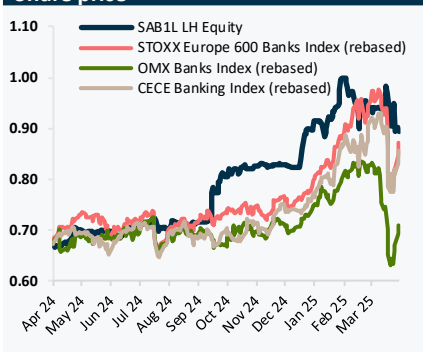


Šiaulių Bankas

Key share data

Sector	Financials
Reuters	SAB1L.VL
Bloomberg	SAB1L:LH
Market Cap (EURm)	580
Free float (EURm)	347
Issued shares, m	654
Avg. daily value traded 3M	326,419

Share price



Upcoming events

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.

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Stable outlook midst market headwinds

Šiaulių Bankas will issue 1Q25 report on April 28th. In line with broader trends in global equities and the European banking sector, the stock has dipped. While market volatility and uncertainty persist, recent macroeconomic indicators point to the resilience of the Lithuanian economy. Assuming conditions remain stable, this should continue to support the bank's performance in 1H25. Notably, we have observed that the recent price corrections have diminished the valuation gap relative to banking peers. We have adjusted our valuation range to EUR 0.96–1.20 per share and maintain a positive outlook.

Šiaulių Bankas 1Q25 results preview:

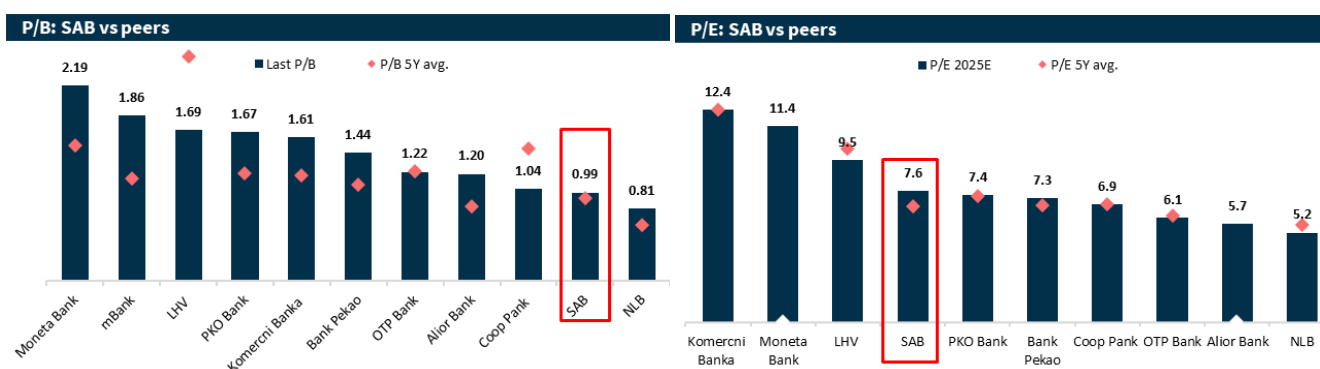
- NII is expected to seasonally decline by ~3% QoQ amid two less interest days in 1Q and the fact that lower interest rates should further pressure the margin. Gross lending volumes are estimated to show minimal growth, in line with the pace seen in 4Q
- Fee income is projected to increase by ~22% YoY (+43% YoY in 4Q) fueled by renovation and capital market fees
- Total costs are estimated at EUR 32.1m, or EUR 28.3m when adjusted for non-recurring items, representing an increase of ~3% YoY
- Loan losses are expected at EUR 3.0m, somewhat surpassing EUR 2.2m booked in 1Q24
- CET1 ratio is estimated at 19.0% or 10bps up QoQ
- Adj. ROE is forecasted at 14.1%, reflecting stronger returns compared to 4Q (13.7%) but still below the year-ago level of 16.8%.

1Q/25 results	1Q/24	4Q/24	1Q/25e
EURm			Norne
Net interest income	39.6	39.2	37.9
Net commission income	6.5	8.1	7.9
Net other operating income	4.2	4.1	4.2
Total costs	27.4	34.8	32.1
Adj. total costs	27.4	30.1	28.3
Core earnings before loan losses	30.0	21.9	25.4
Write-downs on loans	2.2	4.0	3.0
Core earnings	27.8	17.9	22.4
EPS (EUR)	0.034	0.023	0.028
EPS adjusted (EUR)	0.034	0.029	0.031
CET1 ratio, %	18.6%	18.9%	19.0%
ROE (annualised)	16.8%	10.9%	13.1%
Adj. ROE (annualised)	16.8%	13.7%	14.1%

Rebranding to Artea. The bank is rebranding to unify all Group companies under the new name, Artea, with a new logo to match. The launch is planned for May. The rebrand aims to boost brand recognition, differentiate in the domestic market, streamline the Group's brand structure, and enhance marketing efforts to drive potential new sales.

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



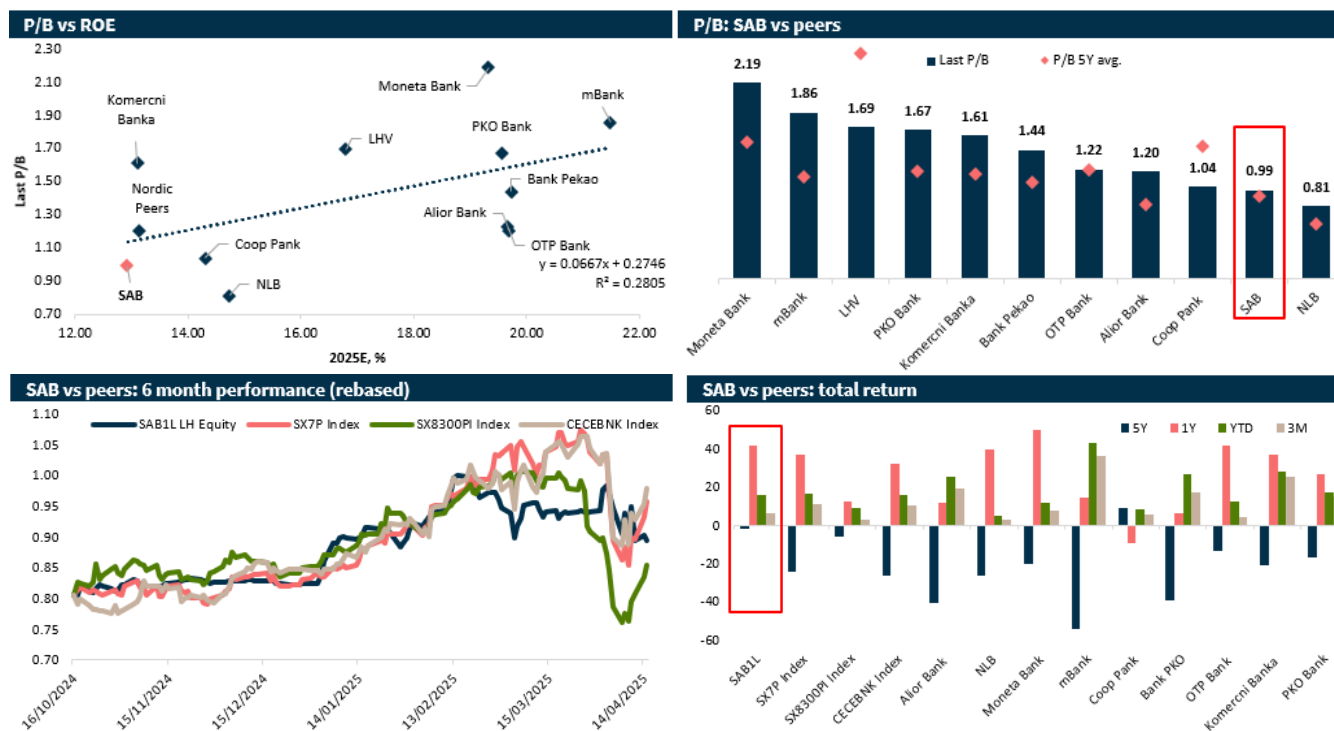
Potential downsides for the investment case

- 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			2025E			2026E			2027E		
	New	Old	Change	New	Old	Change	New	Old	Change	New	Old	Change
Net interest income	37.9	38.4	-1.1%	161.8	163.4	-0.9%	178.6	178.8	-0.1%	193.1	193.1	0.0%
Net commission income	7.9	7.7	2.5%	35.3	34.8	1.6%	37.9	37.6	0.7%	40.6	40.8	-0.3%
Net other operating income	4.2	3.4	23.5%	14.6	14.5	0.4%	14.8	15.0	-1.2%	14.9	15.3	-2.6%
Total costs	32.1	31.2	3.2%	125.1	124.4	0.6%	134.8	134.9	-0.1%	141.2	141.6	-0.3%
Write-downs on loans	3.0	3.8	-19.8%	14.6	16.0	-8.7%	15.4	16.0	-4.0%	17.0	17.3	-1.4%
Core earnings	22.4	22.0	1.7%	72.1	72.3	-0.4%	81.1	80.4	0.9%	90.5	90.3	0.2%
Pre tax profit	22.4	22.0	1.7%	72.8	75.8	-3.9%	88.8	88.8	0.0%	111.3	111.2	0.1%
EPS (EUR)	0.03	0.03	1.7%	0.09	0.10	-1.3%	0.11	0.11	0.0%	0.14	0.14	0.1%
EPS adjusted (EUR)	0.03	0.03	-6.3%	0.12	0.12	-3.2%	0.13	0.13	0.0%	0.15	0.15	0.1%
CET1 ratio	19.0%	19.0%	0.0%p	21.1%	20.0%	1.1%p	19.5%	18.6%	0.9%p	19.4%	18.7%	0.7%p
Dividend per share (EUR)	-	-	-	0.05	0.05	-1.3%	0.06	0.06	0.0%	0.07	0.07	0.1%
Adj. ROE (annualised)	14.1%	15.1%	-1.0%p	12.9%	13.3%	-0.4%p	13.8%	13.8%	0.0%p	14.1%	14.1%	0.0%p

Minor estimate changes; positive stance is kept ahead of 1Q earnings

We have made minimal estimate changes ahead of 1Q earnings, including the separate presentation of net financial instrument gains (previously within other operating income) and a slight cost revision reflecting updated wage growth projections from the Bank of Lithuania. We remain confident in the resilience of the Lithuanian economy, supported by the latest macroeconomic data and forecasts. The impact of U.S. tariff policy on Lithuania is expected to be minimal, while falling oil prices may contribute to a more subdued inflation outlook. However, market uncertainty remains elevated, and the potential for sharp fluctuations continues to weigh on the sentiment. The bank's estimated adj. ROE for 2025e stands at 12.9%, trailing the peer average of 14.2%. Nonetheless, we believe the current P/B discount is excessive. Based on a P/B vs. ROE regression, SAB1L plots below the trendline, with its current P/B of 0.99x reflecting a ~18% discount to the peer average of 1.20x. Notably, the P/E multiple discount has diminished following the significant price correction across European banking peers. While the expected dividend yield of ~5% for 2025e trails the peer average of ~6%, this is explained by non-recurring items related to IT systems in 2025/26. As for the normalized period of 2027–2028, we estimate a robust dividend yield of 8–9%. We have revised our valuation range to EUR 0.96–1.20 per share and continue to view the investment case as attractive. 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	76	86	95	108	111
Dividends paid	31	37	46	54	56
Payout ratio (Group)	41%	43%	49%	50%	50%
Share buybacks	3.2	0.0			
PV of dividends	28	30	34	37	
Capital Adequacy ratio, %	26.0%	23.9%	23.2%	22.7%	
Capital Adequacy ratio target, %	17.8%	17.8%	17.8%	17.8%	
RWA	2,987	3,393	3,859	4,160	
Excess capital to shareholders	245	206	208	202	

Valuation (EURm)	Share
NPV of dividends paid, forecasted period	129 16%
NPV of excess capital to shareholders	151
NPV of share buybacks	3
NPV of dividends paid, TV	515 65%
Total NPV of dividends	797 81%
Number of shares (mill.)	654
Value per share (EUR)	1.22

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	0.92	0.86
	1.5%	1.36	1.20	1.08	0.98	0.90
	2.5%	1.53	1.32	1.17	1.05	0.96
	3.5%	1.76	1.49	1.29	1.14	1.03

Residual Income Valuation (RIV)

Estimates (EURm)	2025E	2026E	2027E	2028E	Base year
Equity to shareholders (start of year)	608	650	705	767	838
ROE	12.9%	13.8%	14.1%	14.9%	12.6%
Cost of Equity	10.3%	10.3%	10.3%	10.3%	10.3%
Residual income	16	23	27	35	19
PV of residual income	15	19	20	24	

Valuation (EURm)	Share
Opening equity to shareholders	608 70%
PV of residual income, forecasted period	78 9%
PV of residual income, TV	179 21%
Total value to shareholders	865 100%
Number of shares (mill.)	654
Value per share (EUR)	1.32

Sensitivity (EUR/share)		Cost of equity				
Long term growth		8.3%	9.3%	10.3%	11.3%	12.3%
	0.5%	1.52	1.37	1.25	1.15	1.07
	1.5%	1.58	1.41	1.28	1.17	1.08
	2.5%	1.66	1.46	1.31	1.19	1.09
	3.5%	1.77	1.52	1.34	1.21	1.10

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	1.04	0.98	0.86	0.96
Base Case	1.22	1.32	0.91	1.15
High Case	1.37	1.23	1.01	1.20

*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	1.16	1.09	0.96	1.07
Base Case	1.36	1.48	1.02	1.29
High Case	1.53	1.38	1.13	1.34

Adj. P/E multiple under target price	DDM	RIV	Peers-based	Average
Low Case	8.92	8.40	7.38	8.23
Base Case	10.48	11.36	7.81	9.88
High Case	11.73	10.61	8.68	10.34

Our base case valuation range stands at EUR 0.91-1.32/sh. with a mid-point of EUR 1.15/sh., which values Šiaulių Bankas at P/B of 1.29x and adj. P/E of 9.88x for 2025E. As for the Low-High case, our blended approach implies a valuation range of EUR 0.96-1.20/sh., which suggests an upside potential to the current share price of 8-36% for the Low-High case.

Lithuania's economy overview

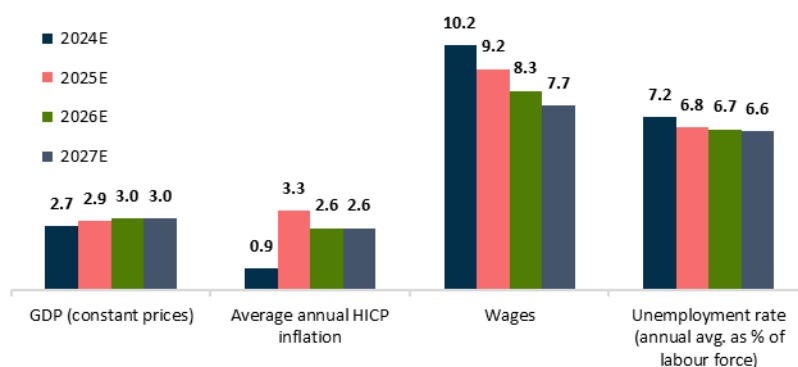
Global uncertainty remains elevated, driven by unpredictable trade policies, fiscal decisions, and geopolitical tensions, which continue to weigh on economic sentiment in both the US and the euro area. According to the Bank of Lithuania, Germany's ongoing structural challenges in its industrial sector are a key constraint on eurozone recovery, thereby limiting external demand for Lithuanian exports. Despite these global headwinds, Lithuania's economy demonstrates resilience. The Bank of Lithuania reports that household consumption is rebounding strongly, supported by solid wage growth and rising employment. While investment activity has moderated, the export of higher-value goods continues to expand. Labour market conditions remain robust, with employment reaching record highs and the unemployment rate falling below 7%. However, the Bank of Lithuania also points to increasing cost pressures, as a growing share of long-term unemployed and accelerating wage growth are eroding the competitiveness of less innovative firms.

Lithuania's GDP grew by 2.7% in 2024 and is projected to rise by 2.9% in 2025, supported by both domestic demand and external trade (Bank of Lithuania). Investment is expected to benefit from a more accommodative monetary policy and inflows of EU structural funds.

After a period of stability, inflation is again gaining momentum. According to Statistics Lithuania, the CPI rose to approximately 3.6% YoY in January–February 2025, up from 2.1% in December 2024. Annual inflation is projected to rise to 3.3% in 2025, up from 0.9% in 2024, before easing to 2.6% in 2026–2027 (Bank of Lithuania). The Bank of Lithuania highlights services inflation driven by rising wages as the primary inflationary force, with March forecasts indicating stronger-than-previously-expected wage growth in the coming years. On the flip side, the prolonged decline in the oil price might suggest less pressure on the inflation outlook.

Overall, we remain cognizant of significant risks, especially those arising from geopolitical developments, changes in trade policy, and domestic fiscal decisions, including defense spending and pension reform.

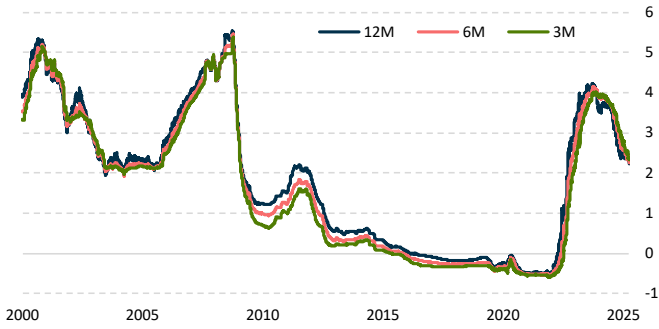
Lithuania's macroeconomic projections (annual % change)



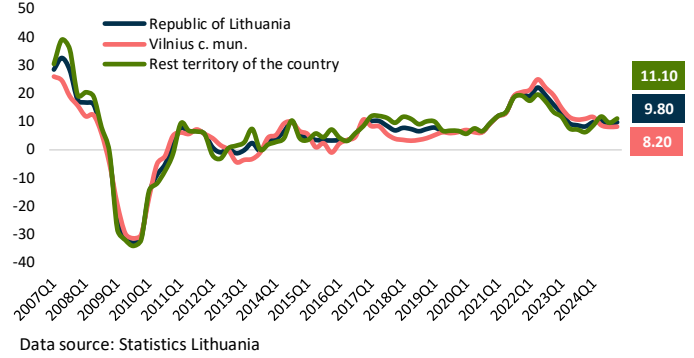
Data source: Bank of Lithuania

In March 2025, the ECB lowered its key interest rates by 25bps, as expected, reducing the deposit facility rate to 2.50%, the main refinancing rate to 2.65%, and the marginal lending rate to 2.90%. This marks the sixth rate cut since the easing cycle began in June 2024, aligning with the ECB's inflation outlook as price pressures subside. Further reductions are anticipated, with key interest rates projected to approach 2% by year-end. The heightened risk of a global recession driven by proposed trade tariffs could prompt the ECB to accelerate rate cuts, putting downward pressure on the bank's NIM.

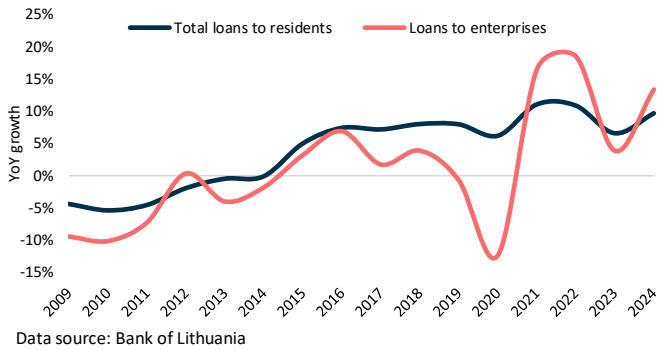
Euribor benchmark 3m, 6m, 12m rates



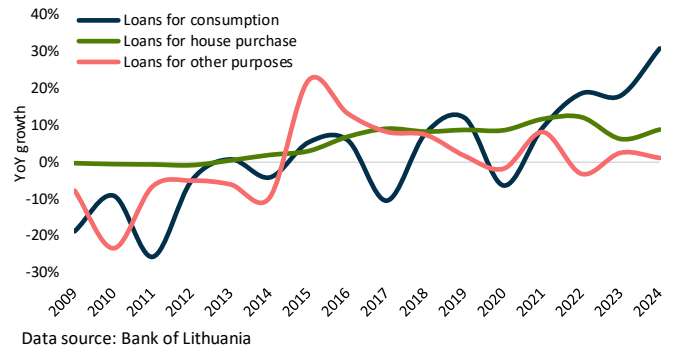
House price changes, YoY, %



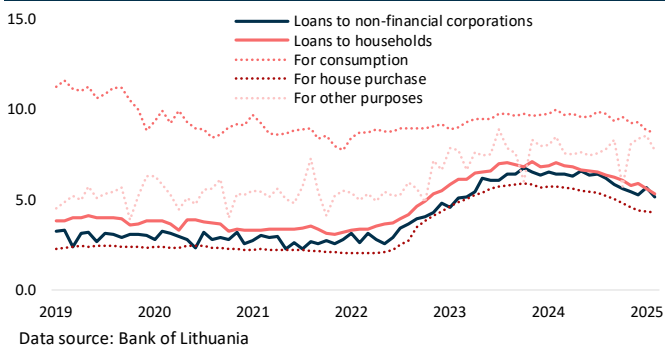
LT MFI loans to households and non-financial corporations (EOY)



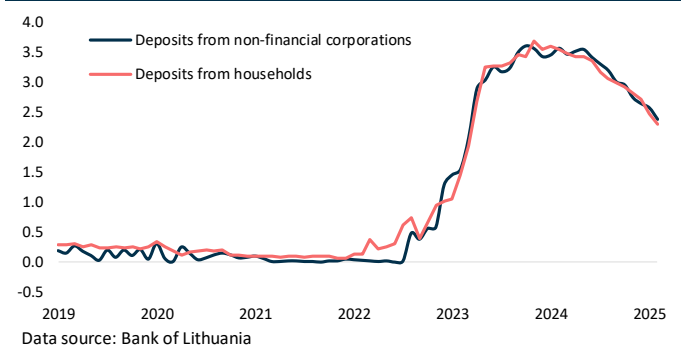
LT MFI loans to households and non-financial corporations (EOY)



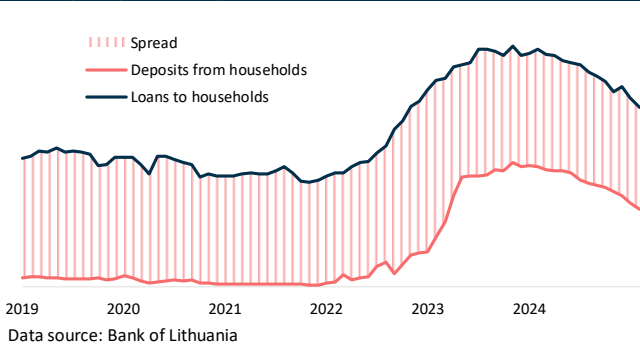
Lending rates, %



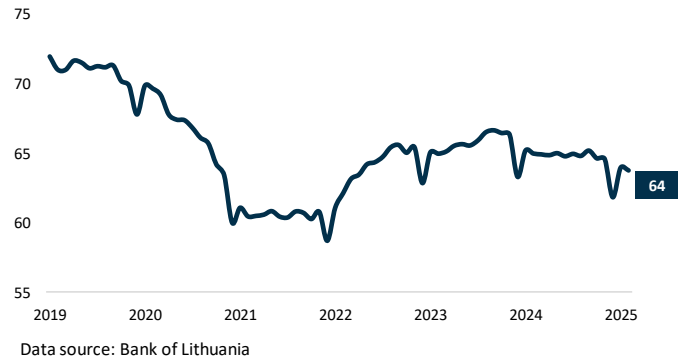
Deposit rates, %



Lending - deposit rate spread, %



Households loan-to-deposit ratio, %



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	580	0.99	7.6	6.7	6.1	5.3	6.4	8.0	12.9	13.8	14.1	14.9	6.8	0.93
SAB1L	Consensus*	-	-	7.5	6.4	5.6	5.9	6.7	8.3	11.5	12.9	14.3	14.7	8.5	0.94
Nordic Peers															
DNB Bank ASA	Consensus*	32,141	1.48	9.6	9.7	9.5	6.7	6.9	7.0	15.0	13.9	13.8	13.3	9.8	1.28
Svenska Handelsbanken AB	Consensus*	20,101	1.06	9.7	9.8	9.6	9.7	8.8	9.0	11.2	11.0	11.2	12.0	11.6	1.05
Nordea Bank Abp	Consensus*	39,115	1.31	8.4	8.3	7.9	8.4	8.5	8.7	14.2	14.0	14.2	12.5	9.6	1.16
Swedbank AB	Consensus*	22,204	1.12	8.6	8.5	8.2	8.5	9.2	9.4	13.0	12.9	12.8	14.0	10.2	1.14
Skandinaviska Enskilda Banken AB	Consensus*	27,242	1.26	9.5	8.8	8.3	6.4	6.5	6.7	13.3	13.6	13.8	14.2	11.4	1.27
Danske Bank A/S	Consensus*	24,606	1.01	8.2	8.0	7.6	8.5	8.6	8.5	12.2	12.0	12.1	6.7	9.1	0.74
Average			1.21	9.0	8.9	8.5	8.0	8.1	8.2	13.1	12.9	13.0	12.1	10.3	1.10
Median			1.19	9.0	8.7	8.3	8.4	8.6	8.6	13.1	13.3	13.3	12.9	10.0	1.15
Premium/discount			-17%	-16%	-23%	-26%	-3.1%p	-2.2%p	-0.7%p	-0.2%p	0.6%p	0.8%p	2.1%p	-32%	-19%
CEE Peers															
Alior Bank SA	Consensus*	3,138	1.20	5.7	6.3	6.7	9.2	8.9	9.8	19.7	16.9	14.3	10.2	na	0.84
LHV Group AS	Consensus*	1,135	1.69	9.5	7.8	6.6	2.6	3.1	3.7	16.8	17.8	18.2	21.7	10.1	2.52
Nova Ljubljanska Banka dd	Consensus*	2,620	0.81	5.2	5.1	5.0	10.1	10.8	11.6	14.7	14.2	13.6	16.9	5.7	0.62
Moneta Money Bank AS	Consensus*	2,793	2.19	11.4	10.5	10.3	7.6	7.8	8.3	19.3	19.6	20.5	15.2	na	1.53
mBank SA	Consensus*	7,704	1.86	7.6	7.3	7.9	0.0	6.5	6.6	21.5	20.4	17.2	0.4	na	1.15
Coop Pank AS	Consensus*	219	1.04	6.9	6.3	5.5	3.8	4.2	4.7	14.3	14.0	14.5	15.2	6.9	1.49
Bank Polska Kasa Opieki SA	Consensus*	10,726	1.44	7.3	8.1	8.0	8.5	8.9	9.2	19.7	17.1	15.6	13.2	6.8	1.08
OTP Bank Nyrt	Consensus*	16,478	1.22	6.1	5.9	5.4	4.5	5.3	6.8	19.7	17.5	17.6	16.1	6.2	1.23
Komerčni Banka AS	Consensus*	8,212	1.61	12.4	11.5	10.9	7.7	7.1	6.8	13.1	13.7	14.1	11.8	12.4	1.18
Powszechna Kasa Oszczednosci Banku Polskiego	Consensus*	20,403	1.67	7.4	7.3	7.4	8.3	8.9	9.3	19.6	19.9	19.0	7.2	7.3	1.21
Erste Group Bank AG	Consensus*	25,123	1.23	8.4	8.0	7.5	5.4	5.9	6.3	14.1	13.5	13.5	11.2	9.2	0.81
Average			1.45	8.0	7.7	7.4	6.1	7.0	7.6	17.5	16.8	16.2	12.6	8.1	1.24
Median			1.44	7.4	7.3	7.4	7.6	7.1	6.8	19.3	17.1	15.6	13.2	7.1	1.18
Premium/discount			-31%	3%	-8%	-17%	-2.3%p	-0.7%p	1.2%p	-6.4%p	-3.2%p	-1.5%p	1.7%p	-5%	-21%
Western Europe Peers															
Deutsche Bank AG	Consensus*	39,978	0.61	7.3	6.6	6.1	4.9	5.7	6.2	7.7	8.1	8.4	4.6	6.9	0.40
Raiffeisen Bank International AG	Consensus*	7,092	0.41	4.1	4.3	4.2	6.8	7.6	7.9	9.8	9.1	8.4	12.2	4.9	0.43
KBC Group NV	Consensus*	33,170	1.40	9.9	9.1	8.2	5.6	6.6	7.5	13.7	14.1	14.8	12.6	10.5	1.26
Commerzbank AG	Consensus*	26,999	0.88	10.4	8.0	6.8	3.8	5.3	6.4	7.6	9.9	10.7	2.3	9.4	0.42
Societe Generale SA	Consensus*	31,564	0.45	7.2	6.1	5.4	3.5	4.2	4.9	7.0	7.7	8.0	3.2	7.1	0.30
Banco Santander SA	Consensus*	90,248	0.91	7.2	6.5	5.9	3.8	4.4	5.0	11.8	11.8	11.9	7.2	7.8	0.59
ING Groep NV	Consensus*	51,655	1.01	8.6	7.3	6.5	6.3	7.1	7.9	11.5	12.6	13.3	9.5	9.1	0.81
Average			0.81	7.8	6.8	6.2	5.0	5.8	6.5	9.9	10.4	10.8	7.4	8.0	0.60
Median			0.88	7.3	6.6	6.1	4.9	5.7	6.4	9.8	9.9	10.7	7.2	7.8	0.43
Premium/discount			13%	4%	1%	0%	0.5%p	0.7%p	1.5%p	3.1%p	4.0%p	3.4%p	7.8%p	-13%	115%
Average all peers			1.20	8.2	7.7	7.3	6.3	7.0	7.4	14.2	14.0	13.8	11.0	8.7	1.02
Median all peers			1.21	8.3	7.9	7.4	6.5	7.0	7.2	13.9	13.8	13.8	12.1	9.1	1.11
Premium/discount			-18%	-8%	-15%	-18%	-1.2%p	-0.6%p	0.7%p	-0.9%p	0.0%p	0.3%p	2.9%p	-26%	-16%

* 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	162	179	193	210	228
Net commission income	16	17	19	20	29	35	38	41	44	47
Other income	8	13	9	7	14	15	15	15	15	15
Total income	100	111	134	184	204	212	231	249	268	290
Salaries and related expenses	23	27	31	36	50	58	64	69	72	76
Depreciation and amortization expenses	4	4	5	5	8	9	9	9	9	9
Other costs	21	25	19	39	52	58	62	63	64	65
Total costs	48	57	54	81	109	125	135	141	145	149
Core earnings before loan losses	52	55	80	103	94	87	97	108	123	141
Write-downs on loans	12	4	5	15	11	15	15	17	17	19
Core earnings	40	51	75	88	83	72	81	90	105	122
Dividends/associated companies	-	-	-	-	-	-	-	-	-	-
Net return on financial investments	13	17	5	14	20	22	23	24	26	28
One-offs	-	-	-	7	7	21	16	3	-	-
Pre tax profit	53	67	80	96	96	73	89	111	131	151
Taxes	-10	-12	-13	-20	-18	-13	-16	-19	-23	-26
Minority interest	-	-	-	-	-	-	-	-	-	-
Net profit	43	55	67	75	79	60	73	92	108	124
Adj. profit after taxes	43	55	67	81	85	76	86	95	108	124
EPS	0.07	0.09	0.11	0.12	0.12	0.09	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%	12.9%	13.8%	14.1%	14.9%	16.8%
ROE (reported)	12.7%	14.3%	16.1%	15.5%	13.8%	10.5%	11.8%	13.7%	14.9%	16.8%
ROA	1.4%	1.4%	1.6%	1.6%	1.6%	1.1%	1.2%	1.4%	1.5%	1.6%
RORWA	2.2%	2.6%	2.8%	3.1%	2.9%	2.0%	2.2%	2.4%	2.6%	2.7%
Core earnings ROE	11.3%	12.4%	17.0%	16.2%	14.2%	11.9%	12.5%	12.8%	13.7%	14.6%
Core earnings in % of RWA	2.1%	2.4%	3.1%	3.6%	3.1%	2.4%	2.4%	2.3%	2.5%	2.7%
Cost/Income ratio	48.0%	50.9%	40.2%	47.5%	57.1%	69.0%	65.0%	58.1%	54.2%	51.4%
Adjusted Cost/Income ratio	48.0%	50.9%	40.2%	43.9%	53.7%	59.1%	58.3%	56.8%	54.2%	51.4%
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%	18.0%	17.5%	17.5%	17.5%	17.5%
Loss ratio	0.75%	0.21%	0.21%	0.58%	0.35%	0.42%	0.38%	0.36%	0.34%	0.34%
Net interest margin	3.00%	2.99%	3.21%	4.05%	3.70%	3.14%	3.16%	3.11%	3.07%	3.05%
Operating margin	3.3%	2.8%	3.2%	3.8%	4.1%	3.9%	3.9%	3.8%	3.8%	3.7%
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	-5%	26%	49%	16%	-5%	-14%	13%	11%	17%	16%
EPS (adj.)	-16%	28%	22%	18%	-4%	-9%	14%	10%	14%	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	651	410	102	197	314
Net lending to customers	1,606	1,909	2,392	2,645	3,118	3,458	4,037	4,719	5,108	5,529
Total securities	781	839	1,118	1,034	1,007	1,180	1,385	1,620	1,753	1,897
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	5,372	5,915	6,524	7,143	7,825
Total equity	355	406	443	543	585	608	650	705	767	838
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	504	595	698	756	818
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	5,372	5,915	6,524	7,143	7,825
Growth of loans	6.0%	18.9%	25.3%	10.6%	17.9%	10.9%	16.7%	16.9%	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%	18.9%	21.1%	19.5%	19.4%	19.1%	19.6%
Core capital (EURm)	377	410	439	485	562	679	712	797	844	937
Tier 1 ratio	19.6%	19.5%	18.1%	19.9%	20.8%	22.7%	21.0%	20.7%	20.3%	20.7%
Capital base (EURm)	397	430	459	547	660	777	810	895	942	1035
Capital adequacy	20.7%	20.4%	19.0%	22.4%	24.4%	26.0%	23.9%	23.2%	22.7%	22.8%
RWA	1917	2106	2421	2439	2707	2987	3393	3859	4160	4533

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	0.89	0.89	0.89	0.89	0.89
Market cap (EURm)	299	457	412	459	539	577	577	577	577	577
EPS	0.07	0.09	0.11	0.12	0.12	0.09	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	0.93	1.00	1.08	1.18	1.29
Dividends per share (EUR)	0.005	0.034	0.027	0.049	0.060	0.047	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	9.4	7.9	6.3	5.3	4.6
P/E (adj.)	7.0	8.3	6.1	5.2	6.4	7.6	6.7	6.1	5.3	4.6
P/B (excl. goodwill)	0.84	1.12	0.93	0.85	0.92	0.95	0.89	0.82	0.75	0.69
Dividend yield	1.1%	4.5%	3.9%	7.0%	7.3%	5.3%	6.4%	8.0%	9.4%	10.8%

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%	10.9%	16.7%	16.9%	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%	-9.0%	13.9%	9.7%	14.3%	15.0%

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%	18.9%	21.1%	19.5%	19.4%	19.1%	19.6%
Tier 1 ratio	19.6%	19.5%	18.1%	19.9%	20.8%	22.7%	21.0%	20.7%	20.3%	20.7%
Capital adequacy	20.7%	20.4%	19.0%	22.4%	24.4%	26.0%	23.9%	23.2%	22.7%	22.8%

Profitability	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
ROE (adj.)	12.7%	14.3%	16.1%	16.7%	14.9%	12.9%	13.8%	14.1%	14.9%	16.8%
ROE (reported)	12.7%	14.3%	16.1%	15.5%	13.8%	10.5%	11.8%	13.7%	14.9%	16.8%
ROA	1.4%	1.4%	1.6%	1.6%	1.6%	1.1%	1.2%	1.4%	1.5%	1.6%
Costs/Income ratio	48.0%	50.9%	40.2%	47.5%	57.1%	69.0%	65.0%	58.1%	54.2%	51.4%
Adjusted Costs/Income ratio	48.0%	50.9%	40.2%	43.9%	53.7%	59.1%	58.3%	56.8%	54.2%	51.4%
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%	0.42%	0.38%	0.36%	0.34%	0.34%
Net interest margin	3.00%	2.99%	3.21%	4.05%	3.70%	3.14%	3.16%	3.11%	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
17/04/2025	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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