and total operating income expectations have also been revised upward, indicating a stronger anticipated contribution from non-interest income streams. The implied NIM is projected to remain above 3% throughout the forecast period. The upgrades in financial targets are largely driven by better-than-expected 2024 results, which transmit in long-term targets.

On the cost side, the bank has introduced adjusted figures to reflect a strategic shift in expense recognition. IT-related costs will now be fully expensed rather than capitalized as long-term intangible assets. This means that the bank will not have amortisation effect on P&L in 2026-2029, and thus, net profit/ROE should improve compared to previous guiding.

The bank’s minimum payout policy remains unchanged at 50%.

2025

2026

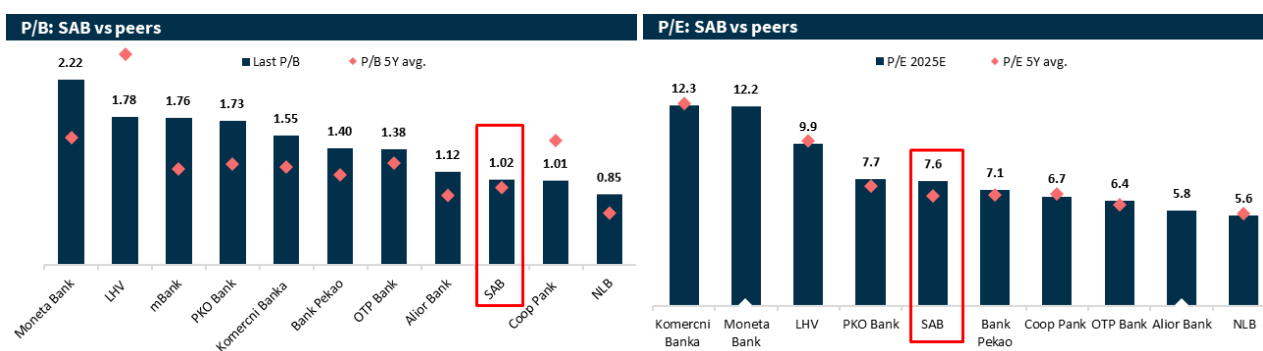
2027

2028-29

		2025	2026	2027	2028-29
Growth	Loan Book	€4.1bn	€4.6bn	€5.3bn	CAGR: ~8%
	Deposits	€3.9bn	€4.4bn	€4.8bn	CAGR: ~10%
	Total Operating Income ¹	€222m	€256m	€288m	CAGR: ~10%
	NFCI	€30m	€33m	€37m	CAGR: ~25%
Efficiency	C/I Ratio	59.7%	54.4%	48.2%	Below 45%
	Adj. C/I Ratio ²	51.3%	48.3%	46.8%	
Profitability	RoE	11.1%	13.5%	16.0%	Above 17.0%
	Adj. RoE ²	13.7%	15.4%	16.5%	
	Net Profit	€65m	€86m	€112m	CAGR: ~15%
	Adj. Net Profit ²	€80m	€98m	€115m	
Shareholder Returns	Dividend Policy	Minimum 50% Pay-out			

Potential triggers for the investment case

- Improving geopolitical landscape with prospects of ending the war in Ukraine would improve confidence in the CEE region and potentially reduce/remove discount to European peers
- Market leader position and scaling renovation initiative may lead to an increased commission
- Growing bank with an increasing market share: the bank has so far increased its market share in retail and corporate segments, implying a strong management ambition to focus on growth. The bank has set ambitious strategic targets to double its corporate and private customer segments by 2029
- Rebranding and changing its core system may make it a more attractive bank in the market, enhance client experiences and amplify cross-selling and upsell
- Current P/E and P/B suggest undemanding pricing relative to industry peers relative to ROE, implying the possibility of further re-ratings



Potential downsides for the investment case

- Although the bank's targets are highly ambitious, aiming for an ROE exceeding 17%, we believe achieving this goal depends on several critical factors aligning simultaneously. These include sustained strong economic growth in Lithuania, stable asset quality without macroeconomic shocks, the successful implementation of its core banking system, an interest rate environment above zero, and continued profitable expansion alongside increasing market share. In reality, it is hardly ever that all elements occur or align in the right order. Therefore, we see a risk that the bank's long-term 2028-2029 targets are too ambitious, and there are several factors that the bank does not control, e.g. Lithuanian economy development, external shocks, interest rates cycle, etc.
- Economic downturn might lead to increased NPLs and deteriorating asset quality 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.

Estimate changes (EURm)	1Q/25e			2024			2025E			2026E		
	New	Old	Change	Act.	Est.	Change	New	Old	Change	New	Old	Change
Net interest income	38.4	38.8	-1.1%	160.2	161.2	-0.6%	163.4	159.7	2.3%	178.8	166.0	7.7%
Net commission income	7.7	7.6	1.4%	29.1	29.1	-0.1%	34.8	34.6	0.5%	37.6	37.6	0.0%
Net other operating income	10.8	6.3	70.7%	34.4	33.1	4.1%	36.9	24.4	51.4%	39.0	24.3	60.2%
Total costs	31.2	28.6	9.0%	109.5	110.5	-1.0%	124.4	116.8	6.5%	134.9	118.1	14.2%
Write-downs on loans	3.8	3.9	-3.7%	10.9	10.5	3.8%	16.0	16.1	-0.3%	16.0	15.4	3.7%
Core earnings	22.0	20.2	8.6%	103.3	102.4	0.9%	94.8	85.9	10.4%	104.5	94.3	10.7%
Pre tax profit	22.0	20.2	8.6%	96.4	98.4	-2.0%	75.8	76.8	-1.3%	88.8	93.1	-4.6%
EPS (EUR)	0.03	0.02	16.3%	0.12	0.12	-0.2%	0.10	0.09	6.2%	0.11	0.11	1.5%
EPS adjusted (EUR)	0.03	0.03	15.1%	0.13	0.13	1.5%	0.12	0.11	10.6%	0.13	0.12	11.0%
CET1 ratio	19.0%	0.0%	19.0%p	17.3%	17.6%	-0.3%p	17.4%	17.5%	-0.1%p	17.4%	18.0%	-0.6%p
Dividend per share (EUR)	-	-	-	0.06	0.06	-0.2%	0.05	0.05	6.3%	0.06	0.06	1.5%
Adj. ROE (annualised)	15.1%	13.1%	2.0%p	14.9%	14.6%	0.2%p	13.3%	12.0%	1.3%p	13.8%	12.4%	1.4%p

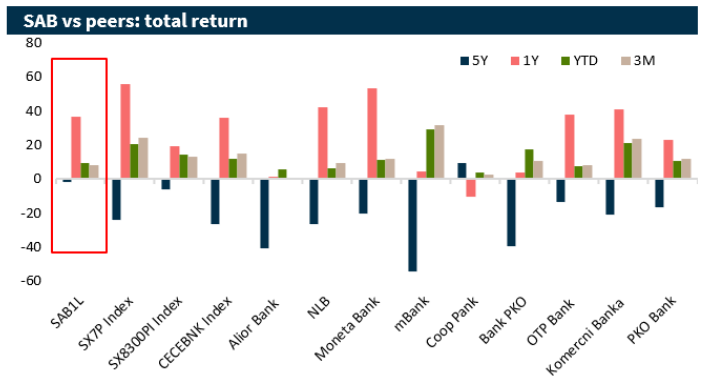
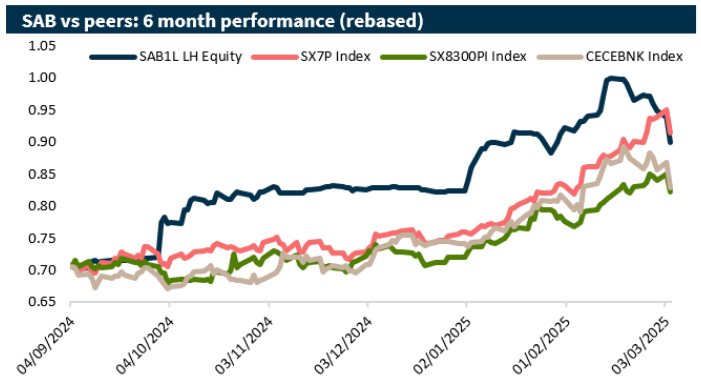
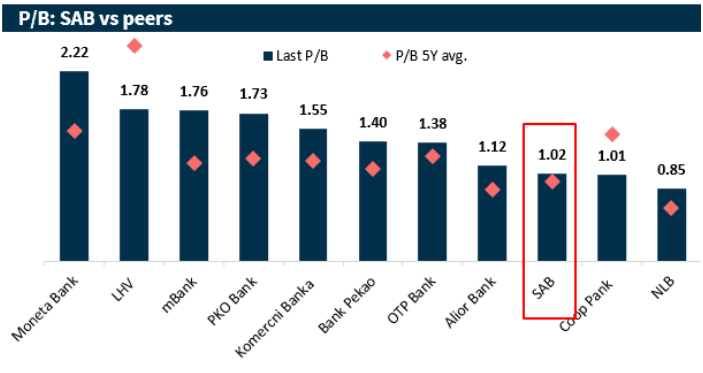
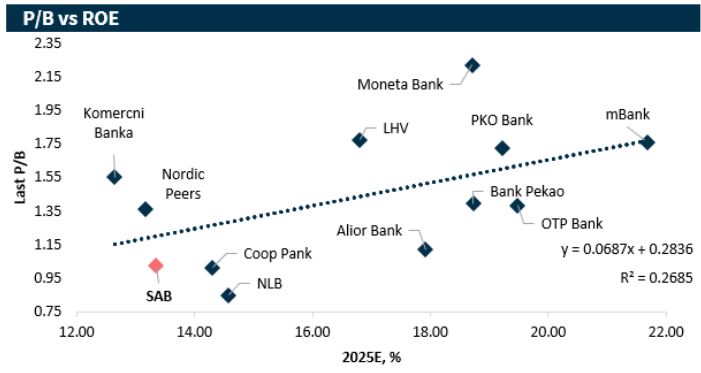
Mixed estimate changes following 4Q, but valuation is largely intact

We have made mixed estimate adjustments following the 4Q results and the bank's revised guidance. The most significant upward revision in our estimates relates to other operating income, primarily driven by the revised calculation of the financial instrument gains. Additionally, we have raised our forward NII estimates to align more closely with the bank's updated guidance and expectations of sustaining NIM above 3% over the forecast period. We have also increased our base cost assumptions and adjusted cost estimates over the forecast period.

To reflect the latest economic outlook, we have revised the long-term growth rate in our terminal value assumptions to 3%, in line with the updated 2027 Lithuanian GDP growth forecast (average of projections from the Ministry of Finance and the Bank of Lithuania).

Nonetheless, we remain somewhat more conservative than the bank's guidance, viewing the updated targets as rather ambitious. We believe achieving these targets depends on several critical factors aligning simultaneously. These include sustained strong economic growth in Lithuania, stable asset quality without macroeconomic shocks, the successful implementation of its core banking system, an interest rate environment above zero, and continued profitable expansion alongside increasing market share. Considering all estimated changes, we leave our valuation range unchanged, while its mid-point still offers a decent upside potential. Limited loan book risk due to sound economic growth in Lithuania supports the investment thesis as well. On the other hand, we acknowledge that the valuation gap to Baltic and CEE peers narrows following the recent share price rally, while further expansion in multiples will be highly dependent on delivery on its strategic targets. While the bank's estimated ROE of 13.3% for 2025e remains below the peer average of approximately 14.0% for the same period, we believe the P/B discount is still excessive, as signalled by P/B and ROE regression, where SAB1L plots below the regression line. The bank currently trades at a P/B of 1.02x and an adj. P/E of 7.6x for 2025e, implying a significant ~20% discount relative to the peer averages of 1.26x and 8.7x. While the bank's dividend yield of around 5% for 2025e lags behind the peer average of approximately 6%, this is explained by non-recurring items related to IT systems in 2025/26. As for the normalised years 2027-2028, we estimate a strong dividend offering with 7-8% yield.

Overall, we continue to see investment case appeal given the upside potential and our valuation range is kept unchanged at EUR 1.03–1.28/sh. For more information on valuation calculations, please see the next 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*	3.0%
Long term growth rate for RIV	3.0%
Long term ROE**	12.6%

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

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

Dividend Discount Model (DDM)

Estimates (EURm)	2025E	2026E	2027E	2028E	Base year
Net profit	63	73	92	108	111
Dividends paid	31	37	46	54	56
Payout ratio (Group)	50%	50%	50%	50%	50%
Share buybacks	3.3	0.0			
PV of dividends	28	30	34	37	
Capital Adequacy ratio, %	22.8%	22.1%	21.5%	21.1%	
Capital Adequacy ratio target, %	17.8%	17.8%	17.8%	17.8%	
RWA	2,707	3,172	3,570	4,014	
Excess capital to shareholders	135	137	134	134	

Valuation (EURm)	Share
NPV of dividends paid, forecasted period	169 21%
NPV of excess capital to shareholders	100
NPV of share buybacks	3
NPV of dividends paid, TV	516 66%
Total NPV of dividends	787 87%
Number of shares (mill.)	652
Value per share (EUR)	1.21

Sensitivity (EUR/share)		Cost of equity				
		8.3%	9.3%	10.3%	11.3%	12.3%
Long term growth	0.5%	1.22	1.09	0.99	0.91	0.85
	1.5%	1.34	1.19	1.07	0.97	0.89
	2.5%	1.51	1.31	1.16	1.04	0.95
	3.5%	1.75	1.47	1.28	1.13	1.02

Residual Income Valuation (RIV)

Estimates (EURm)	2025E	2026E	2027E	2028E	Base year
Equity to shareholders (start of year)	608	650	705	768	839
ROE	13.3%	13.8%	14.1%	14.9%	12.6%
Cost of Equity	10.3%	10.3%	10.3%	10.3%	10.3%
Residual income	19	23	27	36	19
PV of residual income	17	19	20	24	

Valuation (EURm)	Share
Opening equity to shareholders	648 71%
PV of residual income, forecasted period	80 9%
PV of residual income, TV	180 20%
Total value to shareholders	908 100%
Number of shares (mill.)	652
Value per share (EUR)	1.39

Sensitivity (EUR/share)		Cost of equity				
		8.3%	9.3%	10.3%	11.3%	12.3%
Long term growth	0.5%	1.59	1.44	1.32	1.22	1.14
	1.5%	1.65	1.48	1.35	1.24	1.15
	2.5%	1.73	1.53	1.38	1.26	1.16
	3.5%	1.84	1.59	1.41	1.28	1.17

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	1.03	1.03	0.95	1.00
Base Case	1.21	1.39	1.01	1.20
High Case	1.35	1.29	1.12	1.25

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

**Low/High assuming 5YR min. ROE of 12.6% vs guided ROE >17%

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

P/B multiple under target price	DDM	RIV	Peers-based	Average
Low Case	1.15	1.15	1.06	1.12
Base Case	1.35	1.56	1.12	1.34
High Case	1.51	1.44	1.25	1.40

Adj. P/E multiple under target price	DDM	RIV	Peers-based	Average
Low Case	8.54	8.56	7.90	8.33
Base Case	10.05	11.59	8.37	10.00
High Case	11.25	10.70	9.30	10.42

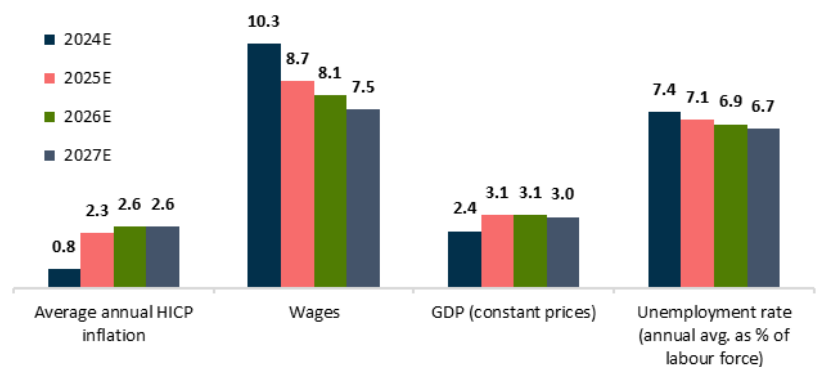
Our base case valuation range stands at EUR 1.01-1.39/sh. with a mid-point of EUR 1.20/sh., which values Šiaulių Bankas at P/B of 1.34x and adj. P/E of 10.0x for 2025E. As for the Low-High case, our blended approach implies a valuation range of EUR 1.00-1.25/sh., which suggests an upside potential to the current share price of 9-36% for the Low-High case.

Lithuania's economy overview

Lithuania's economy remains primarily fueled by the services sector, which contributed to around 40% of economic growth in the first 9M24. Growth in private consumption was largely driven by increased demand for non-durable goods and services. Manufacturing sector has shown improvement. Labor market is stable, with a moderate decline in employment mainly in transport; without this, employment levels are steady. The unemployment rate has remained relatively unchanged.

Real GDP is expected to grow by 3.1% this year, after a 2.4% increase estimated in 2024. Future economic growth is forecasted to continue at a similar but slower pace than the pre-shock rates of the last decade, constrained by labour inefficiencies, ageing demographics, and slower growth in trade partner markets. Labour costs are expected to remain a primary driver of inflation with significant wage growth. Improving global economy, higher prices for some energy commodities and tax increases are also expected to contribute to inflation. After settling at 0.8% for 2024, average annual headline inflation is expected to rise to 2.3% this year and settle at 2.6% in 2026-2027.

Lithuania's macroeconomic projections (annual % change)

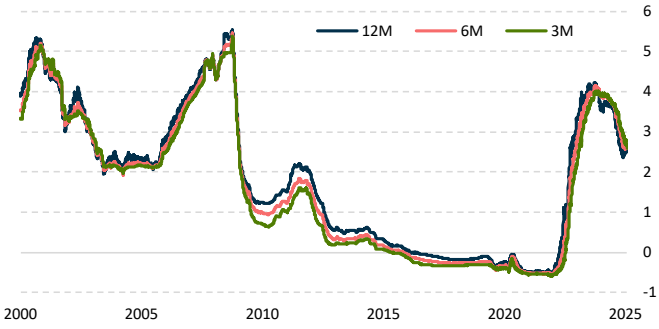


Data source: Bank of Lithuania

In January 2025, the ECB lowered its key interest rates by 25bps, as expected, reducing the deposit facility rate to 2.75%, the main refinancing rate to 2.90%, and the marginal lending rate to 3.15%. This marks the fifth rate cut since the easing cycle began in June 2024, aligning with the ECB's inflation outlook as price pressures subside. However, the ECB notes that inflation remains elevated due to a lag in wage and price adjustments after the previous inflation shock. At its next meeting in March, the ECB is widely expected to implement another 25bps rate cut. Further reductions are anticipated, with key interest rates projected to approach 2% by year-end.

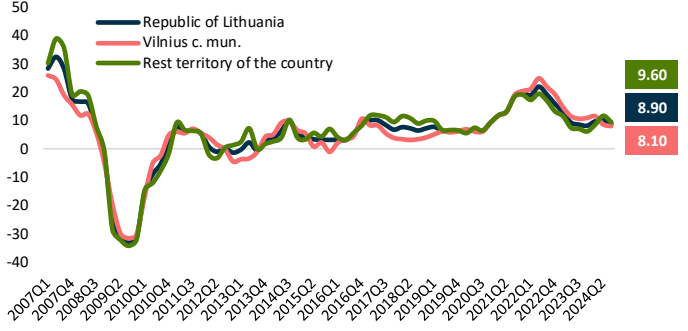
In Lithuania, retail and corporate lending accelerated at end-2024, growing 10% and 13% YoY, respectively. Mortgage loans, constituting >80% of retail lending, grew 9% YoY, up from 6% the previous year. Housing prices cooled, while mortgage rates fell by 1.3%p YoY, improving affordability. Despite the reduced interest rates, the interest rate spread widened in December as retail lending rates rose slightly MoM, while deposit rates fell throughout 2024. This pushed the lending-deposit spread to 3.2%, up 27bps MoM. The household loan-to-deposit ratio edged lower by year-end.

Euribor benchmark 3m, 6m, 12m rates



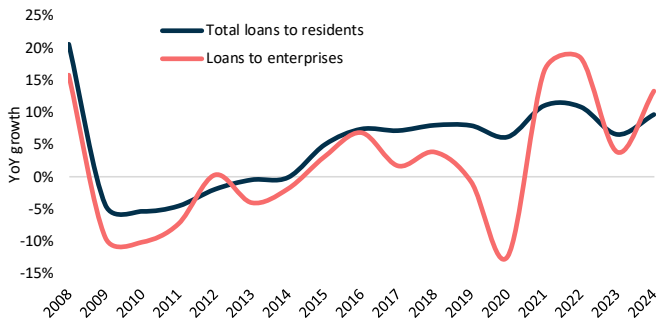
Source: Bloomberg

House price changes, YoY, %



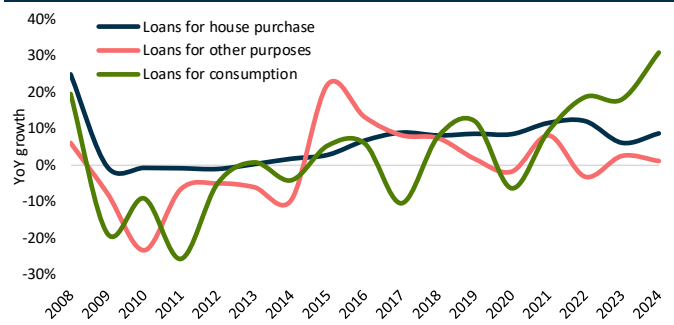
Data source: Statistics Lithuania

LT MFI loans to households and non-financial corporations (EOY)



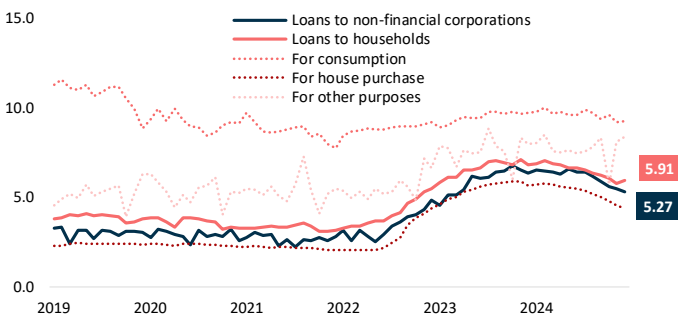
Data source: Bank of Lithuania

LT MFI loans to households (EOY)



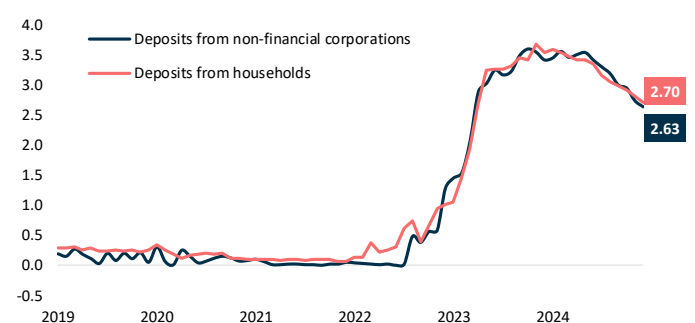
Data source: Bank of Lithuania

Lending rates, %



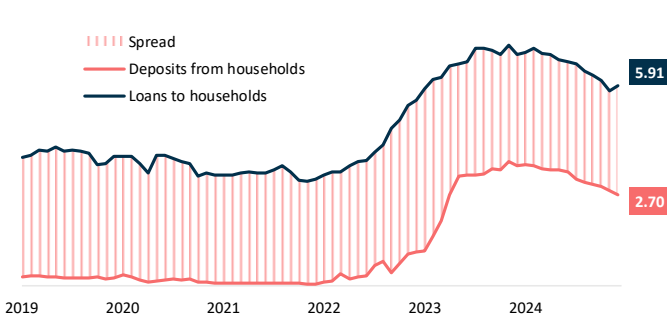
Data source: Bank of Lithuania

Deposit rates, %



Data source: Bank of Lithuania

Lending - deposit rate spread, %



Data source: Bank of Lithuania

Households loan-to-deposit ratio, %



Data source: Bank of Lithuania

Relative valuation

Peer comparison

EURm	Source	Market Cap.	P/B	P/E			Dividend Yield, %			ROE, %			ROE, %	P/E	P/B
				2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	5Y avg.	5Y avg.	5Y avg.
SAB1L	Norne	598	1.02	7.6	6.9	6.3	5.2	6.1	7.7	13.3	13.8	14.1	14.9	6.8	0.93
SAB1L	Consensus*	-	-	8.0	6.9	6.6	5.6	7.0	7.7	12.0	13.1	13.4	14.7	8.5	0.94
Nordic Peers															
DNB Bank ASA	Consensus*	33,031	1.48	9.8	10.0	9.9	6.6	6.8	6.9	14.5	13.5	13.5	13.3	9.8	1.28
Svenska Handelsbanken AB	Consensus*	24,228	1.26	11.5	11.7	11.4	8.2	7.3	8.1	11.3	11.0	11.0	12.0	11.6	1.05
Nordea Bank Abp	Consensus*	44,579	1.40	9.5	9.3	8.9	7.4	7.5	8.1	14.4	14.2	14.3	12.5	9.6	1.16
Swedbank AB	Consensus*	26,631	1.33	10.1	10.0	9.8	7.5	7.8	8.8	13.0	12.9	12.7	14.0	10.2	1.14
Skandinaviska Enskilda Banken AB	Consensus*	33,408	1.53	11.2	10.4	10.0	5.3	5.5	6.3	13.5	13.9	13.9	14.2	11.4	1.27
Danske Bank A/S	Consensus*	27,994	1.15	9.2	9.0	8.7	7.5	7.5	7.4	12.2	12.0	11.9	6.7	9.1	0.74
Average			1.36	10.2	10.1	9.8	7.1	7.1	7.6	13.2	12.9	12.9	12.1	10.3	1.10
Median			1.37	10.0	10.0	9.8	7.5	7.4	7.7	13.3	13.2	13.1	12.9	10.0	1.15
<i>Premium/discount</i>			<i>-25%</i>	<i>-23%</i>	<i>-31%</i>	<i>-36%</i>	<i>-2.2%p</i>	<i>-1.3%p</i>	<i>0.0%p</i>	<i>0.1%p</i>	<i>0.6%p</i>	<i>1.0%p</i>	<i>2.1%p</i>	<i>-32%</i>	<i>-19%</i>
CEE Peers															
Alior Bank SA	Consensus*	3,024	1.12	5.8	6.5	6.7	9.0	9.0	8.6	17.9	14.9	14.0	10.2	na	0.84
LHV Group AS	Consensus*	1,190	1.78	9.9	8.2	6.9	2.5	3.0	3.5	16.8	17.8	18.2	21.7	10.1	2.52
Nova Ljubljanska Banka dd	Consensus*	2,740	0.85	5.6	5.5	5.4	9.1	9.3	10.2	14.6	13.8	na	16.9	5.7	0.62
Moneta Money Bank AS	Consensus*	2,837	2.22	12.2	11.3	10.0	7.2	7.8	8.6	18.7	18.6	20.4	15.2	na	1.53
mBank SA	Consensus*	7,529	1.76	7.5	7.3	8.7	0.0	5.2	6.6	21.7	19.8	16.4	0.4	na	1.15
Coop Pank AS	Consensus*	214	1.01	6.7	6.1	5.3	3.8	4.3	4.8	14.3	14.0	14.5	15.2	6.9	1.49
Bank Polska Kasa Opieki SA	Consensus*	10,718	1.40	7.1	8.0	7.7	8.9	8.5	8.1	18.7	15.7	14.7	13.2	6.8	1.08
OTP Bank Nyrt	Consensus*	16,920	1.38	6.4	6.3	5.9	4.3	4.6	6.0	19.5	17.5	16.9	16.1	6.2	1.23
Komercni Banka AS	Consensus*	7,917	1.55	12.3	11.6	10.8	7.5	6.2	7.2	12.6	13.0	13.5	11.8	12.4	1.18
Powszechna Kasa Oszczednosci Bai	Consensus*	20,990	1.73	7.7	7.8	7.5	7.8	8.1	8.3	19.2	18.6	18.8	7.2	7.3	1.21
Erste Group Bank AG	Consensus*	27,078	1.32	9.3	8.7	8.0	5.0	5.4	5.9	13.7	13.2	13.4	11.2	9.2	0.81
Average			1.47	8.2	7.9	7.5	5.9	6.5	7.1	17.1	16.1	16.1	12.6	8.1	1.24
Median			1.40	7.5	7.8	7.5	7.2	6.2	7.2	17.9	15.7	15.5	13.2	7.1	1.18
<i>Premium/discount</i>			<i>-27%</i>	<i>2%</i>	<i>-11%</i>	<i>-16%</i>	<i>-2.0%p</i>	<i>0.0%p</i>	<i>0.5%p</i>	<i>-4.6%p</i>	<i>-1.9%p</i>	<i>-1.5%p</i>	<i>1.7%p</i>	<i>-5%</i>	<i>-21%</i>
Western Europe Peers															
Deutsche Bank AG	Consensus*	41,556	0.64	7.5	6.8	6.3	4.7	5.4	5.5	7.8	8.0	8.2	4.6	6.9	0.40
Raiffeisen Bank International AG	Consensus*	8,684	0.50	4.8	4.9	5.3	6.2	6.9	7.7	10.5	9.4	8.5	12.2	4.9	0.43
KBC Group NV	Consensus*	35,249	1.49	10.7	9.8	9.0	5.4	6.2	6.9	13.4	13.8	14.1	12.6	10.5	1.26
Commerzbank AG	Consensus*	26,845	0.92	10.3	8.0	6.9	3.8	5.1	6.1	7.7	9.7	10.6	2.3	9.4	0.42
Societe Generale SA	Consensus*	32,385	0.46	7.5	6.2	5.6	3.3	4.0	4.6	7.0	7.6	7.9	3.2	7.1	0.30
Banco Santander SA	Consensus*	93,324	0.95	7.5	6.9	6.2	3.5	4.3	4.7	11.8	11.7	11.6	7.2	7.8	0.59
ING Groep NV	Consensus*	56,470	1.10	9.1	7.9	7.0	5.9	6.6	7.3	11.8	12.8	13.6	9.5	9.1	0.81
Average			0.86	8.2	7.2	6.6	4.7	5.5	6.1	10.0	10.4	10.7	7.4	8.0	0.60
Median			0.92	7.5	6.9	6.3	4.7	5.4	6.1	10.5	9.7	10.6	7.2	7.8	0.43
<i>Premium/discount</i>			<i>12%</i>	<i>1%</i>	<i>1%</i>	<i>0%</i>	<i>0.6%p</i>	<i>0.7%p</i>	<i>1.6%p</i>	<i>2.9%p</i>	<i>4.2%p</i>	<i>3.5%p</i>	<i>7.8%p</i>	<i>-13%</i>	<i>115%</i>
Average all peers			1.26	8.7	8.3	7.8	5.9	6.4	6.9	14.0	13.6	13.6	11.0	8.7	1.02
Median all peers			1.33	9.1	8.0	7.6	6.1	6.4	7.1	13.6	13.7	13.6	12.1	9.1	1.11
<i>Premium/discount</i>			<i>-23%</i>	<i>-17%</i>	<i>-14%</i>	<i>-17%</i>	<i>-0.8%p</i>	<i>-0.2%p</i>	<i>0.6%p</i>	<i>-0.3%p</i>	<i>0.1%p</i>	<i>0.4%p</i>	<i>2.9%p</i>	<i>-26%</i>	<i>-16%</i>

* Bloomberg

Annual financial data

Profit & Loss (EURm)	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Net interest income	76	81	107	157	160	163	179	193	210	229
Net commission income	16	17	19	20	29	35	38	41	44	48
Other income/Gains on financial instruments	21	30	14	21	34	37	39	40	41	44
Total income	113	128	139	198	224	235	255	273	295	321
Salaries and related expenses	23	27	31	36	50	57	63	67	71	74
Depreciation and amortization expenses	4	4	5	5	8	9	9	9	9	9
Other costs	21	25	19	39	52	58	63	65	66	67
Total costs	48	57	54	81	109	124	135	142	146	150
Core earnings before loan losses	65	71	85	118	114	111	120	132	149	171
Write-downs on loans	12	4	5	15	11	16	16	17	18	20
Core earnings	53	67	80	102	103	95	104	115	131	151
Dividends/associated companies	-	-	-	-	-	-	-	-	-	-
One-offs	-	-	-	7	7	19	16	3	-	-
Pre tax profit	53	67	80	96	96	76	89	111	131	151
Taxes	-10	-12	-13	-20	-18	-13	-16	-19	-23	-26
Minority interest	-	-	-	-	-	-	-	-	-	-
Net profit	43	55	67	75	79	63	73	92	108	125
Adj. profit after taxes	43	55	67	81	85	78	86	94	108	125
EPS	0.07	0.09	0.11	0.12	0.12	0.10	0.11	0.14	0.17	0.19
EPS (adj.)	0.07	0.09	0.11	0.13	0.13	0.12	0.13	0.15	0.17	0.19
Profitability										
ROE (adj.)	12.7%	14.3%	16.1%	16.7%	14.9%	13.3%	13.8%	14.1%	14.9%	16.9%
ROE (reported)	12.7%	14.3%	16.1%	15.5%	13.8%	10.7%	11.8%	13.7%	14.9%	16.9%
ROA	1.4%	1.4%	1.6%	1.6%	1.6%	1.2%	1.2%	1.4%	1.5%	1.6%
RORWA	2.2%	2.6%	2.8%	3.1%	2.9%	2.0%	2.1%	2.3%	2.5%	2.7%
Core earnings ROE	14.9%	16.5%	18.1%	18.8%	17.7%	15.6%	16.1%	16.2%	17.1%	18.1%
Core earnings in % of RWA	2.8%	3.2%	3.3%	4.2%	3.8%	3.0%	2.9%	2.9%	3.0%	3.2%
Cost/Income ratio	42.6%	44.2%	38.8%	44.0%	52.0%	61.0%	59.0%	53.0%	49.4%	46.8%
Adjusted Cost/Income ratio	42.6%	44.2%	38.8%	40.7%	48.9%	52.9%	52.8%	51.8%	49.4%	46.8%
Costs in % of total assets	1.6%	1.4%	1.3%	1.7%	2.2%	2.3%	2.3%	2.2%	2.0%	1.9%
Tax rate	18.7%	17.9%	16.1%	21.3%	18.3%	17.5%	17.5%	17.5%	17.5%	17.5%
Loss ratio	0.75%	0.21%	0.21%	0.58%	0.35%	0.44%	0.38%	0.36%	0.35%	0.35%
Net interest margin	3.00%	2.99%	3.21%	4.05%	3.70%	3.17%	3.15%	3.10%	3.07%	3.05%
Operating margin	3.7%	3.2%	3.3%	4.1%	4.5%	4.4%	4.3%	4.2%	4.1%	4.1%
Pretax margin	1.7%	1.7%	1.9%	2.0%	2.0%	1.4%	1.5%	1.7%	1.8%	1.9%
Growth rates (YoY)										
Core earnings	-11%	27%	19%	27%	1%	-8%	10%	10%	15%	15%
EPS (adj.)	-16%	28%	22%	18%	-4%	-6%	10%	10%	15%	15%

Source: Šiaulių bankas for historical figures, Norne Securities for estimates

Balance sheet (EURm)	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Cash and receivables	590	1,162	630	1,041	715	409	256	77	171	286
Net lending to customers	1,606	1,909	2,392	2,645	3,118	3,661	4,165	4,740	5,131	5,554
Total securities	781	839	1,118	1,034	1,007	1,249	1,429	1,627	1,761	1,906
Associated companies	-	-	0.1	0.1	0.3	0.3	0.3	0.3	0.3	0.3
Tangible assets	16	15	16	16	15	15	15	15	16	16
Other assets	36	38	26	74	67	67	68	68	68	69
Total assets	3,029	3,962	4,183	4,809	4,923	5,402	5,934	6,528	7,146	7,829
Total equity	355	406	443	543	585	608	650	705	768	839
Minority interest	-	-	-	-	-	-	-	-	-	-
Total deposits	2,575	3,377	3,470	3,733	3,604	3,974	4,382	4,832	5,329	5,878
Debt securities in issue	20	95	171	276	448	533	614	701	759	822
Other liabilities	79	84	98	257	285	287	288	289	290	291
Equity and liabilities	3,029	3,962	4,183	4,809	4,923	5,402	5,934	6,528	7,146	7,829
Growth of loans	6.0%	18.9%	25.3%	10.6%	17.9%	17.4%	13.8%	13.8%	8.2%	8.2%
Growth of deposits	22.2%	31.1%	2.8%	7.6%	-3.5%	10.3%	10.3%	10.3%	10.3%	10.3%
Equity ratio	11.7%	10.3%	10.6%	11.3%	11.9%	11.3%	11.0%	10.8%	10.7%	10.7%
CET1 ratio	19.6%	19.5%	18.1%	19.9%	17.3%	17.4%	17.4%	17.4%	17.6%	17.8%
Core capital (EURm)	377	410	439	485	518	603	671	750	814	883
Tier 1 ratio	19.6%	19.5%	18.1%	19.9%	19.2%	19.0%	18.8%	18.7%	18.8%	18.9%
Capital base (EURm)	397	430	459	547	616	701	769	848	912	981
Capital adequacy	20.7%	20.4%	19.0%	22.4%	22.8%	22.1%	21.5%	21.1%	21.1%	21.0%
RWA	1917	2106	2421	2439	2707	3172	3570	4014	4328	4668

Source: Šiaulių bankas for historical figures, Norne Securities for estimates

Share data	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Shares outstanding, year end (mill.)	601	601	601	663	654	650	650	650	650	650
Share price, year end (EUR)	0.50	0.76	0.69	0.69	0.82	0.92	0.92	0.92	0.92	0.92
Market cap (EURm)	299	457	412	459	539	596	596	596	596	596
EPS	0.07	0.09	0.11	0.12	0.12	0.10	0.11	0.14	0.17	0.19
EPS (adj.)	0.07	0.09	0.11	0.13	0.13	0.12	0.13	0.15	0.17	0.19
Book value per share (EUR)	0.59	0.68	0.74	0.82	0.89	0.94	1.00	1.08	1.18	1.29
Dividends per share (EUR)	0.005	0.034	0.027	0.049	0.060	0.048	0.056	0.071	0.083	0.096
Share buybacks (EUR)	-	-	-	-	0.013	0.005	-	-	-	-
Dividend payout ratio (Group)	8%	37%	24%	43%	50%	50%	50%	50%	50%	50%
Total Dividend payout ratio (incl. buybacks)	8%	37%	24%	43%	61%	55%	50%	50%	50%	50%

Valuation	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
P/E	7.0	8.3	6.1	5.6	6.9	9.5	8.1	6.5	5.5	4.8
P/E (adj.)	7.0	8.3	6.1	5.2	6.4	7.6	6.9	6.3	5.5	4.8
P/B (excl. goodwill)	0.84	1.12	0.93	0.85	0.92	0.98	0.92	0.85	0.78	0.71
Dividend yield	1.1%	4.5%	3.9%	7.0%	7.3%	5.2%	6.1%	7.7%	9.1%	10.5%

Growth (YoY)	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Growth of loans	6.0%	18.9%	25.3%	10.6%	17.9%	17.4%	13.8%	13.8%	8.2%	8.2%
Growth of deposits	22.2%	31.1%	2.8%	7.6%	-3.5%	10.3%	10.3%	10.3%	10.3%	10.3%
EPS (adj.)	-16.5%	28.3%	22.1%	18.2%	-3.6%	-6.1%	10.3%	9.6%	14.5%	15.4%

Capital ratios	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Equity ratio	11.7%	10.3%	10.6%	11.3%	11.9%	11.3%	11.0%	10.8%	10.7%	10.7%
CET1 ratio	19.6%	19.5%	18.1%	19.9%	17.3%	17.4%	17.4%	17.4%	17.6%	17.8%
Tier 1 ratio	19.6%	19.5%	18.1%	19.9%	19.2%	19.0%	18.8%	18.7%	18.8%	18.9%
Capital adequacy	20.7%	20.4%	19.0%	22.4%	22.8%	22.1%	21.5%	21.1%	21.1%	21.0%

Profitability	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
ROE (adj.)	12.7%	14.3%	16.1%	16.7%	14.9%	13.3%	13.8%	14.1%	14.9%	16.9%
ROE (reported)	12.7%	14.3%	16.1%	15.5%	13.8%	10.7%	11.8%	13.7%	14.9%	16.9%
ROA	1.4%	1.4%	1.6%	1.6%	1.6%	1.2%	1.2%	1.4%	1.5%	1.6%
Costs/Income ratio	42.6%	44.2%	38.8%	44.0%	52.0%	61.0%	59.0%	53.0%	49.4%	46.8%
Adjusted Costs/Income ratio	42.6%	44.2%	38.8%	40.7%	48.9%	52.9%	52.8%	51.8%	49.4%	46.8%
Costs in % of total assets	1.6%	1.4%	1.3%	1.7%	2.2%	2.3%	2.3%	2.2%	2.0%	1.9%
Loss ratio	0.75%	0.21%	0.21%	0.58%	0.35%	0.44%	0.38%	0.36%	0.35%	0.35%
Net interest margin	3.00%	2.99%	3.21%	4.05%	3.70%	3.17%	3.15%	3.10%	3.07%	3.05%

Source: Šiaulių bankas for historical figures, Norne Securities for estimates

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
21/02/2025	1.03-1.28
06/03/2025	1.03-1.28

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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Obligation to provide information about employees' own holdings, cf. Securities Regulations § 3-10 (2) and § 3-11 (1) lit. a and b. Information on holdings of listed financial instruments that the employees of Norne Securities AS own is provided on request.

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