Šiaulių Bankas AB

Initiation of Coverage Report

March 26th, 2025

Table of Contents

Investment Summary

Šiaulių Bankas Strategic Leap Toward Market Leadership

Company profile	
Listing market	Nasdaq Vilnius
Ticker	SAB1L
Industry	Banking
Website	https://www.sb.lt/en

Share Data (March 26, 2025)	
Current price, EUR	0.94
Target price, EUR	1.27
Potential Upside/Downside, %	34.8
52 week Low/High, EUR	0.658/1.006
3 month av. daily volume	314300
Market cap, EURm	623.2
Ordinary shares	663.0

Analyst

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Šiaulių Bankas AB (“SAB" or the "Group"), **soon to be rebranded as Artea Bankas**, since its inception in 1992, has grown into the fourth-largest bank in Lithuania by asset size. Founded by local capital the Group carries strong local brand and boasts the most extensive branch network among its peers. Over the years, it has strategically expanded its service offering to position itself as a one-stop shop, integrating corporate banking, retail banking, and investment services. This diversified model enhances client acquisition and cross-selling opportunities while supporting long-term growth and market penetration. SAB has communicated its ambitions to transform its brand, internal systems and reinforce client-centric approach in order to become the leading bank in Lithuania by 2029, ultimately doubling its retail and corporate client base.

The Lithuanian banking market remains highly concentrated, with the two largest banks controlling over 50% of the total loan portfolio. SAB holds approximately 11% market share, having expanded its loan portfolio market share by 5pp since 2017. From a profitability and risk perspective, Lithuania stands out as one of the most attractive banking markets in the EU. However, lending activity has remained relatively constrained, with domestic credit to the private sector and loans to households as a percentage of disposable income lagging behind the EU average, signaling substantial growth potential.

SAB has demonstrated robust loan portfolio expansion, recording a 5Y CAGR of 15%, while deposits have grown at an annual rate of 12%, outpacing the broader market. The bank has maintained a disciplined approach to cost control and delivered above-industry ROE in recent years. While profitability metrics have temporarily softened due to investments in the Group’s strategic initiatives, these investments are expected to enhance scalability and support a return to normalized profitability levels.

Key Numbers (EURm)	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Loans and leasing	2104	2634	2932	3435	4075	4588	5268	5640	6034
Deposits	2679	2785	3163	3538	4014	4403	4803	5261	5748
Total equity	406	442	543	585	611	648	709	774	842
NIM (%)	2.9	3.1	4.2	3.3	3.2	3.0	3.0	3.0	3.0
Net interest income	81	107	157	160	167	174	192	213	228
Net fees and commissions	17	19	20	29	32	36	39	43	47
C/I (%)	44.1	41.7	43.5	52.0	58.4	57.3	48.0	45.6	44.5
Net profit	55	67	75	79	65	70	96	113	124
ROE (%)	14.5	15.9	15.3	14.0	10.8	11.1	14.2	15.2	15.3
P/E (x)	8.3	6.1	5.7	6.9	9.5	8.8	6.4	5.5	5.0
P/B (x)	1.1	0.9	0.8	0.9	1.0	0.9	0.9	0.8	0.7
Dividend yield (%)	0.7	5.0	3.8	5.9	6.4	5.3	5.7	7.8	9.2

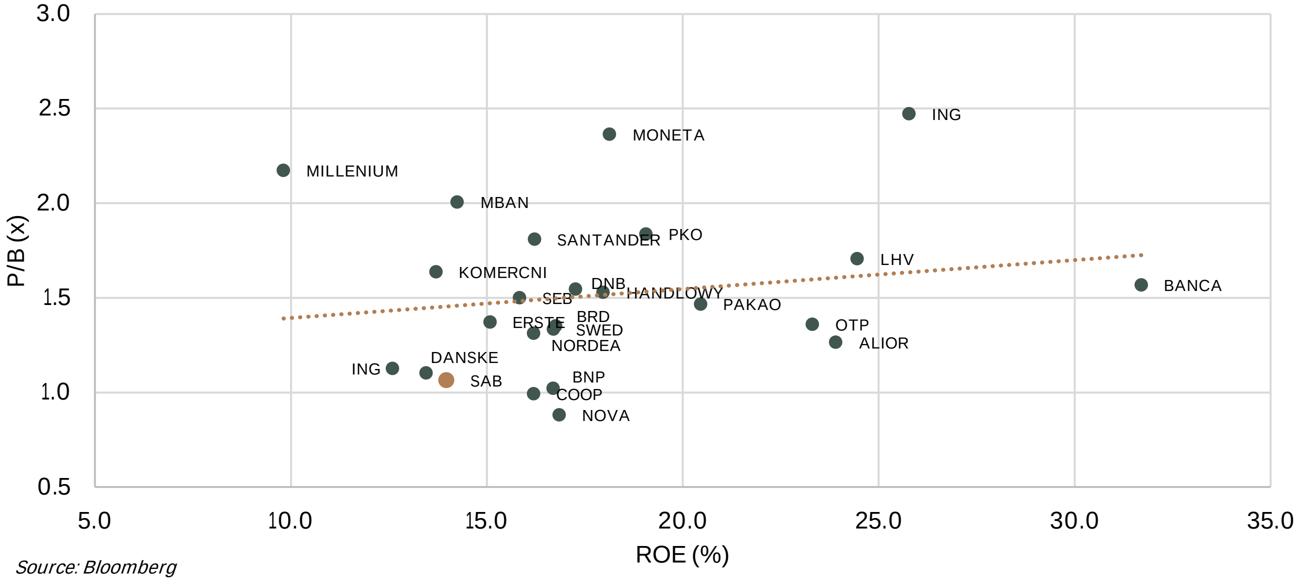
*Source: SAB for historicals, Signet Bank for estimates. *2025E-2029E multiples are based on share price at March 26th of EUR 0.94.*

SAB's strong share price performance (+36% YTD) reflects solid investor confidence in SAB's strategic development; however, the stock still trades at a notable discount of 30% on a P/B basis and 19% on a P/E basis relative to peer averages, essentially deserving higher valuation with 14% ROE.

On top of capital gains the Group has increased its minimum payout ratio to 50% and distributes the excess capital to its shareholders via share buyback programs. Measured against the price at the time of this report (EUR 0.94 per share), SAB achieved a robust 5.6% dividend yield in 2024 and is targeting a compelling 7.0% yield for 2025 through a combination of dividends and repurchases. Looking ahead, and excluding potential buybacks, we forecast the Group to sustain an attractive dividend yield within the 5.3%-9.2% range over the 2025-2029E horizon, reinforcing its commitment to disciplined capital deployment and shareholder value maximization.

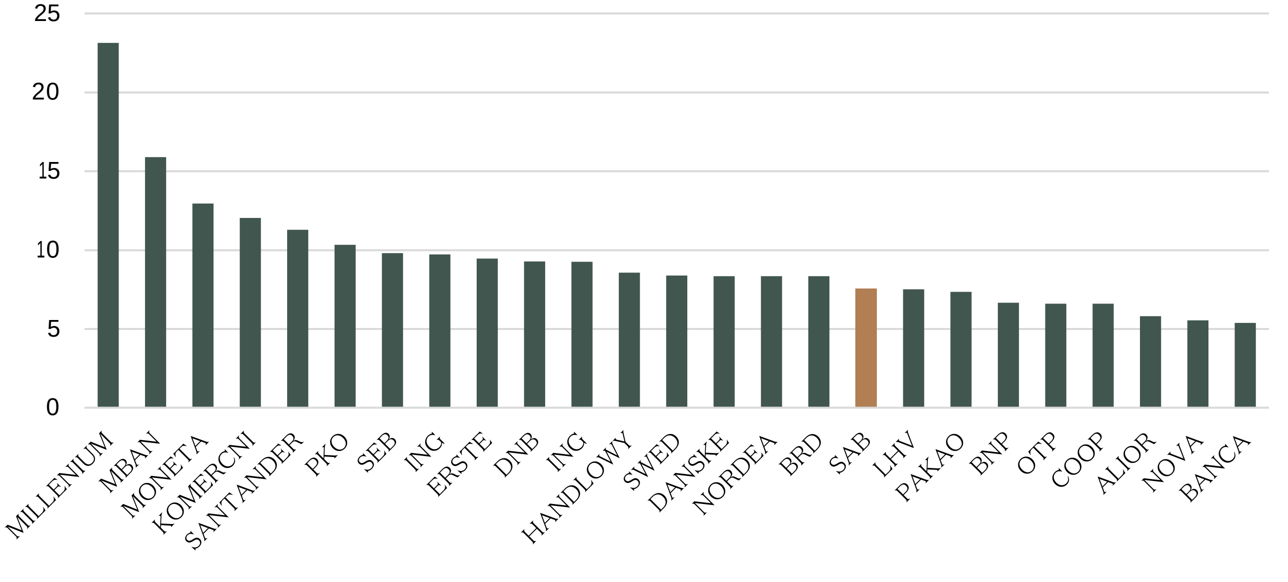
Our valuation approach incorporates both income-based and market-based methodologies, assigning a 70% weight to income valuation and 30% to peer-based valuation. Based on our estimates and key assumptions, we value SAB's equity at EUR 1.27 per share, implying a 35% upside to the current market price.

TTM P/B and ROE peer comparison



Source: Bloomberg

TTM P/E (x) peer comparison



Source: Bloomberg

Company Overview

Founded in 1992 by local capital SAB has become the largest independently-owned bank in Lithuania. The Group's core operations include retail banking, corporate banking and investment services. SAB operates solely in Lithuania market, with an exception to life insurance operations covering the Baltics. The Group has developed branch network of 54 throughout Lithuania, providing the widest branch network among its peers. As of 2024 SAB in total employed 1 209 employees, compared to 1 137 at the end of 2023.

We would like to highlight as part of the Group's new strategy SAB announced its rebranding proposal to change the Group' s name to Artea Bankas. Among other things, the vote on the rebranding will be held at the Ordinary General Meeting of Shareholders on 31 March 2025.

ŠIAULIŲ BANKAS → Artea

Company structure and M&A

Throughout its 33-year history, SAB has demonstrated a consistent track record of profitable organic growth, strategically complemented by value-accretive mergers and acquisitions.

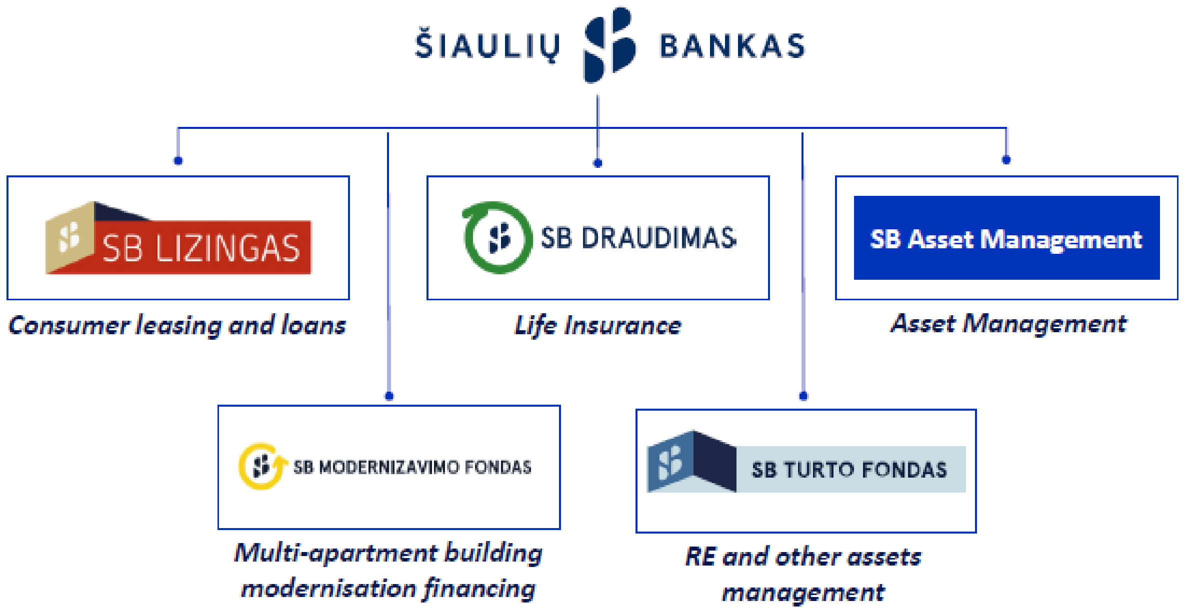
In February 2013, Ukio Bankas (UB), then the fourth-largest bank in Lithuania by deposits, encountered financial distress, prompting the Bank of Lithuania to impose a moratorium on its operations. Acting as the temporary administrator of UB, SAB, with the Lithuanian government and the central bank, reached an agreement to transfer substantial portion of UB's assets and liabilities to SAB. This process involved segregating UB's assets into "good" and "bad" banks, ensuring that only viable assets were integrated into SAB's balance sheet.

Further expanding its service portfolio and market presence, SAB entered into an agreement with Invalda INVL AB to acquire 100% of Finasta AB bank and its affiliated brokerage firm, Finasta. The acquisition was financed through the issuance of new SAB shares to Invalda INVL, which consequently became a strategic shareholder, holding 6.79% of the Group's equity at that time. The transaction was finalized in September 2015, reinforcing SAB's capabilities in investment banking and wealth management.

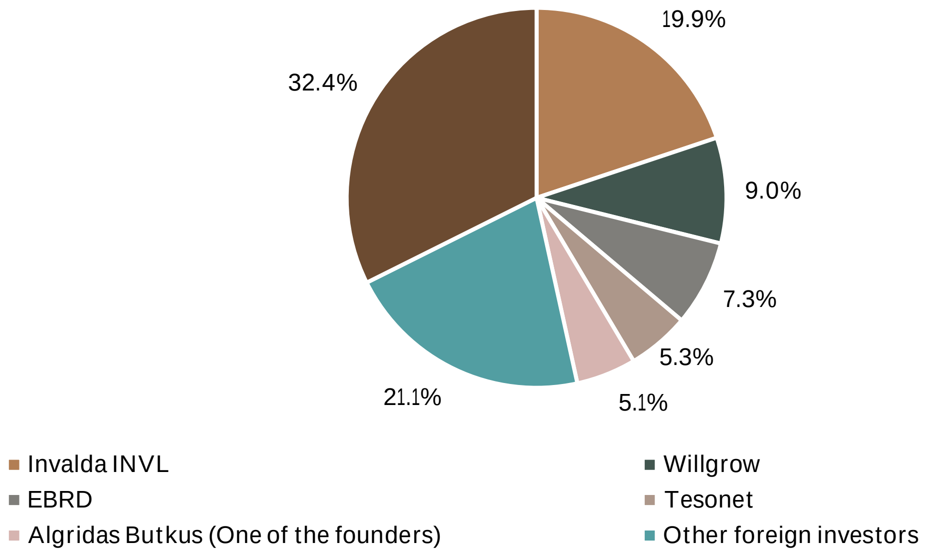
In response to regulatory directives issued by the Estonian Financial Supervision Authority in 2019, Danske Bank A/S was required to cease its banking operations in Estonia, following concerns over historical suspicious transactions spanning 2007 to 2015. This development led to Danske Bank's exit from the Baltic and Russian markets. In Q2 2020, SAB capitalized on this opportunity by acquiring the mortgage loan portfolio of private customers from the Lithuanian branch of Danske Bank A/S, further strengthening its retail banking footprint.

On 1 December 2023, SAB and Invalda INVL successfully finalized the merger of their retail businesses, consolidating management of Piller 2 and Pillar 3 pension funds as well as retail investment funds. This move significantly broadened the Group's investment product offerings, also introducing an enhanced suite of life insurance products in the pipeline. The deal, involving over 210,000 clients and more than EUR 1.2bn in client AUM across the Baltics, was executed at a total consideration of EUR 41.8m. The majority (EUR 40.2m) was settled through the issuance of 62.27m new shares, representing 9.39% of SAB's share capital, while the remaining EUR 1.6m was paid in cash. Following the transaction, Invalda INVL emerged as the largest shareholder of SAB, holding 19.9% share in SAB. The asset management division is integrated in the Group' s subsidiary UAB "SB Asset Management".

Source: SAB



SAB Shareholders (31 Dec 2024)



Source: SAB

INVALDA INVL	Listed Baltic asset management group established in 1991 and currently managing around EUR 1bn AUM
Willgrow	Family office investing surplus capital of Girteka (Europe's leading asset-based road transportation company with >EUR 2bn yearly turnover)
European Bank for Reconstruction and Development	Multilateral developmental investment bank with >EUR 70bn AUM using investment as a tool to build market economies
tesonet	Business accelerator and investor that, among other companies, kickstarted cybersecurity powerhouse Nord Security and Surfshark, web intelligence collection platform Oxylabs, Cyber Care, and more. Implied valuation post latest funding of >EUR 3bn

Management board			
Name	Occupation	Time at SAB	Time in financial industry
Vytautas Sinius	Chief Executive Officer of Šiaulių Bankas Chairman of the Management Board of Šiaulių Bankas	12 years	25 years
Donatas Savickas	Chief Financial Officer of Šiaulių Bankas Deputy Chief Executive Officer of Šiaulių Bankas	25 years	25 years
Laura Križinauskienė	Head of Private Clients Former CEO of INVL Asset Management	1 years	20 years
Tomas Varenbergas	Head of Investment Clients Charmain of the Board of SB Asset Management Chairman of the Board of SB Draudimas	8 years	16 years
Daiva Šorienė	Head of Corporate Clients Deputy Chief Executive Officer of Šiaulių Bankas	25 years	30 years
Mindaugas Rudys	Head of Service Development Division at Šiaulių Bankas	13 years	23 years
Algimantas Gaulia	Chief Risk Officer	11 years	22 years

Source: SAB

Business segments and strategy

Core Banking Platform Upgrade:

The Group has selected Temenos as its next-generation core banking platform, a globally recognized provider serving 3,000 financial institutions across more than 150 countries. The cloud-based system, set for full implementation by 2026, is expected to pave the way for new growth opportunities, improved efficiency and elevated client experiences.

Rebranding:

SAB has announced its proposal to rebrand the Group's name to Artea Bankas on which the shareholders will vote on 31st of March 2025. The name Artea combines elements that convey the Group's vision and commitment. It sounds like Lithuanian word, the modern outlook is expressed through the contemporary form of the word, the graphic elements of the identity and the logo, and the message encoded in the name speaks of the Group's commitment to being closest to its customers.

Customer-Centric Approach:

A refined organizational structure has been introduced, segmenting operations into three dedicated divisions—Corporate, Private, and Investment—to enhance service specialization and customer experience.

"Phygital" Banking Strategy:

While advancing its digital banking capabilities for seamless everyday operations, SAB remains committed to its physical branch network, ensuring expert consultation remains available for complex financial decisions.

Strengthened Compliance and Risk Management:

SAB is reinforcing its commitment to regulatory excellence by investing in advanced anti-money laundering, anti-fraud, and sanctions screening systems. The Group is integrating technology-driven and data-centric solutions to enhance customer risk assessment.

Elevated ESG Commitment:

The Group is prioritizing ESG initiatives with a focus on high-impact projects, strategic partnerships, and tangible product offerings that drive meaningful transformation.

Retail banking

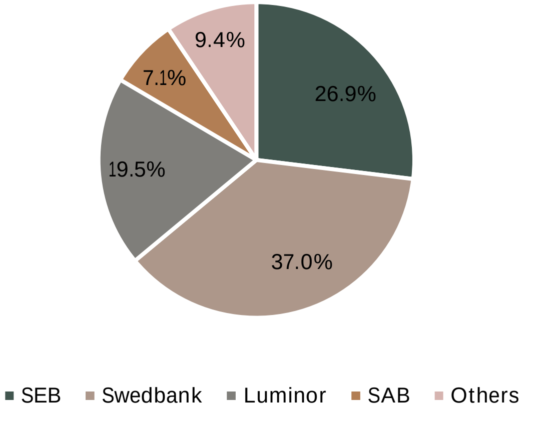
The Group adopts a client-centric approach by offering a comprehensive suite of banking products, ensuring seamless accessibility of both physical and digital channels. By maintaining a well-integrated omnichannel presence, SAB effectively caters to diverse client preferences, combining the convenience of digital banking with the personalized service at traditional branches.

Retail banking products include:

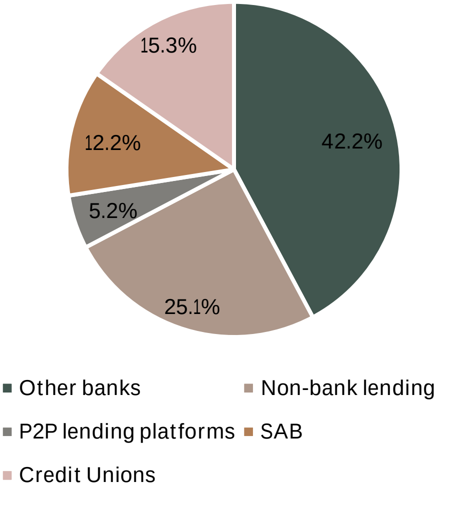
- Daily banking: standard banking services such as current accounts, savings accounts, payment cards, and various payment services.
- Lending: Mortgages, consumer loans, leasing.
- Savings: Different types of deposits suitable to different customer needs in terms of flexibility and returns.
- Investing: Offering of different financial instruments, investment funds, pension plans and life insurance

The majority of retail loan portfolio is constituted by mortgage loans (68%), followed by consumer loans (26%). The Group also provides loans for the modernization of multi apartment buildings, with the goal of achieving 40% energy savings and at least a C energy efficiency class. The latter composes 5% of total portfolio. At the end of 2024 the Group has secured 7.1% market share in mortgage lending while consumer financing reached 12.2% market share.

Market share (Mortgage)



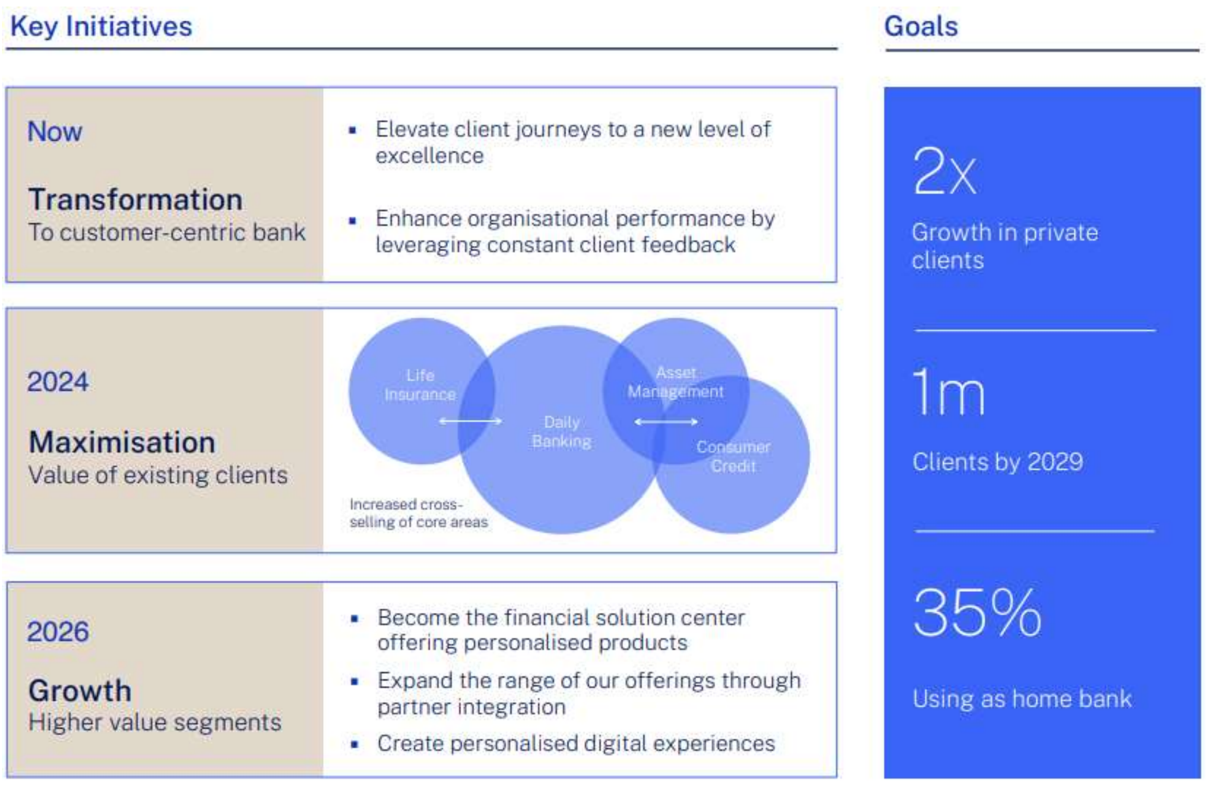
Market share (Consumer financing)



Source: Bank of Lithuania and Lithuanian Banking Association. Data as of Q3 2024

By positioning itself as a one-stop financial hub, the Group seeks to attract new clients while significantly enhancing cross-selling opportunities, given that currently, fewer than 30% of customers utilize two or more products. A key pillar of this strategy is the ongoing implementation of a new core banking platform, designed to enhance operational efficiency and elevate the overall client experience.

With these initiatives, SAB has set an ambitious target to double its customer base, aiming to reach 1 million clients by 2029—equivalent to 35% of Lithuania's population. This growth trajectory underscores the Group's strategic intent to solidify its position as a leading financial institution in Lithuania.



Source: SAB

Corporate banking

SAB is a recognized leader in SME and mid-sized corporate lending, holding 15.0% of corporate lending market share.

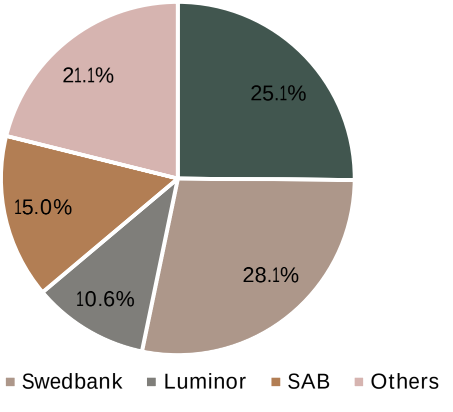
SAB' s corporate loan portfolio displays balanced and diversified composition through different industries, reflecting well risk management. The largest sector in the loan portfolio is real estate, constituting 23%, followed by manufacturing (15%), renovation (13%), wholesale and retail trade (9%), construction (8%), followed by many other sectors. Other sectors constituting the rest of 16% composed by accommodation and food services, agriculture etc. Ultimately, SAB targets maximum share of relative sectors not surpass 23% mark in corporate lending portfolio, which highlights the balanced growth and diversity.

SAB has outlined several mid-term objectives for its corporate banking segment, targeting a doubling of its corporate client base to 40,000 by 2029 and expanding its loan portfolio market share to 20%.

The Group has strategically identified key sectors for growth, including renewable energy, wholesale & retail, manufacturing, and agriculture. However, SAB remains particularly committed to SME financing, focusing on businesses with annual turnovers between EUR 1m and EUR 5m. The bank sees substantial growth potential in this underserved segment for several reasons. These companies typically possess an established operational history, facilitating more accurate credit assessments and mitigating risk. Furthermore, such mid-cap enterprises represent the second-largest business segment in Lithuania, offering significant expansion opportunities. Additionally, SME's employ approximately 70% of Lithuania's workforce, according to the European Commission, presenting cross-selling opportunities not only for businesses themselves but also for their employees.

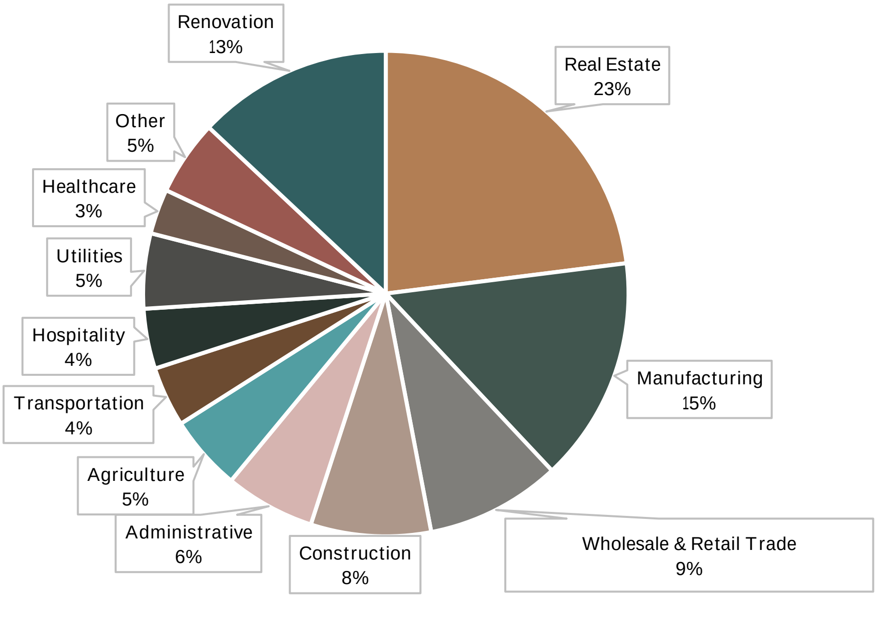
SME's are often overlooked by larger Scandinavian banks due to perceived risk, market share limitations due to regulatory risks and the lower profitability of small-ticket loans, positioning SAB as a key financial partner in this space.

Market share (Corporate lending)



Source: Bank of Lithuania and Lithuanian Banking Association. Data as of Q3 2024

Corporate loan portfolio composition (2024)



Source: SAB

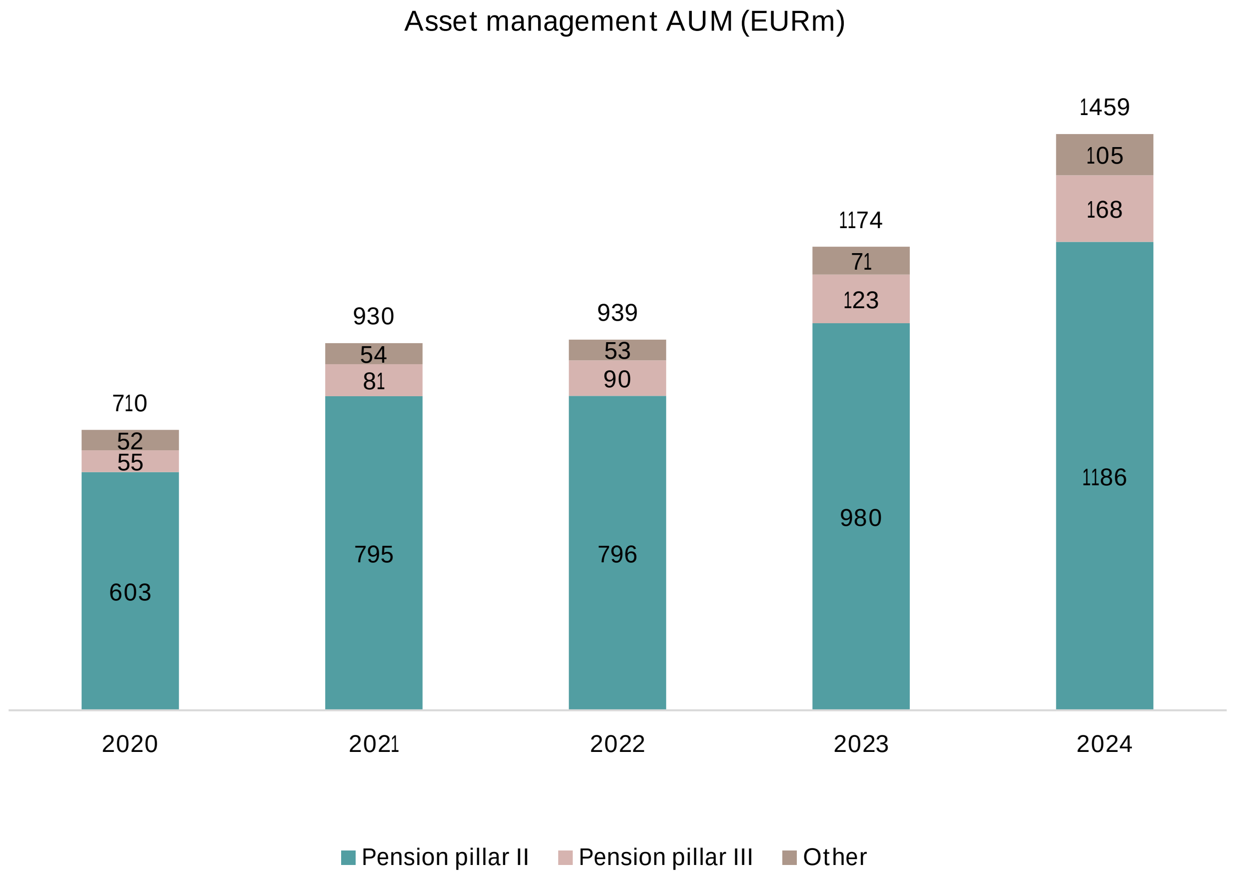
Investment services

SAB offers wide range of investment services. The Group has set its 2029 target to triple investing clients, raise EUR 500m to businesses annually from 2029 and grow its investment services commission fee by 20% annually:

Brokerage services and trading platform: SAB offers clients large range of investment options and markets. The new strategy envisages securities trading platform upgrade (white-label solution, partner integration).

Debt capital markets and equity capital markets: SAB is an undisputed market leader in the small and medium-sized corporate bonds issuance, leading the issuance of 86% of all bonds in 2023. While the Group stays active in ECM, the market has been rather sluggish so far.

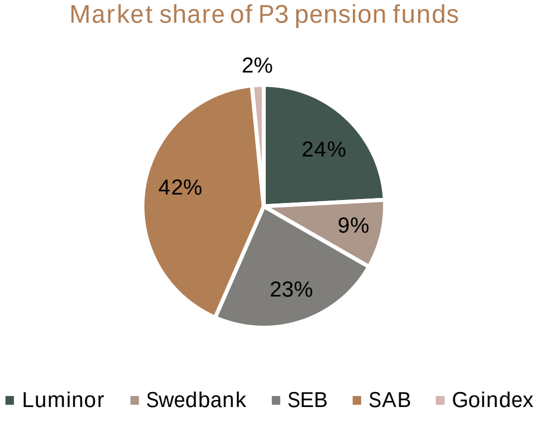
Asset management: Over the past four years, previously as part of Invalda INVL, SB Asset Management AUM more than doubled (+105%), reaching EUR 1.46bn. The majority of AUM is concentrated in second-pillar (P2) pension funds, comprising 81% of total assets, followed by third-pillar (P3) pension funds at 12% and other assets at 7%. Growth in P2 pension funds has been the primary driver, increasing by 97% since 2020, as well as P3 pension funds have demonstrated strong momentum, expanding by 205% over the same period. Other AUM categories have also grown significantly, rising 102%. The expansion in AUM following the merger underscores the strong client confidence in SAB's investment offerings, with P2 and P3 pension funds growing 21% and 37% y-o-y, respectively, and other funds increasing by 48% y-o-y.

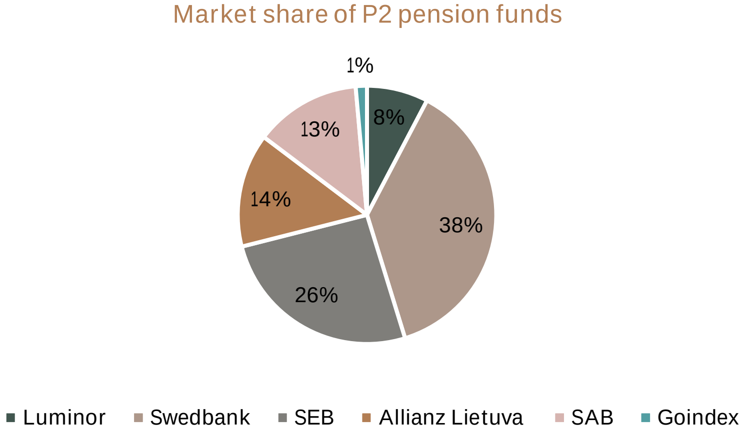


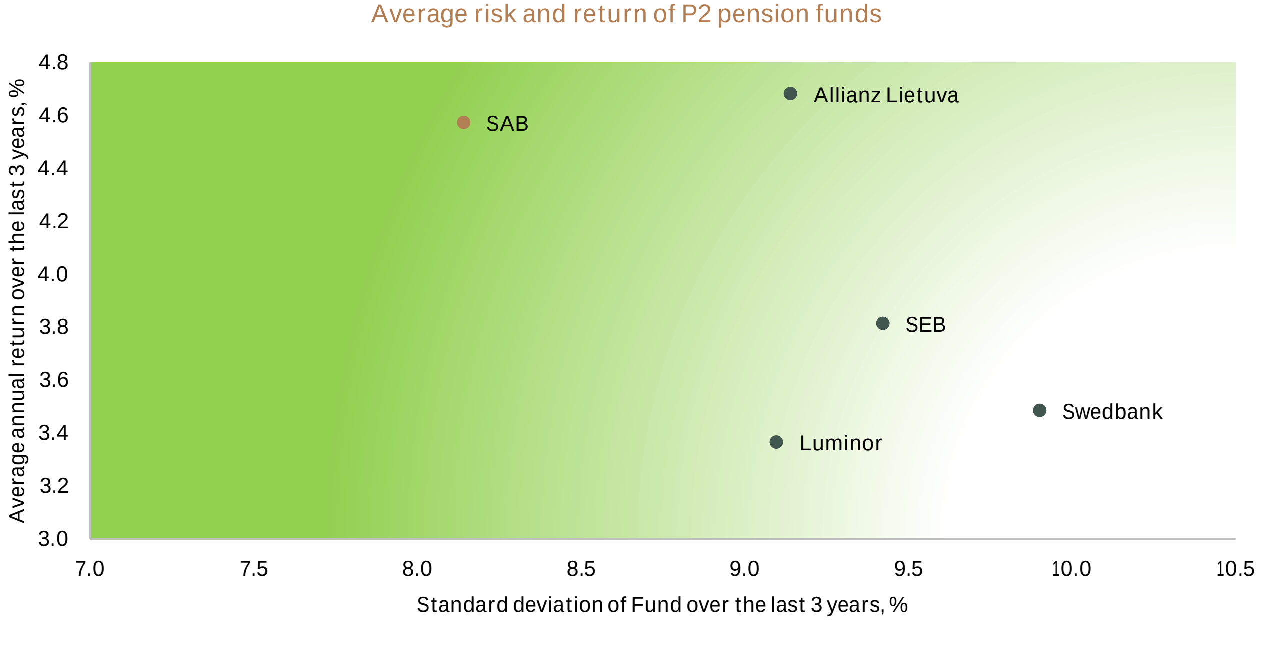
Source: SAB

SAB currently holds strong market position in both pension funds, highlighting its effective fund management strategies and attracting a significant portion of net assets and participants. In P3 pension funds the Group currently holds 40% market share while P2 pension fund has smaller share of 15%. The main attraction and driver of AUM growth is the SB Asset Management ability to deliver one of the highest returns while retaining one of the lowest risks among its peers.

Life insurance business: As a result of the Invalda INVL retail business merger, SAB has strengthened its life insurance segment and significantly increased its scale. The combined entity now holds a market share of 8%, with INVL previously holding roughly 5% and SAB 3%. The integration is expected to generate economies of scale, enhancing operational efficiency and profitability.







Source: Bank of Lithuania (As of Q3 2024)

Sector overview

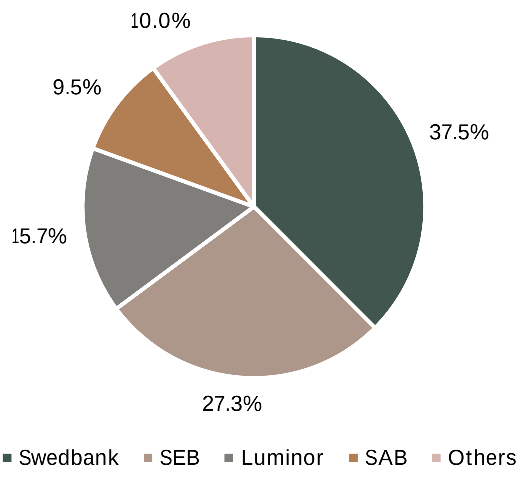
At the end of 2024 in Lithuania operates 88 financial institutions of which 18 are commercial banks, 61 credit unions, and the rest being payment service providers and Central bank. Within the last 10 years the number of commercial banks has increased by 29% while credit unions have decreased by 19%. While the number of commercial banks has grown, the banking market in Lithuania remains heavily concentrated with minor changes in the market breakdown.

In terms of size, SAB is the fourth largest bank in the Lithuania banking market, holding 9.5% market share of banking assets in Lithuania market. In long-term, SAB has firmly held and expanded its position in the loan market. Although there have been some changes in market positions in the last decade, the breakdown of leading banks remains relatively stable and is heavily concentrated. At the end of 2024, two largest banks held 54.4% of the total loan portfolio with Swedbank and SEB controlling 30.6% and 23.8%, respectively. Following the consolidation of Luminor bank, merging DNB and Nordea in the Baltics, the market became even more concentrated at the top. Luminor currently holds 16.6% of loan volumes in Lithuania, followed by SAB with 11.2%. Since 2017 Swedbank and SAB have consolidated its positions in lending market, gaining 6.4 pp and 5.0 pp market share, respectively. SEB and Luminor have experienced a decline in their lending market share by 5.7 pp and 9.5 pp, respectively. The merger of Nordea and DNB has not delivered the expected efficiencies, limiting Luminor's ability to scale and retain clients. Five years after acquiring a majority stake in Luminor, BlackRock has announced plans to divest its holdings, though the timing and execution of the sale remain uncertain. This could introduce a new player into the market or contribute to further consolidation among existing market participants. Others that include small size banks, credit unions, non-bank consumer lending institutions and P2P lending platforms have expanded its market share by 8.2pp. Market share expansion has been quite impressive considering the latter, on the other hand these market players usually are in niche market or serve underbanked individuals, thus often not directly competing with leading banks.

The latest highlight policy development in Lithuania is the legislative reform aimed at simplifying and reducing the costs of mortgage refinancing. Effective February 2025, borrowers can now approach a new bank directly, with the new lender handling most of the necessary procedures, streamlining the refinancing process. Furthermore, the original lending bank must provide all relevant data to the new bank free of charge, and borrowers can refinance their loans at any time without incurring early repayment fees.

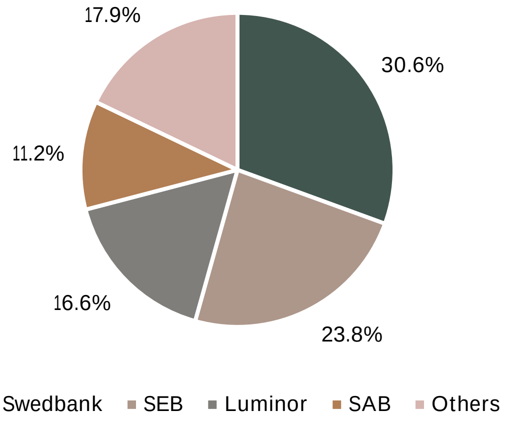
These changes are expected to have a material impact on the banking sector. With refinancing becoming more accessible and cost-efficient, competition among banks is likely to intensify as they seek to retain customers and attract new borrowers. The reforms also enhance customers' bargaining power, enabling them to secure more favorable loan terms. Overall, the legislative shift is set to foster a more competitive and borrower-friendly mortgage market in Lithuania.

Lithuania bank market share by assets (2024/Q3)

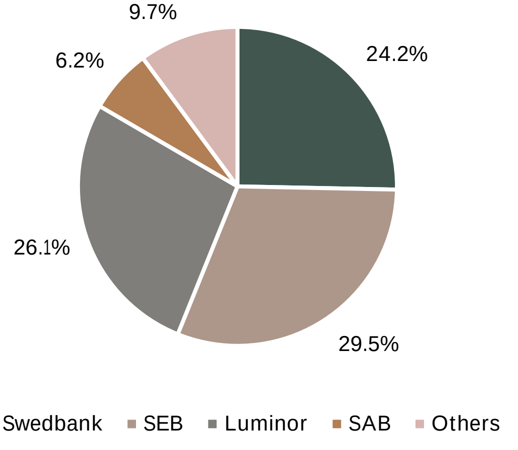


Source: Bank of Lithuania. We exclude Revolut from our calculation of banking market assets. According to Bank of Lithuania, Revolut activities are mainly focused abroad, with deposits from non-resident customers in various EU countries accounting for 98% of the bank's deposits.

Lithuania bank market share by loan portfolio (2024/Q3)



Lithuania bank market share by loan portfolio (2017)

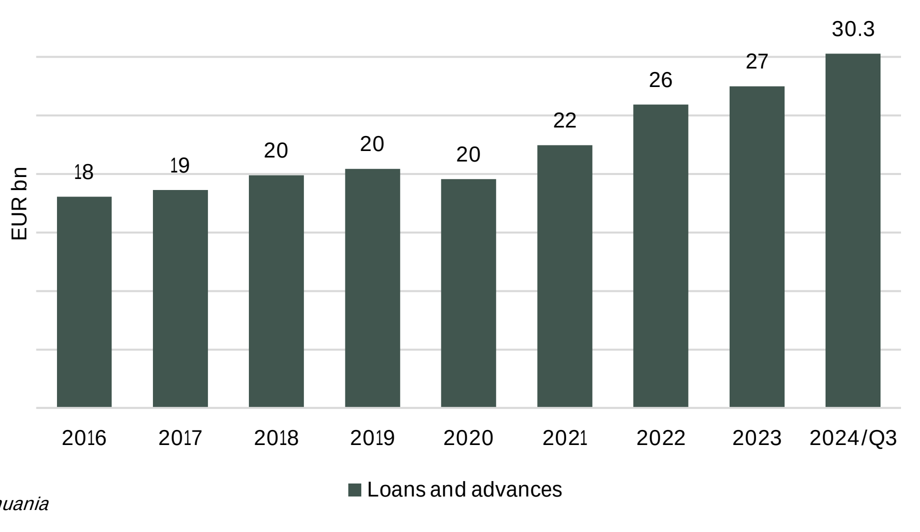


Source: Bank of Lithuania

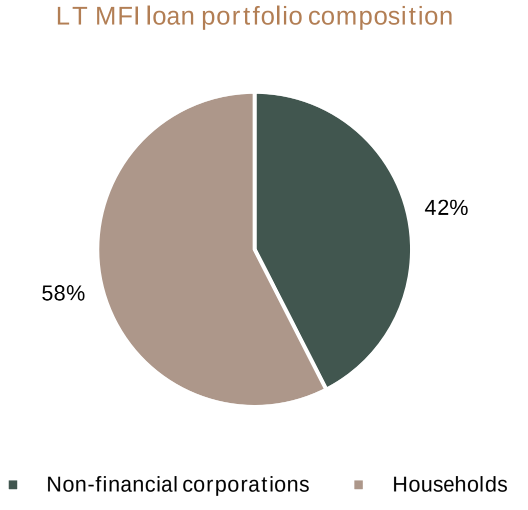
Loan portfolio dynamics

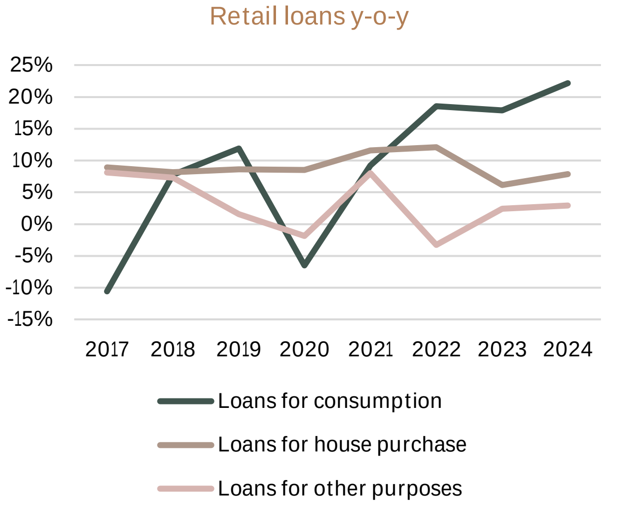
In a long-term Lithuania MFI loan market has recorded positive trend, however displays volatility to the overall economic conditions and cycles. For the past five years the loan portfolio expanded by 8% annually reaching EUR 30.3bn. The loan market shrank during Covid, especially commercial loans, however quickly recovered during post-pandemic phase. Nearly 60% of the loans are issued to households, notably, housing loans constitute 75% of total retail loan portfolio. Mortgage loans seems to be much less sensitive to economic turbulences and display resilience, forming the rigorous backbone of retail loan portfolio. Despite economic stagnation in 2023, the market loan portfolio continued to show healthy upside of 6% y-o-y which is likely the effect of inflation, driving the loan volumes.

Loans and advances



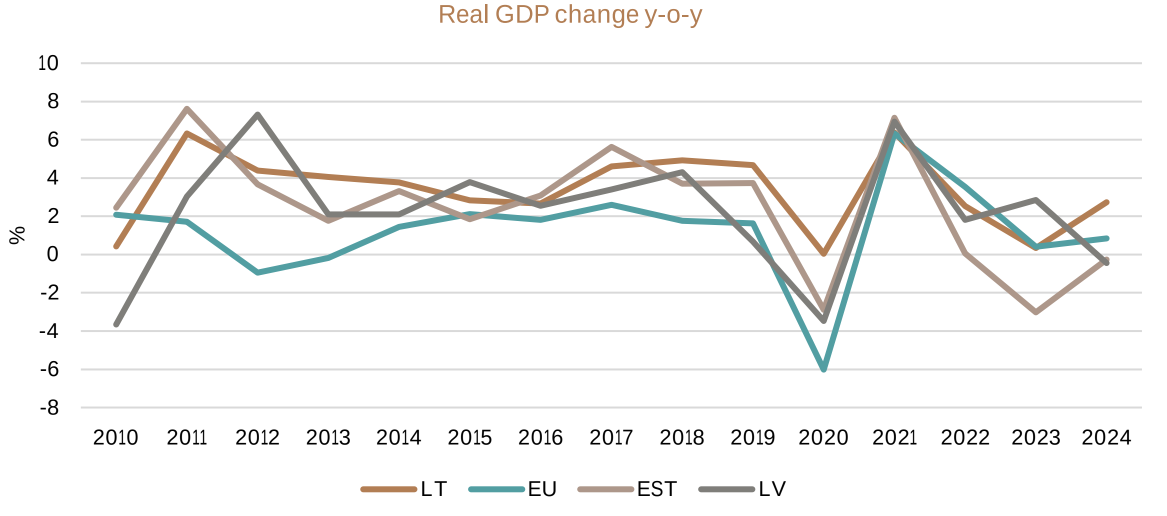
Source: Bank of Lithuania



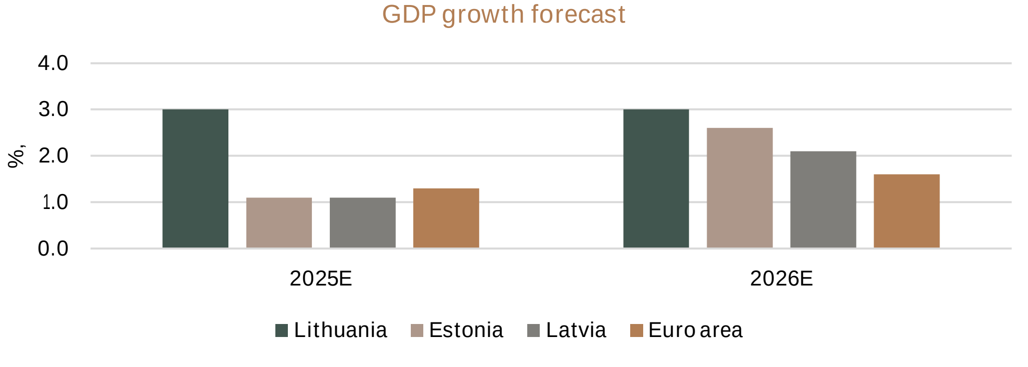


Source: Bank of Lithuania

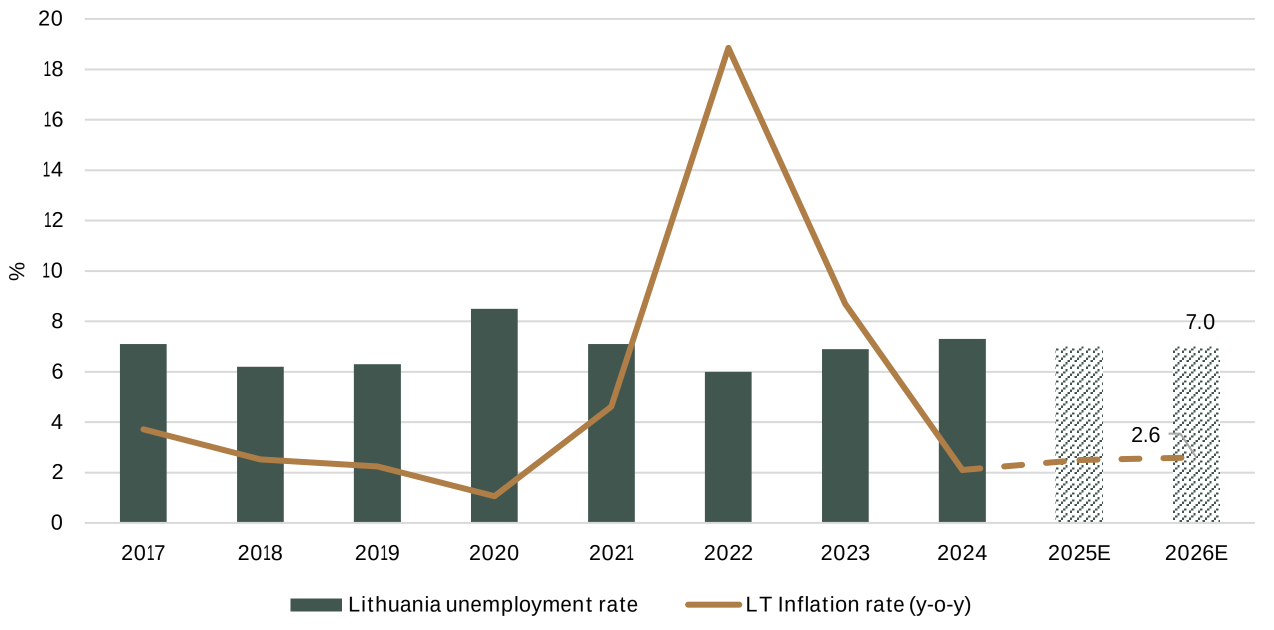
The lending market in Lithuania presents ample room for further credit expansion. Over the long term, the Lithuanian economy has demonstrated consistently strong expansion, outpacing both the EU and Baltic states. However, domestic credit to the private sector by banks, as a percentage of GDP, remains notably below EU levels. In recent years, GDP at nominal values has grown at a faster pace than banking loan books, leading to a decline in the lending-to-GDP ratio. The retail segment also exhibits substantial borrowing capacity and supports resilience to economic fluctuations. In Lithuania, household loans as a percentage of gross disposable income stood at 35% at the end of 2023, significantly lower than the Euro area average of 86%. The overall economic outlook is positive, especially in Lithuania, which is anticipated to be supportive for loan demand.



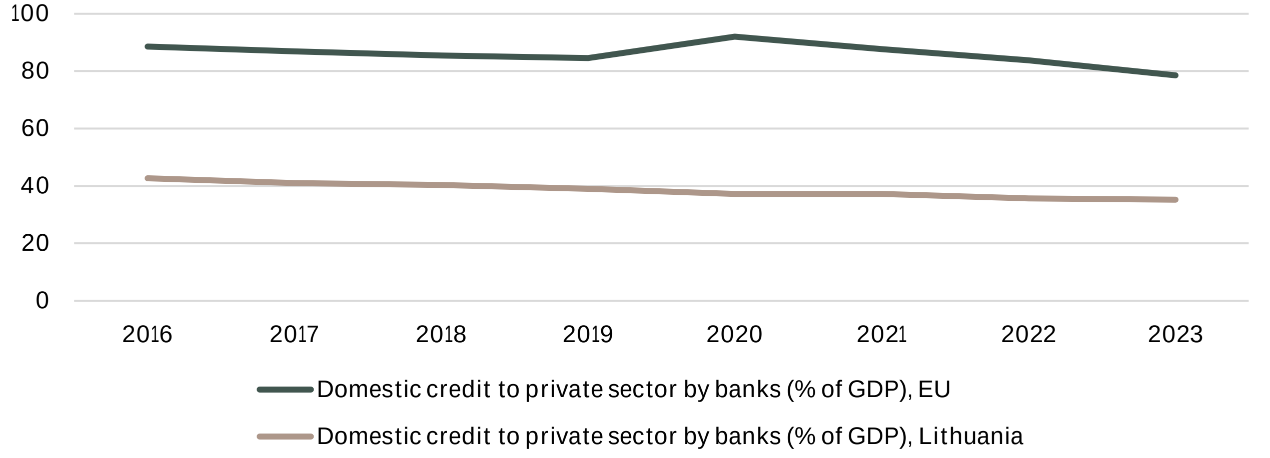
Source: ECB



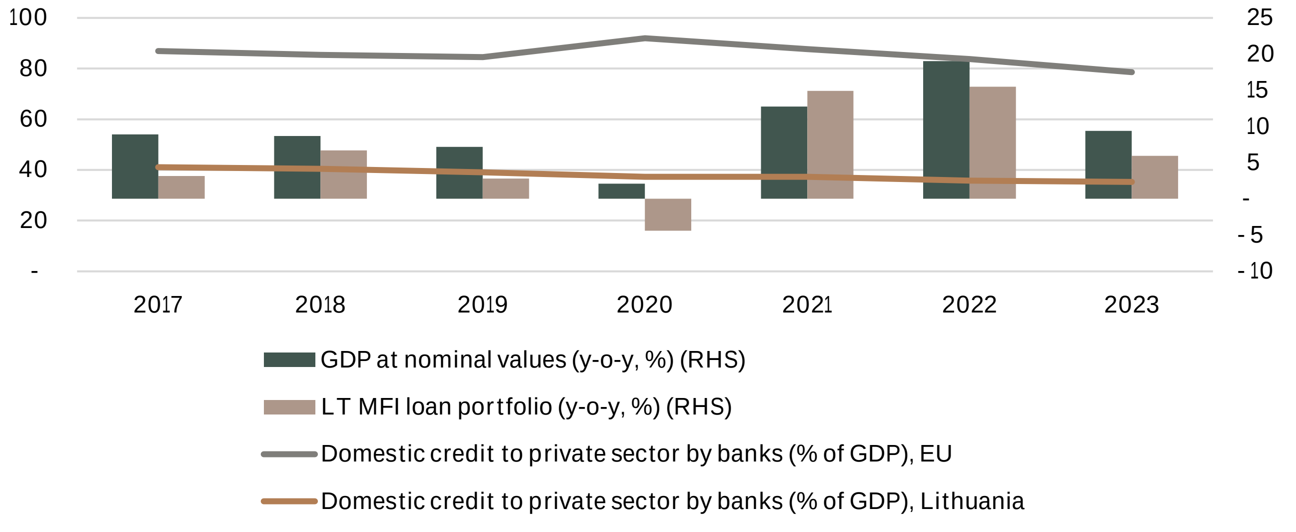
Source: European Commission Autumn Forecast 2024



Source: Lithuania official statistics portal and Bank of Lithuania



Source: ECB



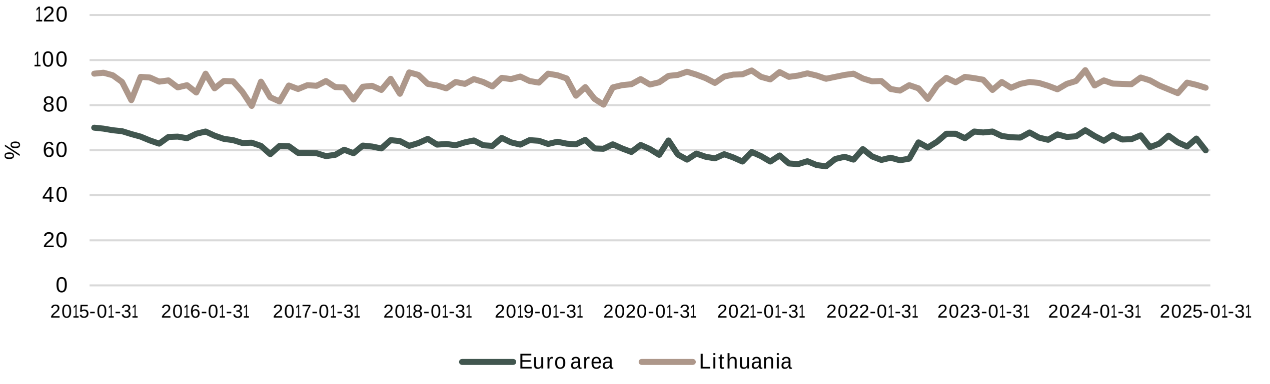
Source: Lithuania official statistics portal and ECB

Lending rates

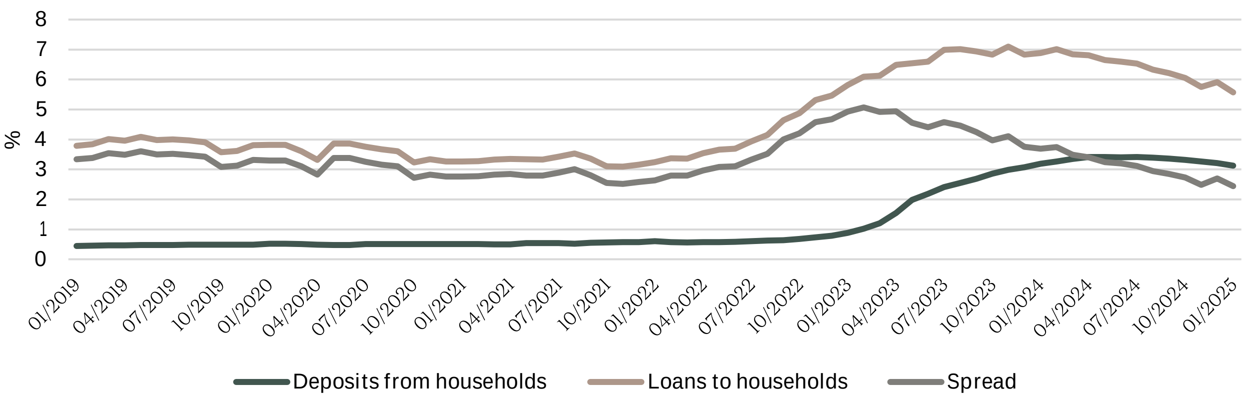
The preference for variable-rate loans has been a long-term trend in the Lithuanian market, likely driven by favorable rate environment and limited fixed-rate offerings. However, since mid-2022, Lithuania's lending and deposit rates surged following the ECB's rapid rate hikes aimed at curbing inflation. This period saw banks benefiting from an exceptionally wide lending-to-deposit spread, as deposit rates lagged behind the rise in lending rates, resulting in record profitability.

With inflation receding across the EU, the ECB has gradually eased its rates in 2024, leading to a decline in banking rates. As a result, the lending-to-deposit rate spread in Lithuania has normalized, signaling that bank profitability is likely to revert to pre-tightening levels or potentially decline further. The growing preference for term deposits, attracted by peak deposit rates, may exert additional pressure on net interest margins, challenging bank's ability to sustain normalized profitability in the ongoing periods.

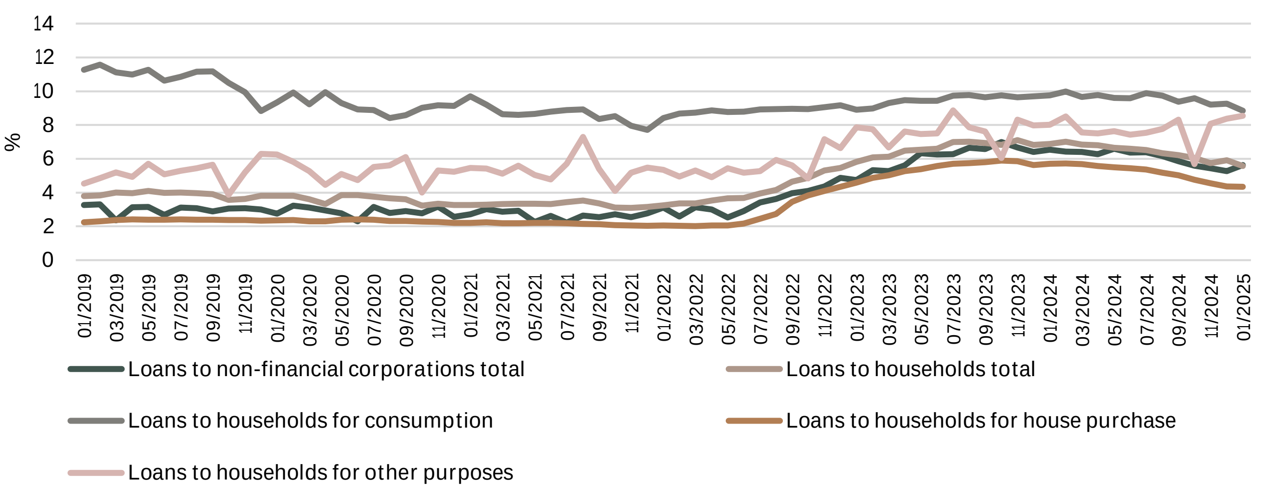
Share of variable rate loans in total loans to households and non-financial corporations



Lending-deposit rate spread



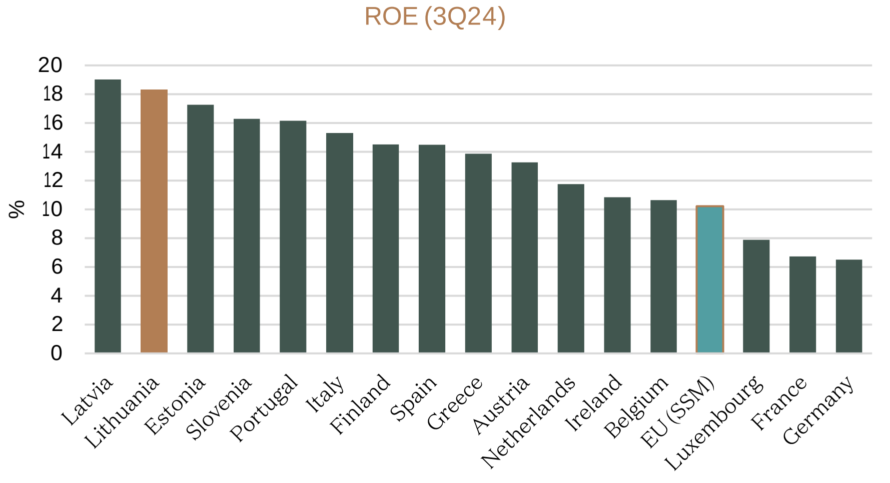
Lending rates

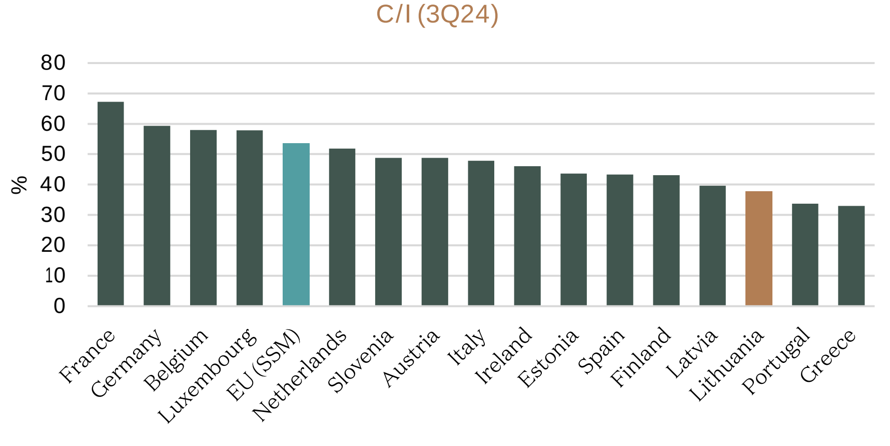


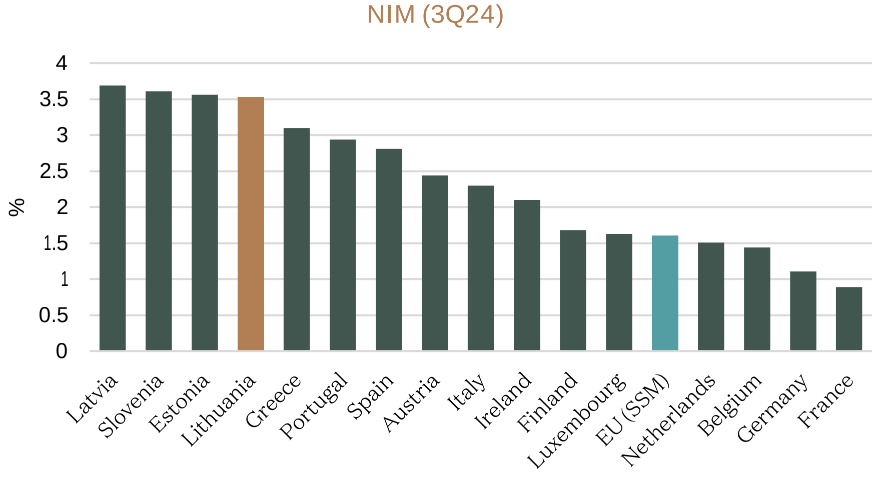
Source: Bank of Lithuania

Lithuania banking sector cross-country comparison

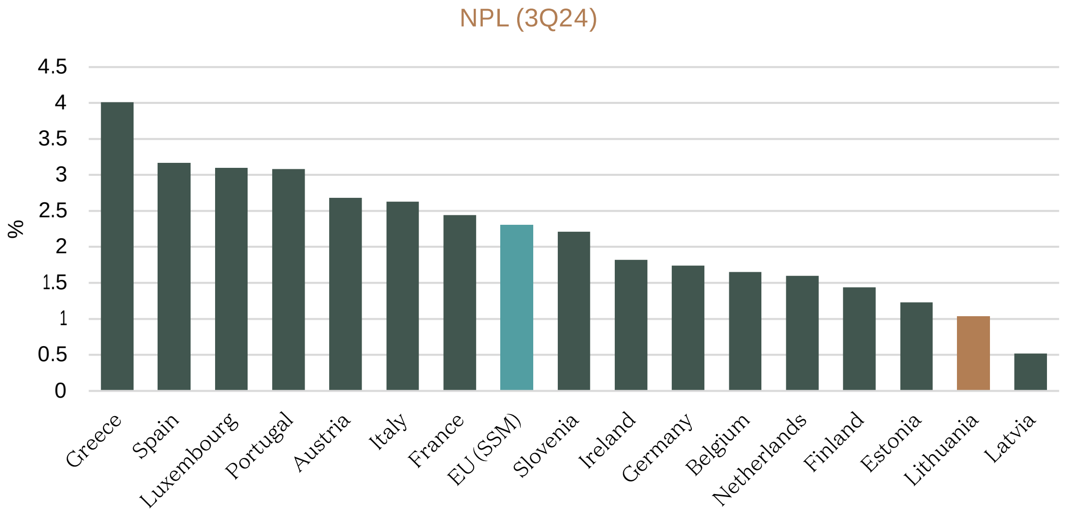
The banking market environment in Lithuania is proven to deliver one of the highest profitability metrics in EU. Strong Net interest margin is accompanied by high operational efficiency reflected in one of the lowest C/I ratios. Additionally, the market remains well capitalized and displays low-risk exposure holding one of the lowest non-performing loan and cost of risk ratios in EU. High efficiency and low risk exposure create favorable soil for market stability and further growth.

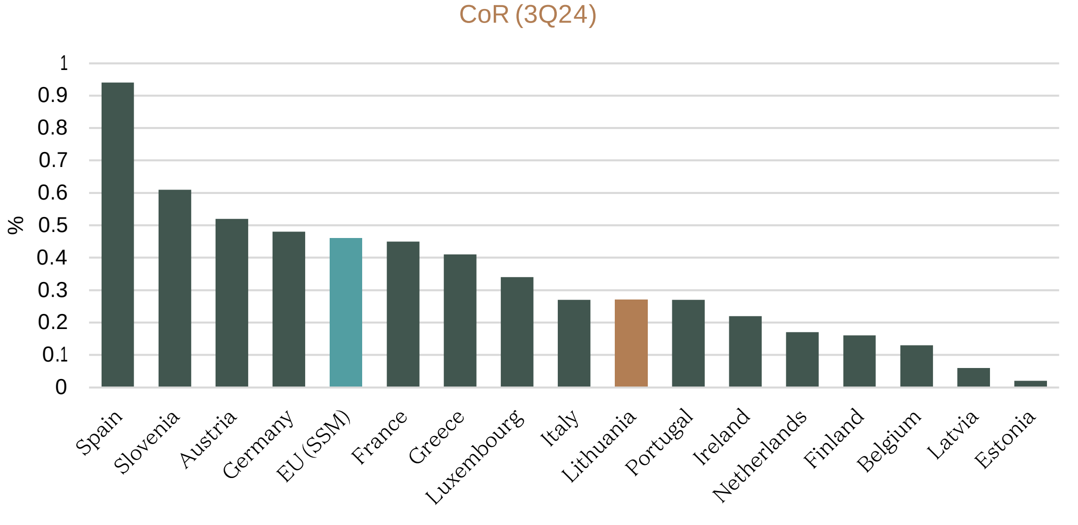


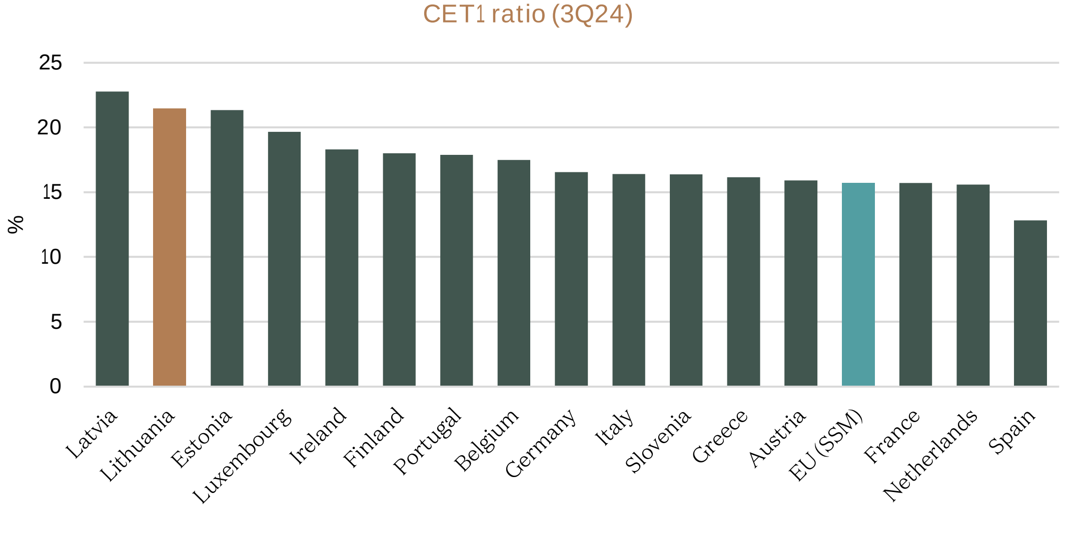




Source: ECB


NPL (3Q24)
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
%
Greece
Spain
Luxembourg
Portugal
Austria
Italy
France
EU (SSM)
Slovenia
Ireland
Germany
Belgium
Netherlands
Finland
Estonia
Lithuania
Latvia


CoR (3Q24)
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
%
Spain
Slovenia
Austria
Germany
EU (SSM)
France
Greece
Luxembourg
Italy
Lithuania
Portugal
Ireland
Netherlands
Finland
Belgium
Latvia
Estonia


CET1 ratio (3Q24)
25
20
15
10
5
0
%
Latvia
Lithuania
Estonia
Luxembourg
Ireland
Finland
Portugal
Belgium
Germany
Italy
Slovenia
Greece
Austria
EU (SSM)
France
Netherlands
Spain

Source: ECB

Financials

Over the past years, SAB has demonstrated a strong track record of profitable growth, solidifying its position as one of the leading banks in Lithuania. The Group's ambitions aim even higher, with a vision to become the market leader in Lithuania banking sector by 2029. To achieve this, SAB has revised its strategy and outlined several financial goals to guide its development and growth over the coming years.

In terms of deposits and loan portfolio, the Group aims to capitalize on the favorable economic environment in Lithuania and capture additional market share. In the short term, SAB anticipates a slight setback in profitability due to the alternating interest rate environment and IT investments in its new banking platform. However, these investments, along with other strategic initiatives, are expected to enhance competitiveness and drive economies of scale. Notably, the Group has also updated its dividend policy, doubling the minimum payout ratio from 25% to 50%.

Considering SAB's strong growth trajectory, clear vision for its future objectives, defined execution plan, and the strategic benefits of the INVL merger in strengthening its retail banking operations, we view the management's financial targets as a broadly realistic scenario and have used their guidance as an indicative framework for our projections.

		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*			

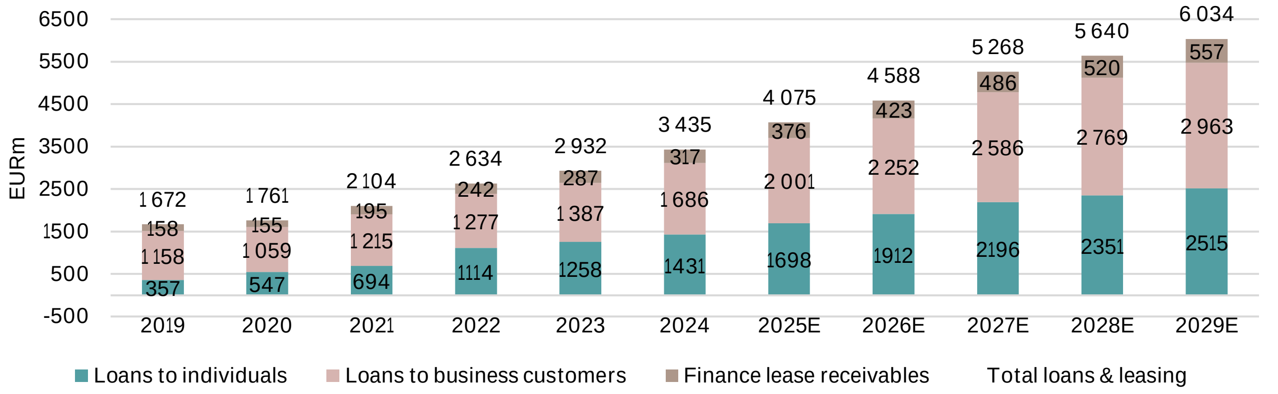
Source: SAB

Loan portfolio

For the past five years SAB managed to expand its loan portfolio by 15.5% annually amidst Covid-19 crisis and stagnating economy. As of the end of 2024 SAB loan portfolio reached EUR 3 434.6m (+17.2% y-o-y), capitalizing on overall market growth and capturing additional market share. Both of the segments - loans to retail and business customers, recorded decent growth at 14% and 24% y-o-y, respectively. As of year-end 2024, the retail segment comprised 42% of the loan portfolio, while the corporate segment accounted for 49%, and finance lease made up the remaining 9%. The retail segment has gained prominence since 2019, driven by SAB's strategic focus on retail lending, further reinforced by the acquisition of Danske Bank's EUR 125m mortgage portfolio in 2020.

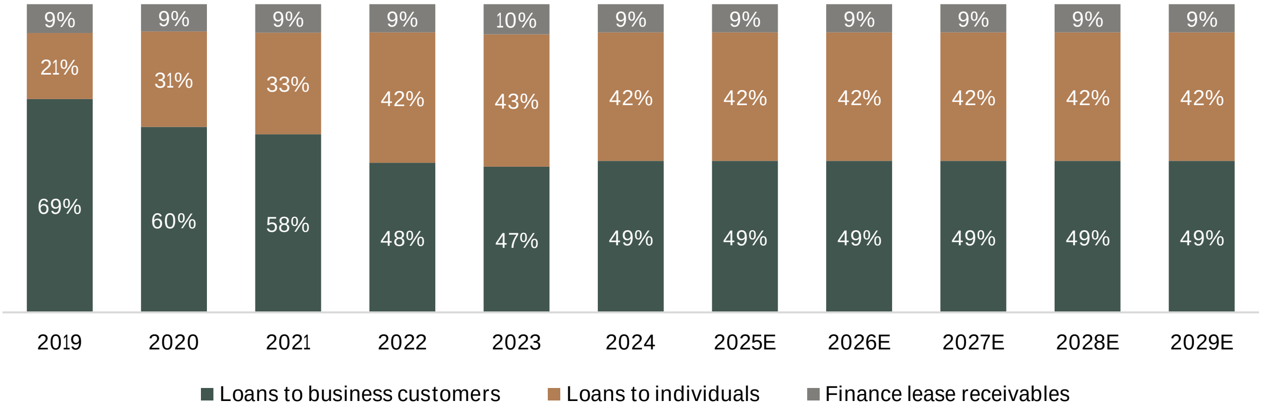
The Group emphasizes a balanced strategic focus across all segments, leading us to expect a stable loan portfolio composition over the forecast period. We see SAB well-positioned to sustain loan portfolio growth going forward, supported by favorable economic outlook and implementation of its strategic milestones. Aligning with the Group's financial objectives, we project the loan portfolio to expand at a 15% annual pace until 2027, reaching EUR 5.3bn, before moderating to 7% annually until 2029, reaching EUR 6.0bn at the end of our forecast period.

SAB loan portfolio split by segments



Source: SAB for historicals, Signet Bank for estimates

SAB loan portfolio split by segments



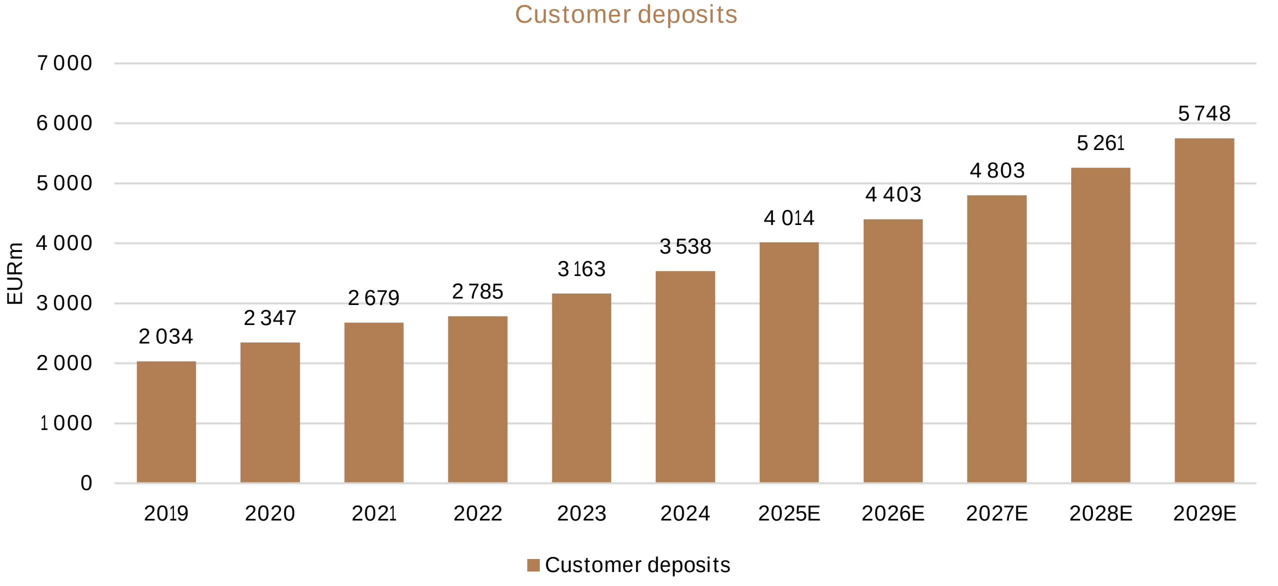
Source: SAB for historicals, Signet Bank for estimates

Funding structure

SAB primarily relies on deposits to finance its loan portfolio, accounting for 82% of total liabilities. Over the past five years, the Group's deposit base has expanded significantly, averaging 12% annual growth. The share of time deposits has notably increased from 30.8% in 2021 to 53.4% by the end of 2024, driven by attractive interest rates. Consequently, the cost of deposits has trended upward, rising from 0.4% at the beginning of 2023 to 2.2% by the end of 2024. We believe SAB's strong local presence and well-established customer relationships, further reinforced by its rebranding and banking platform improvements, will support continued deposit growth.

Our estimates align with the Group's targets, projecting deposits to grow by 11% annually on average to reach EUR 5.3bn by 2027 and maintain an 9% annual growth rate until the end of our forecast period.

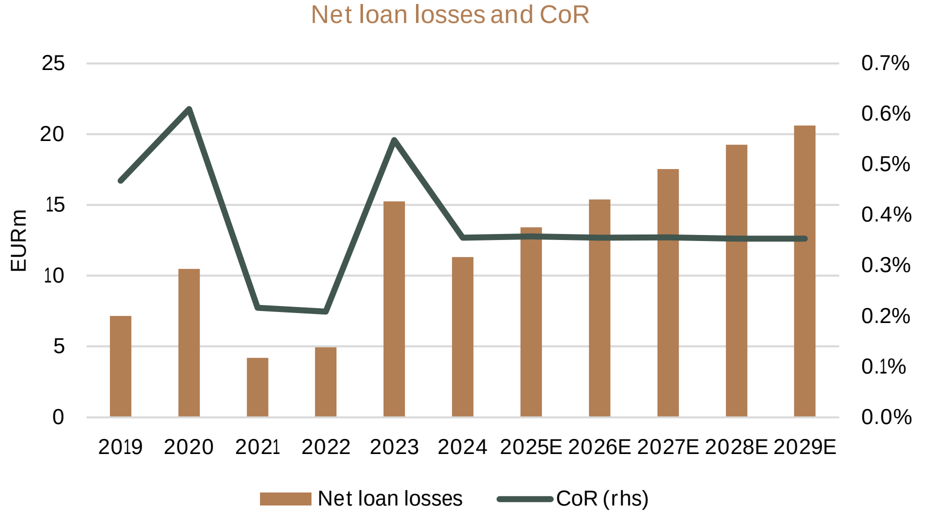
To improve its capital structure and meet MREL requirements, SAB has also tapped into international debt capital markets, with bond financing now constituting 10% of total liabilities. Most recently, the bank successfully placed EUR 300m in senior preferred bonds on the international market. As outlined by the Group, it is set to remain active in debt markets, with further subordinated bond issuances planned in 2025.



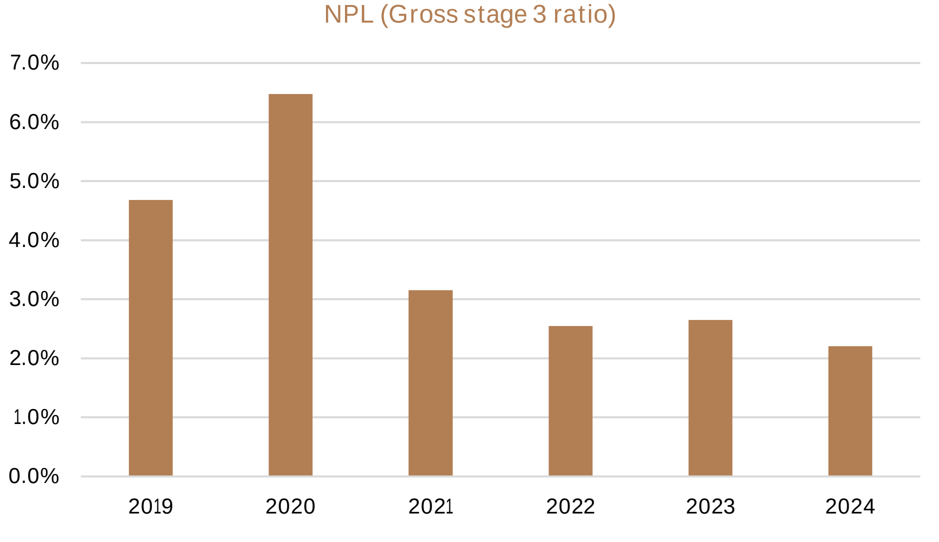
Source: SAB for historicals, Signet Bank for estimates

Asset quality

Over the long term, SAB's portfolio quality has exhibited a positive trend. A temporary spike was observed during the economic setback in Covid-19 crisis, normalizing following the economic recovery. In recent years, no major shifts have been noted despite rising loan yields and inflationary pressures on consumers. The relatively low leverage of Lithuanian households is likely to contribute to the stability of loan portfolio quality. In 2024, NPL ratio came down to 2.2% (-0.5pp y-o-y), and remains significantly below the levels seen in 2018–2020. CoR has stabilized at its historical average range in 2024, with the 2023 spike attributed to a revision of forward-looking parameters for provisioning, reflecting updated macroeconomic forecasts. At this stage, we see no clear signs of portfolio deterioration and expect CoR to remain stable at last year's average level of 0.35%, comfortably bellow the Group's threshold of 0.5%.



Source: SAB for historicals, Signet Bank for estimates



Source: SAB

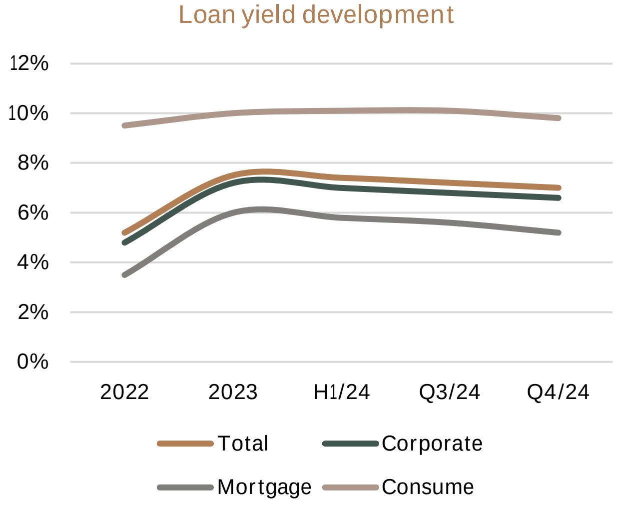
Net interest income (NII) and Net interest margin (NIM)

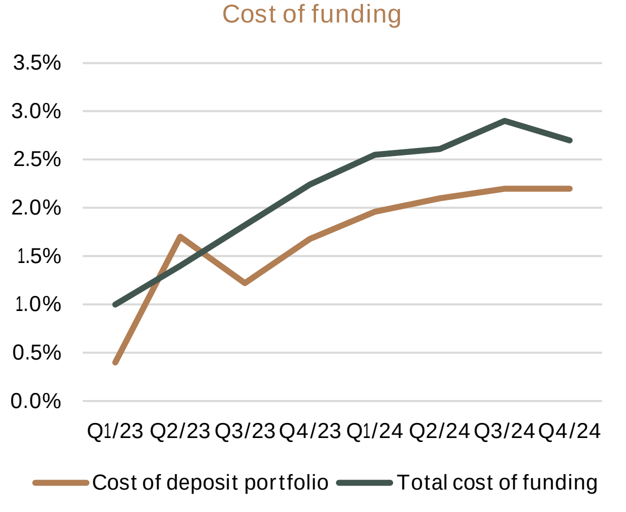
The post-pandemic supply chain disruptions and geopolitical turmoil triggered a sharp inflationary surge, surpassing the ECB's 2% target. In response, the ECB initiated a series of rate hikes in 2022 to curb inflationary pressures and temper demand. Similar to its Lithuanian peers, SAB's loan portfolio remains predominantly composed of variable-rate loans (82%): corporate loans (87%), mortgages (99%) and consumer loans (8%). The overwhelming share of floating rates in loan portfolio allowed the Group to capitalize on the rising rate environment. Consequently, the expansion in NII outpaced loan portfolio growth, with NII increasing by 32% in 2022 and 47% in 2023, compared to loan portfolio growth of 25% and 11%, respectively.

In a rising interest rate cycle, banks typically exhibit greater flexibility in expanding NIM, whereas the inverse scenario tends to compress margins. Accordingly, SAB's NIM widened by 0.2pp in 2022 and 1.1pp in 2023, reaching 4.2% by year-end. With inflation stabilizing, the ECB commenced rate cuts in 2024, exerting downward pressure on loan yields. Concurrently, the growing preference for term deposits has resulted in a higher proportion of fixed-rate funding, tightening NIM and constraining NII growth. As a result, NIM contracted by 0.9pp y-o-y in 2024 to settle at 3.3%, while NII posted only a modest 2% y-o-y increase despite a 17% y-o-y expansion in the loan portfolio.

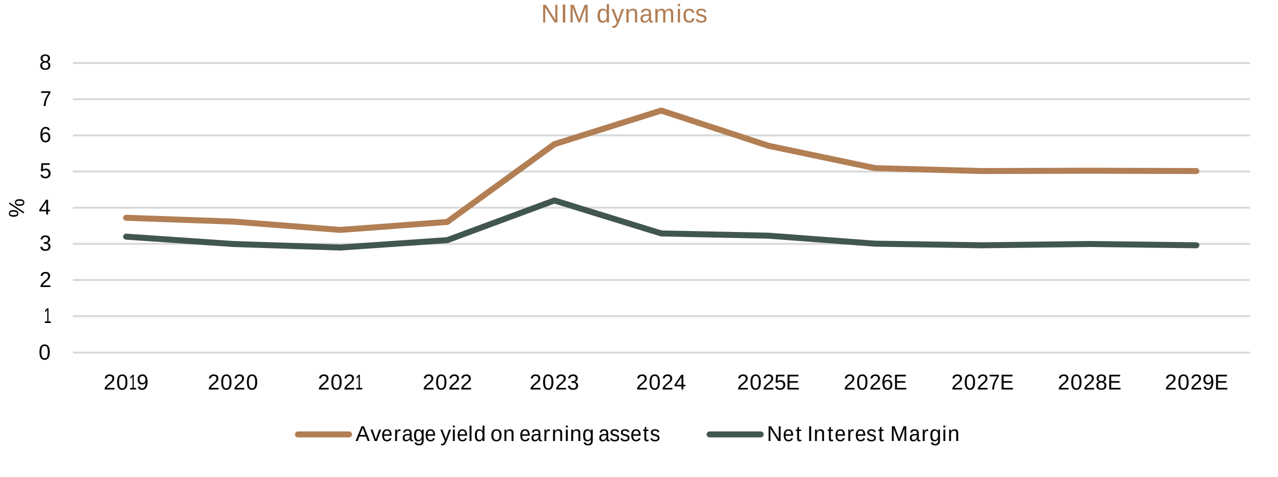
In our view NIM should further compress amid the easing rate environment, gradually reverting to 3.2% in 2025 and around 3.0% going forward which broadly aligns with historical average level. While NII is expected to remain broadly flat in 2025, the continued loan book expansion should mitigate margin pressure, supporting an annualized NII growth rate of 7.6% through 2029.

We note that the discussed mortgage refinancing legislative reform could potentially put additional pressure on NIM, given that mortgages constitute nearly one third of the total loan portfolio.





Source: SAB



Source: SAB for historicals, Signet Bank for estimates

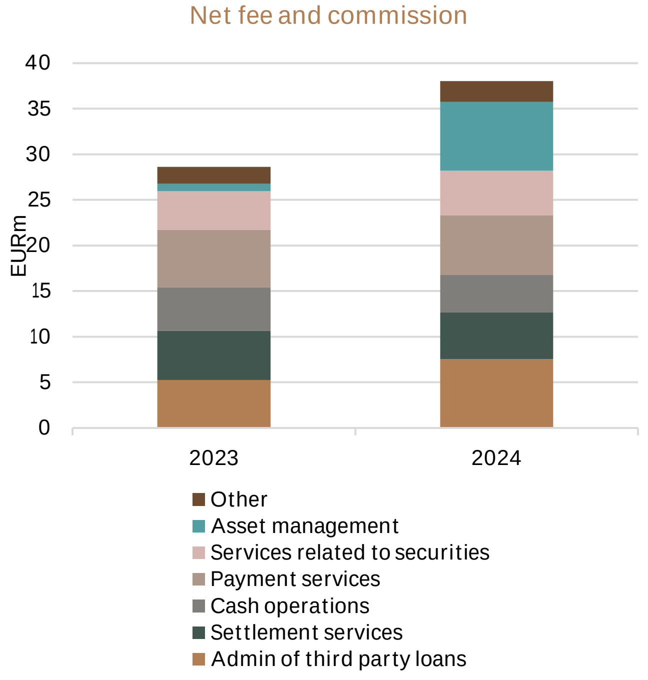
Fee and commission income

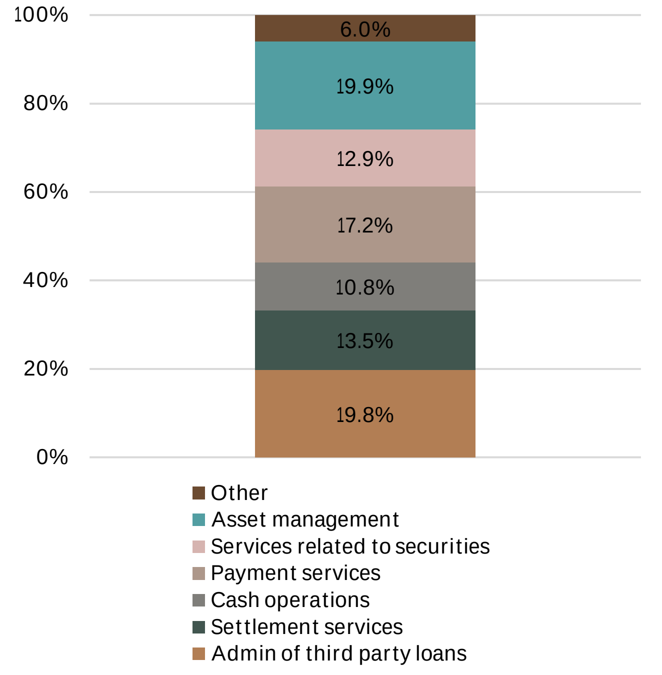
The Group has demonstrated solid progress in expanding its net fee and commission income, achieving a 5Y CAGR of 12%. A substantial portion of this revenue stream (ca. 20%) stems from the administration of third-party loan services, primarily related to the intermediation of multi-apartment renovation project financing. SAB' s administrated renovation fund maintains a dominant market position in this segment, financing approximately 60% of the Lithuanian renovation program.

Beyond loan administration, the fee and commission income mix is well-diversified, with asset management contributing 20%, payment services 17%, settlement services 14%, securities-related services 13%, cash operations 11%, and other services 6%. In 2024, net fee and commission income expanded by an impressive 33% y-o-y, largely propelled by asset management fees following the acquisition of Invalda INVL's retail business, which provided a meaningful uplift in this segment. Excluding asset management fees, underlying fee income still exhibited a 10% increase, primarily driven by the administration of third-party loans.

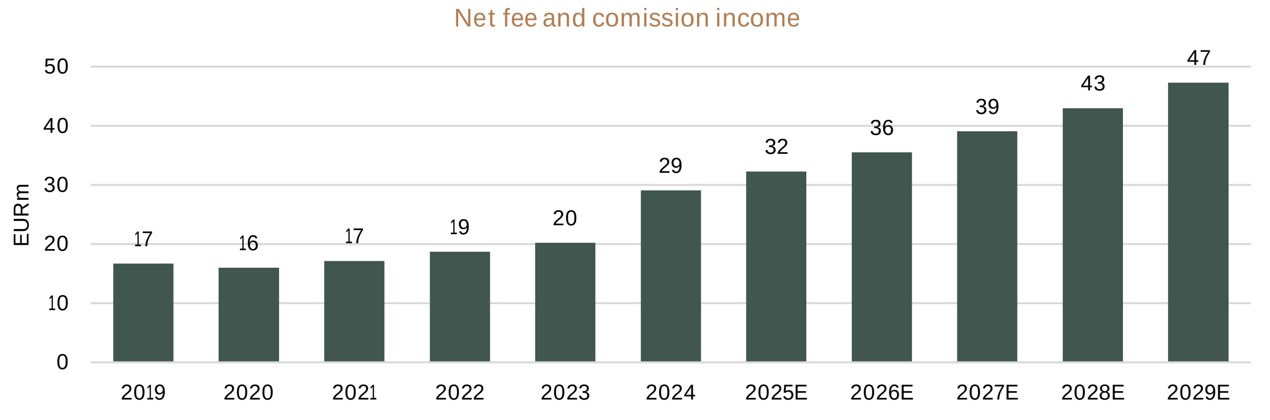
Looking ahead, we expect net fee and commission income to sustain a healthy growth trajectory, averaging 10% annually through 2029. Cross-selling initiatives should bolster this expansion, as the Group actively capitalizes on untapped synergies across its client base. Notably, with less than 30% of customers currently utilizing two or more products within the Group, significant potential remains for deeper client engagement and enhanced monetization.

In the past years until 2023 Net fee and commission income margin has been quite stable between 70%-73%. In 2024 the Group reported its Net fee and commission margin of 76% improving 5pp y-o-y, driven by the economies of scale from renovation fund and acquisition of INVL retail business. We anticipate the margin to remain stable for our forecast period.





Source: SAB



Source: SAB for historicals, Signet Bank for estimates

Net gain form trading activities

Net gain from trading activities includes investment result of the SAB' s life insurance subsidiary (SB Draudimas GD UAB) and trading result from FX and other debt and equity securities. It should be noted that investment results of SAB life insurance subsidiary are fully offset by an increase/decrease in technical insurance provisions booked under expenses related to insurance activities. Given the inherent volatility of net gains from trading activities from FX operations and securities within the trading book, predicting exact returns remains challenging. We assume a modest 3% average annual return on the total trading and investment securities at fair value.

For insurance activities, SAB's life insurance subsidiary, SB Draudimas GD UAB, reported EUR 13.1m in revenues for 2024, marking a 130% y-o-y increase, largely driven by addition of INVL life insurance business. Expenses tied to insurance activities remain volatile, as those also include the changes in the technical insurance provisions that cover the result of an investment of assets under unit-linked contracts. In 2024, these provisions led to an additional EUR 10.1m in costs, compared to a EUR 4.9m net gain in 2023. Looking ahead, we expect insurance revenues to grow in line with total asset expansion (10%), maintaining 20% gross margin.

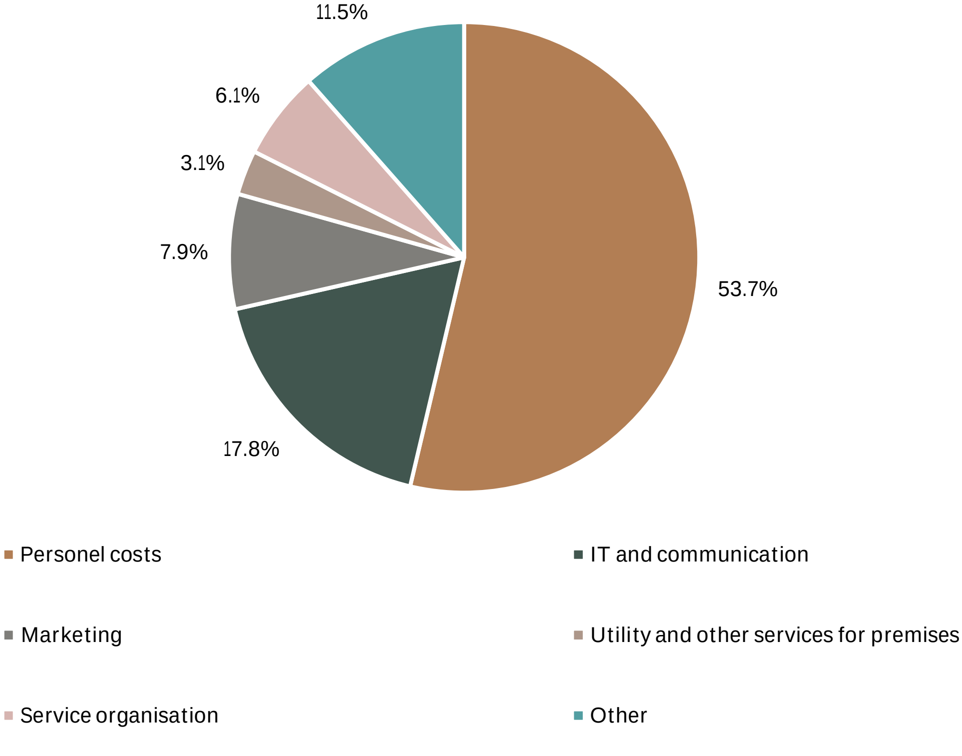
Operating expenses

SAB's operating expenses have recorded a 5Y CAGR of 18%, with cost expansion accelerating to 31% y-o-y in 2024. This increase was largely driven by the acquisition of INVL's retail business, alongside strategic investments into the Group's new banking platform. Over the 2024–2026 period, operating expenses are expected to remain elevated as the Group undertakes this significant technological overhaul, namely, IT investments are directly expensed through the P&L not capitalized.

On the tax front, Lithuanian banks continue to operate under a relatively unfavorable regime due to two key factors. Firstly, the banking sector is subject to a 20% income tax rate—higher than the standard corporate tax rate of 15% applicable to other industries. Secondly, the temporary solidarity contribution (windfall tax) imposed on credit institutions in 2023 was recently extended through 2025. However, the windfall tax provides for tax reliefs depending on the excessive profits, that said, SAB does not anticipate to be subject to windfall tax in 2025.

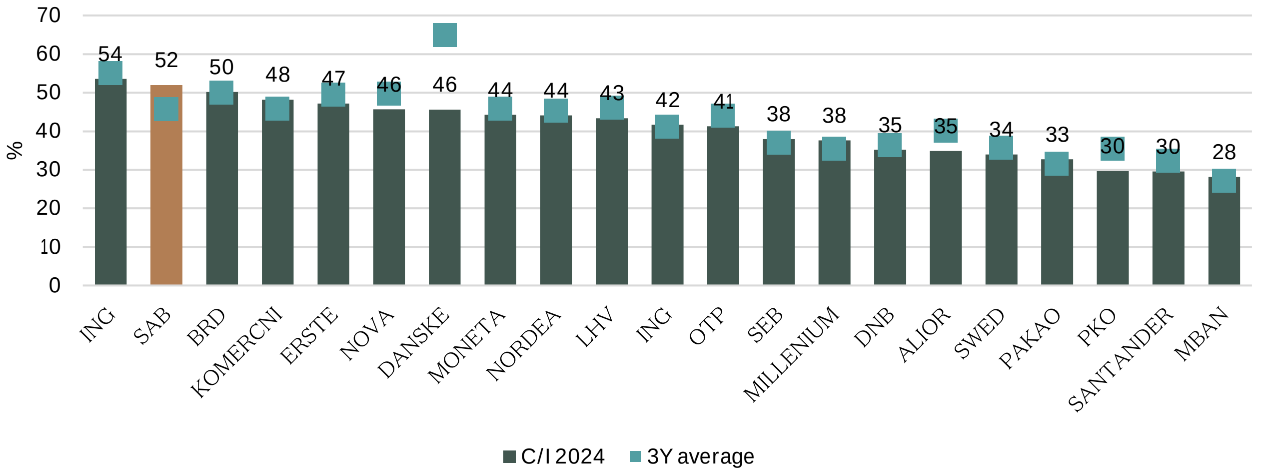
Overall, SAB has proven to have disciplined cost control considering 3Y average C/I levels between peers. In 2024 the ratio reached 52%, compared to 43.5% in 2023. Despite disciplined cost controls, the management expects the cost-to-income (C/I) ratio to remain elevated in the near-term, reflecting the ongoing banking platform investments until the end of 2026. However, as these investments begin to yield operational efficiencies, the ratio is projected to decline meaningfully from 2027 onward. We anticipate the C/I ratio to decline to 48% in 2027 and gradually reach SAB' s target 45% and bellow, improving to 44.5% by 2029.

Operating expense composition 2024



Source: SAB

Peer C/I comparison

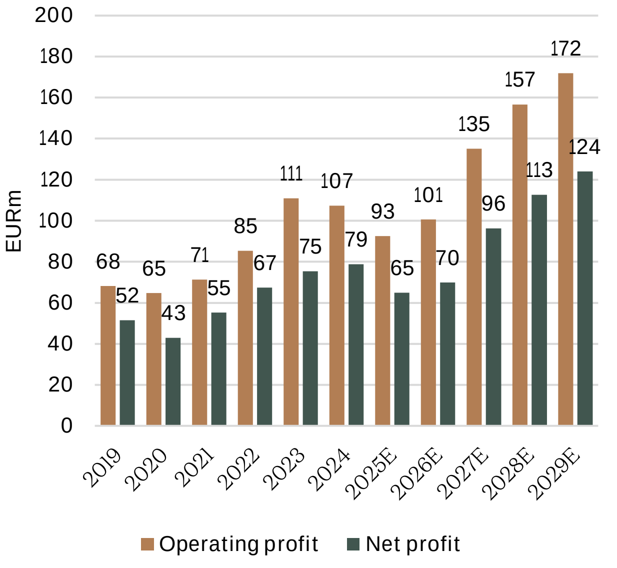


Source: Bloomberg

Profits

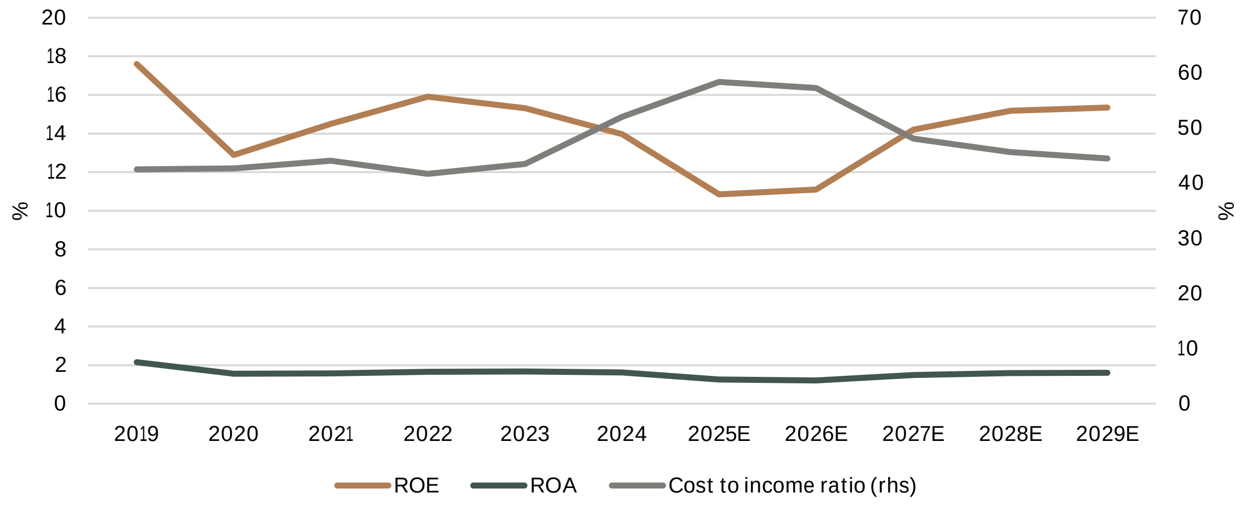
In 2025 we anticipate net profit to decline by -18% y-o-y due to elevated expenses related to IT investments in parallel to pressures on NIM, gradually advancing afterwards. Overall, we expect net profit to record 5Y CAGR of 9.4% to reach EUR 124m by the end of our forecast period. ROE is anticipated to decline to 11% in 2025, recovering afterwards to 15.3% by 2029.

SAB' s profit development



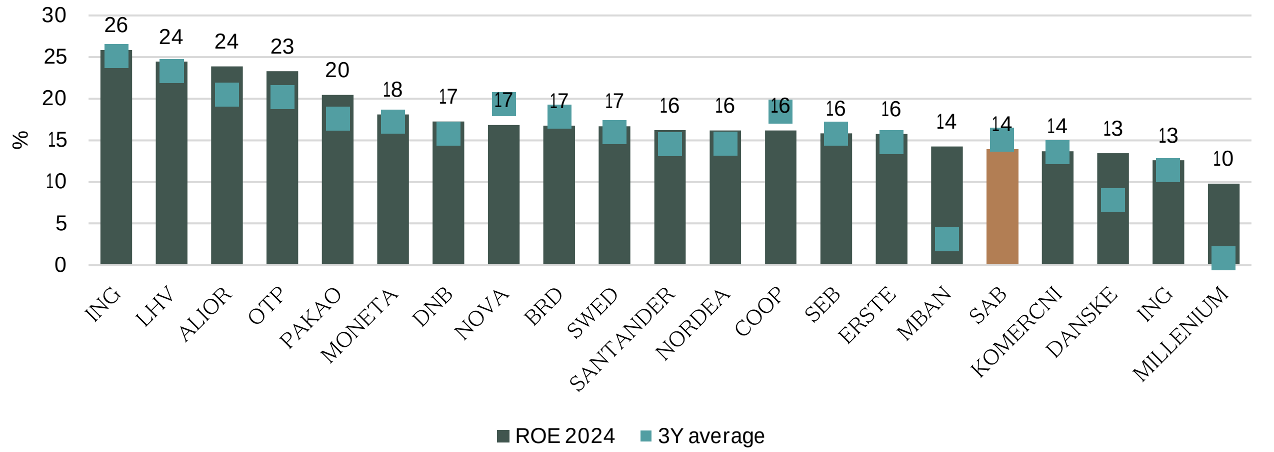
Source: SAB for historicals, Signet Bank for estimates

Profitability dynamics



Source: SAB for historicals, Signet Bank for estimates

Peer ROE comparison



Source: Bloomberg

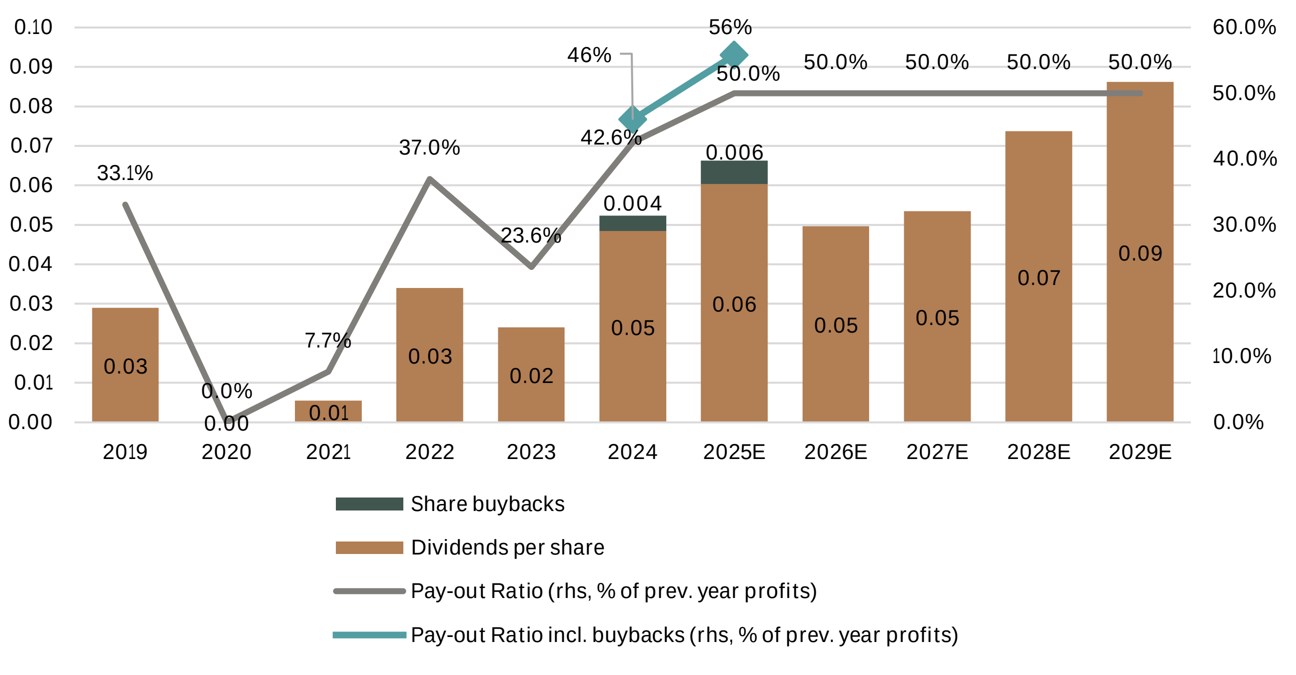
Dividends

Following the announcement of its updated strategy, SAB revised its dividend policy, increasing the minimum payout ratio from 25% to 50%. While dividends remain the primary vehicle for capital returns to shareholders, the Bank has indicated that share buybacks are also under consideration, particularly as a mechanism to address valuation discounts, contingent on market conditions.

On 15 August 2024, SAB secured ECB authorization to repurchase up to 13.75m of its own shares. The buyback program, initiated on 4 November 2024 and concluded on 24 January 2025, with the Bank acquiring 5.09m treasury shares, equivalent to 74% of the approved limit. Share were bought at an average price of EUR 0.853 per share, amounting to a total consideration of EUR 4.35m. This leaves an unused buyback capacity of 2.65m shares. Management has expressed its intention to fully utilize the remaining authorization by 15 August 2025, subject to prevailing market conditions and valuation considerations.

Despite SAB's solid capital position, given its strategic expansion plans, we expect the Group to maintain a stable payout ratio of 50% over our forecast period. Following the Q4 2024 earnings call, the management proposes to distribute 505 of net profits in dividends or EUR 0.06 per share. Additionally, the management intends to allocate 5% of 2024 profits to utilize fully its share buyback program, effectively increasing payout ratio to 55% or EUR 0.066 per share.

Dividends per share



Source: SAB for historicals, Signet Bank for estimates

Capital requirements

SAB operates under the supervision of the ECB through the Single Supervisory Mechanism and remains subject to stringent prudential regulatory requirements. The Bank's minimum capital adequacy threshold encompasses the Pillar I minimum capital requirement (8.0%), the Pillar II additional capital requirement (2.05%), and the combined buffer requirement (4.70%), supplemented by the Pillar II guidance and management buffer (3.0%). The latter components are subject to annual reassessment as part of the Supervisory Review and Evaluation Process (SREP).

The combined buffer requirement of 4.70% comprises a capital conservation buffer (2.5%, applicable to all EU banks), a countercyclical capital buffer (CCB) of 1.0%, an Other Systemically Important Institution (O-SII) buffer of 1.0%, and a systemic risk buffer of 0.2%. At the end of 2024, SAB's capital adequacy ratio stood at a robust 22.77%, maintaining a comfortable buffer above the regulatory requirement of 17.75%, thereby supporting the Bank's capacity for further growth.

The MREL requirement saw a substantial increase in 1H24, with SAB's revised target rising to 27.8%, inclusive of a management buffer of 0.43%. This compares to the reported MREL ratio of 29.22% as of June 2024. By Q3 2024, the Group had made notable progress in strengthening its MREL position, elevating the ratio to 40.45%, supported by additional capital generation and, in particular, the successful issuance of EUR 300m in senior preferred notes. This improvement was achieved despite the Bank's decision to fully redeem the outstanding EUR 210m senior preferred notes. At the end of 2024 MREL ratio stood at 33.9% (requirement: 27.8%).

Meanwhile, the liquidity coverage ratio (LCR) stood at 232% at the end of 2024, well above the 100% regulatory requirement and comfortably exceeding the Bank's internal target of 150%.

Valuation

Valuation summary

We have approached our valuation of SAB with a combination of an income and market approaches. Considering the Group's promising growth prospects beyond 2026, we believe that the income approach better suits SAB's valuation. Hence, we allocated 70% to the income-based valuation using the Residual Income Model (RIM) and the modified Gordon Growth Model (GGM), which essentially derives the fair P/B ratio-based valuation for the Group. The remaining 30% is attributed to peer valuation. In terms of the peer group, in addition to P/E and dividend yield, we pay attention to a correlation between ROE and P/B values for the selected peers, which is quite a common approach for the financial sector companies.

Overall, based on our current estimates for the Group and other assumptions, we estimate equity value for the Group at EUR 1.27 per share, implying 35% upside to the current share price. Using market share price (EUR 0.94) the Group would be valued at 2025 P/E 9.5x, P/B 1.0x, declining to 6.4x and 0.9x by 2027E and 5.0x and 0.7x by 2029E. For our forecast period we anticipate the Group to retain stable 50% payout ratio and generate 5.3-9.2% dividend yield (excluding share buybacks).

The main risks to our valuation include:

- Execution risk – Delays in implementing strategic initiatives could slow client acquisition, loan portfolio growth, and profitability.
- Macroeconomic risk – A deterioration in Lithuania's or the broader EU's economic outlook may weaken loan demand and increase default rates.
- Interest rate risk – A higher-than-expected tightening cycle could compress net interest margins, negatively impacting net interest income and overall profitability.

These factors could lead to lower-than-anticipated earnings growth and impact SAB's valuation outlook.

Weighted Value, EUR	Period weights 2025E	2026E	2027E	Period weighted value	Weights	Contribution to value
Method	20%	40%	40%			
P/E	0.86	0.78	1.03	0.90	10%	0.09
P/B & ROE	1.01	1.01	1.19	1.08	10%	0.11
Dividend Yield	0.85	0.66	0.72	0.72	10%	0.07
RIM				1.45	35%	0.51
GGM				1.40	35%	0.49
Total weighted value per share						**1.27**

Source: Signet Bank

Sensitivity table: impact of long-term growth and ROE on target price

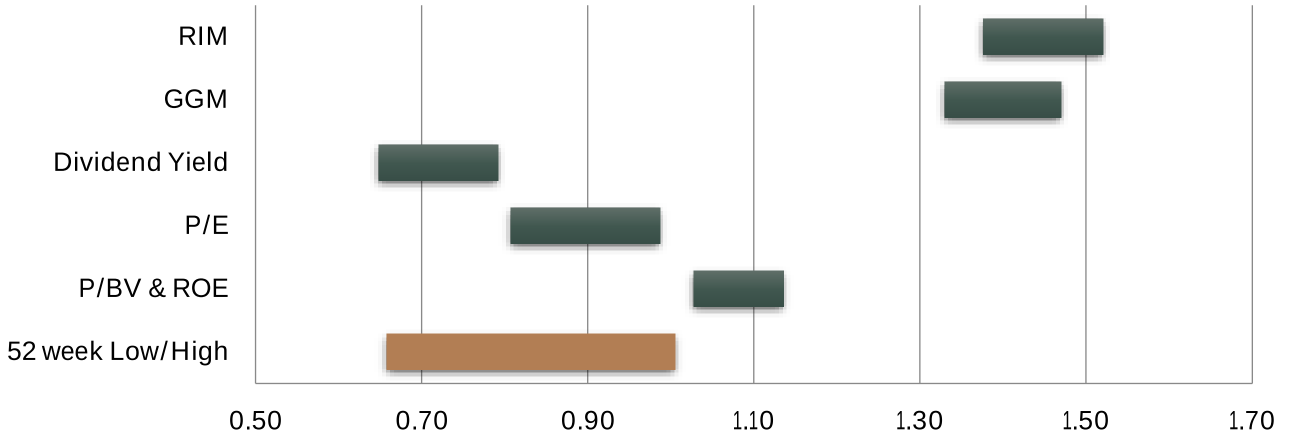
Terminal growth rate	ROE 12.3%	13.3%	14.3%	15.3%	16.3%	17.3%	18.3%
1.1%	1.180	1.205	1.230	1.254	1.279	1.304	1.328
1.4%	1.182	1.207	1.233	1.258	1.284	1.309	1.335
1.7%	1.183	1.210	1.236	1.262	1.289	1.315	1.341
2.0%	1.185	1.212	1.240	1.266	1.294	1.321	1.349
2.3%	1.187	1.215	1.243	1.272	1.300	1.328	1.357
2.6%	1.189	1.218	1.248	1.277	1.306	1.336	1.365
2.9%	1.191	1.222	1.252	1.283	1.313	1.344	1.374

Source: Signet Bank

Sensitivity table: impact of long-term growth and CoE on target price

Terminal growth rate	CoE 7.5%	8.5%	9.5%	10.5%	11.5%	12.5%	13.5%
1.1%	1.418	1.349	1.296	1.254	1.220	1.192	1.169
1.4%	1.432	1.358	1.302	1.258	1.223	1.194	1.170
1.7%	1.448	1.368	1.308	1.262	1.225	1.195	1.171
2.0%	1.465	1.378	1.315	1.266	1.228	1.197	1.172
2.3%	1.484	1.390	1.322	1.271	1.231	1.199	1.173
2.6%	1.505	1.403	1.331	1.277	1.235	1.201	1.174
2.9%	1.529	1.418	1.340	1.282	1.238	1.203	1.175

Source: Signet Bank



Source: Signet Bank

Residual income model

We have approached this valuation method by looking at the extra return on equity generated by the Group. We are calculating the residual income by subtracting the Cost of Equity from our estimated ROE to conclude residual income yield. The discounted values are added to the residual income to the opening book value at end of 2024. We chose two-step model, including five-year forecast followed by terminal value calculations.

Our valuation assumes 10.5% cost of equity. An additional company-specific risk premium is applied to capture operational risks, including risks related to the relatively small size of the bank, client concentration, and increasing regulatory burdens.

Based on our calculations we have derived our equity value at EUR 1.45 per share.

Residual Income Model (EURm)	2025E	2026E	2027E	2028E	2029E	Term
ROE (%)	10.8	11.1	14.2	15.2	15.3	
Cost of Equity (%)	10.5	10.5	10.5	10.5	10.5	
Residual Income Yield (%)	0.4	0.6	3.7	4.7	4.9	
Total Equity (eop)	610.6	648.0	709.5	773.9	841.5	
Residual Income (RI=Equity*RI %)	2.1	3.8	25.1	34.8	39.2	471.2
Discounted Residual Income	**2.0**	**3.3**	**19.6**	**24.5**	**25.0**	**300.6**
Sum of PV of RI						375.1
Opening Equity						585.2
Equity Value						**960.3**
Value per share						**1.45**

Source: Signet Bank

Gordon Growth Model

The GGM based P/B model is commonly utilized to value stocks in the banking sector. The appropriate P/B ratio is derived using the formula: P/B = (ROE - g) / (COE - g). We opted for a two-step model with a five-year forecast period, followed by a terminal value calculation. The assumed long-term normalized Return on Equity (ROE) stands at 15.3%, with other inputs such as the Cost of Equity (COE) and long-term growth rate sourced from RIM assumptions.

We anticipate the Group to maintain a solid dividend payout of at least 50% from net profits.

Based on modified GGM model, we have derived our equity value at EUR 1.40 per share.

RIM Assumptions:	
Risk free rate	2.5%
Market risk premium	5.1%
Levered Beta	1.1
Country Risk Premium	1.4%
Specific Risk premium	1.0%
Cost of equity	10.5%
Terminal growth rate	2.0%

Source: Signet Bank

Fair P/B Model (Gordon Growth Approach, EURm)		2025E	2026E	2027E	2028E	2029E
Long-term normalised ROE (%)	15.3					
Cost of Equity (%)	10.5					
Long-term growth rate (%)	2.0					
Fair P/B=(ROE-g)/COE-g)	**1.6**					
CET1 Capital		564	604	668	736	807
Risk Exposure Amount (REA)		2989	3376	3757	4059	4379
CAR (%)		18.9	17.9	17.8	18.1	18.4
Target CAR (%)						15.7
Excess Capital (EC=(Estim.-Target CAR)*REA)						119
Terminal Value (TV=Norm. Tier1 Capital*Fair P/B)						1081
Dividends		39	32	35	48	56
PV of EC, Div + TV		**37**	**28**	**27**	**34**	**802**
Equity Value	**928**					
Value per share	**1.40**					

Source: Signet Bank

Peer Valuation

For the peer valuation, we compiled a list of banks with different sizes, including banks from Nordic and CEE regions. Many of the Nordic banks included in the list have substantial operations in the Baltics. Median values have been applied to our comparative analysis, while the weights for the period 2025-2027E values are distributed 20-40-40 per cent, respectively.

We have assessed peer valuation by examining P/E and dividend yield ratios, as well as the correlation between Return on Equity (ROE) and Price-to-Book (P/B) ratios. The latter measure helps determine a reasonable market-driven fair P/B ratio for the company under consideration.

Company	Country	Market Cap	P/E (x)			Dividend Yield %			P/B (x)			ROE (%)		
		EURm	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
COOP PANK AS	ESTONIA	211	6.6	6.0	5.2	3.9	4.4	4.9	0.9	0.8	0.7	14.3	14.0	14.5
LHV GROUP AS	ESTONIA	1 144	9.5	7.8	6.7	2.5	3.1	3.7	1.5	1.3	1.1	16.8	17.8	18.2
SWEDBANK AB - A SHARES	SWEDEN	26 886	10.1	10.0	9.7	7.5	7.7	8.7	1.3	1.3	1.3	13.1	13.0	12.9
SKANDINAVISKA ENSKILDA BAN-A	SWEDEN	33 009	11.0	10.3	9.8	5.5	5.6	6.4	1.5	1.4	1.3	13.5	13.7	13.8
MONETA MONEY BANK AS	CZECH	3 023	12.7	11.8	11.0	7.0	7.4	8.0				18.9	19.0	20.3
KOMERCNI BANKA AS	CZECH	8 370	12.4	11.5	10.8	7.4	7.1	7.0	1.6	1.6	1.5	13.3	13.8	14.4
ALIOR BANK SA	POLAND	3 403	6.6	7.4	7.7	7.9	8.0	7.6	1.1	1.1	1.1	17.9	14.8	13.0
MBANK SA	POLAND	8 549	7.1	7.5		0.0	3.1	6.8	1.7	1.4	1.3	22.5	20.1	17.4
BANK MILLENNIUM SA	POLAND	4 050	15.2	7.9		0.0	0.9	4.1	1.9	1.5		22.4	20.1	19.5
ING BANK SLASKI SA	POLAND	10 180										22.1	19.8	
BANK HANDLOWY W WARSZAWIE SA	POLAND	3 620	8.2	9.7	10.5	11.0	11.0	9.7	1.4	1.4	1.4	17.0	14.8	13.5
PKO BANK POLSKI SA	POLAND	23 073	8.3	8.4	8.1	7.3	7.8	8.5	1.8	1.6	1.5	19.1	19.3	19.5
BANK PEKAO SA	POLAND	11 225	7.5	8.3	8.3	8.5	8.2	7.8	1.4	1.3	1.2	18.8	15.9	14.6
BNP PARIBAS BANK POLSKA SA	POLAND	3 772	6.3	6.7	7.3	6.3	7.7	6.0	1.0	0.9	0.9	15.2	13.5	12.2
SANTANDER BANK POLSKA SA	POLAND	14 111	9.3	8.7	8.1	7.0	8.3	9.8	1.7	1.6	1.6	18.0	18.2	19.6
NOVA LJUBLJANSKA BANKA DD	SLOVENIA	2 850	5.7	5.6	5.4	9.3	9.9	10.7	0.8	0.8	0.7	14.9	14.4	14.1
BANCA TRANSILVANIA SA	ROMANIA	5 242	7.2	6.8	6.2	6.1	6.7	7.8	1.4	1.3	1.1	23.8	20.6	18.0
BRD-GROUPE SOCIETE GENERALE	ROMANIA	2 554												
DNB BANK ASA	NORWAY	35 789	10.2	10.3	10.1	6.3	6.5	6.6	1.5	1.4	1.4	14.7	13.7	13.5
OTP BANK PLC	HUNGARY	17 900	6.7	6.6	6.1	4.1	4.4	5.6	1.2	1.1	0.9	19.5	17.5	16.9
ING GROEP NV	NETHERLANDS	57 698	9.5	8.2	7.2	5.7	6.3	7.1	1.1	1.0	0.9	11.6	12.7	13.4
ERSTE GROUP BANK AG	AUSTRIA	28 087	9.7	9.1	8.3	4.8	5.2	5.6	1.2	1.2	1.1	13.7	13.2	13.6
DANSKE BANK A/S	DENMARK	26 873	8.8	8.7	8.3	7.8	7.9	7.8	1.1	1.0	1.0	12.2	12.0	11.9
NORDEA BANK ABP	FINLAND	41 679	8.8	8.6	8.3	7.9	8.1	8.7	1.3	1.2	1.2	14.4	14.3	14.3
Median (Excluding outliers)			8.8	8.3	8.2	7.0	7.4	7.3	1.4	1.3	1.1	16.8	14.8	14.4
Average (Excluding outliers)			8.7	8.4	8.2	6.7	6.9	7.2	1.3	1.2	1.2	16.9	15.9	15.4
Quartile 1			7.1	7.4	7.1	5.0	5.3	6.1	1.1	1.1	1.0	14.0	13.7	13.5
Quartile 3			10.0	9.5	9.7	7.7	7.9	8.4	1.5	1.4	1.3	19.0	18.6	17.9
Respective financial result of SAB (EURm)			64.9	69.8	96.3	39.4	32.4	34.9	610.6	648.0	709.5			
Estimated ROE for SAB (%)												10.8	11.1	14.2
P/B and ROE correlation Implied P/B (x)												1.09	1.03	1.11
Implied equity value based on Median (EURm)			**573**	**517**	**684**	**562**	**438**	**476**				**668**	**670**	**789**
Value per share			**0.86**	**0.78**	**1.03**	**0.85**	**0.66**	**0.72**				**1.01**	**1.01**	**1.19**

Source: Bloomberg, Signet Bank

Income Statement (EURm)	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Interest and similar income	81	107	157	160	167	174	192	213	228
Interest expense and similar charges	17	19	20	29	32	36	39	43	47
Fee and commission income	21	17	7	14	12	14	16	18	19
Total Income	**120**	**142**	**184**	**203**	**211**	**224**	**247**	**274**	**294**
Salaries and related expenses	(27)	(31)	(36)	(50)	(55)	(59)	(62)	(66)	(71)
Depreciation and amortisation expenses	(4)	(5)	(5)	(8)	(9)	(8)	(7)	(8)	(8)
Other operating expenses	(17)	(22)	(31)	(38)	(55)	(56)	(42)	(43)	(43)
Operating profit before impairment losses	**71**	**85**	**111**	**107**	**93**	**101**	**135**	**157**	**172**
Allowance for impairment losses	(4)	(5)	(15)	(11)	(13)	(15)	(17)	(19)	(21)
Profit from continuing operations before income tax	**67**	**80**	**96**	**96**	**79**	**85**	**118**	**137**	**151**
Income tax expense	(12)	(13)	(20)	(18)	(14)	(15)	(21)	(25)	(27)
Net profit for the year	**55**	**67**	**75**	**79**	**65**	**70**	**96**	**113**	**124**
EPS	0.092	0.112	0.122	0.119	0.099	0.107	0.148	0.172	0.190
DPS	0.005	0.034	0.024	0.048	0.060	0.050	0.053	0.074	0.086

Source: SAB for historicals, Signet Bank for estimates

Main Ratios	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Growth, %									
Loan and finance lease portfolio	19.5	25.2	11.3	17.2	18.6	12.6	14.8	7.1	7.0
Customer deposits	14.1	3.9	13.6	11.9	13.5	9.7	9.1	9.5	9.3
Total assets	30.8	5.6	14.9	2.4	10.5	12.9	11.3	8.0	7.9
Operating profit before impairmant losses	10.1	19.6	30.1	(3.3)	(13.8)	8.7	34.3	16.0	9.7
Net profit	28.7	22.1	11.8	4.5	(17.7)	7.7	37.9	16.9	10.1
Margins and profitability, %									
Average yield on earning assets	3.4	3.6	5.8	6.7	5.7	5.1	5.0	5.0	5.0
Net Interest Margin (NIM)	2.9	3.1	4.2	3.3	3.2	3.0	3.0	3.0	3.0
Cost/Income Ratio (normalised)	44.1	41.7	43.5	52.0	58.4	57.3	48.0	45.6	44.5
ROE	14.5	15.9	15.3	14.0	10.8	11.1	14.2	15.2	15.3
ROA	1.6	1.7	1.7	1.6	1.3	1.2	1.5	1.6	1.6
Leverage, %									
Loans/Deposits	78.5	94.6	92.7	97.1	101.5	104.2	109.7	107.2	105.0
Deposits/Total Assets	67.6	66.6	65.8	71.9	73.8	71.7	70.3	71.2	72.1
Equity/Total Assets	10.3	10.6	11.3	11.9	11.2	10.6	10.4	10.5	10.6
Valuation									
P/E, x	8.3	6.1	5.7	6.9	9.5	8.8	6.4	5.5	5.0
P/BV, x	1.1	0.9	0.8	0.9	1.0	0.9	0.9	0.8	0.7
Dividend Yield (%)	0.7	5.0	3.8	5.9	6.4	5.3	5.7	7.8	9.2

Source: SAB for historicals, Signet Bank for estimates

Balance Sheet (EURm)	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Cash and cash equivalents	966	385	751	395	122	193	73	128	185
Securities in the trading book	48	58	208	235	279	314	361	386	413
Due from other banks	1	3	3	3	4	4	4	5	5
Derivative financial instruments	2	1	0	1	1	1	1	1	1
Loans to customers	2104	2634	2932	3435	4075	4588	5268	5640	6034
Investment securities:	788	1059	826	771	875	960	1047	1147	1253
Intangible assets	5	8	45	44	41	38	35	32	29
Property, plant and equipment	15	16	16	15	14	13	12	11	10
Investment property	2	2	1	-	-	-	-	-	-
Current income tax prepayment	1	0	0	0	0	0	0	0	0
Deferred income tax assets	2	6	8	6	6	6	6	6	6
Other assets	29	13	20	17	21	23	27	29	31
Total assets	**3962**	**4185**	**4809**	**4923**	**5438**	**6140**	**6835**	**7384**	**7967**
Total equity attributable to equity holders of the Parent Company	**406**	**442**	**543**	**585**	**611**	**648**	**709**	**774**	**842**
Non-controlling interests	-	-	-	-	-	-	-	-	
Due to other banks and financial institutions	698	685	570	66	44	44	-	-	-
Due to customers	2679	2785	3163	3538	4014	4403	4803	5261	5748
Special and lending funds	7	14	16	23	23	23	23	23	23
Debt securities in issue	95	171	276	448	455	705	955	955	955
Subordinated loan	-	-	-	-	-	-	-	-	-
Current income tax liabilities	1	4	6	0	0	0	0	0	0
Liabilities related to insurance activities	41	39	179	198	219	239	259	279	299
Other liabilities	35	44	56	64	71	78	84	92	100
Total liabilities	**3556**	**3743**	**4266**	**4337**	**4827**	**5492**	**6125**	**6610**	**7126**
Total Equity and Liabilities	**3962**	**4185**	**4809**	**4923**	**5438**	**6140**	**6835**	**7384**	**7967**

Source: SAB for historicals, Signet Bank for estimates.

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Sign-off time: March 26, 2025, 18:00

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- Neutral- Expected return from -10% to 10% within 12-18 months (including dividends)
- Sell- Expected loss more than 10% within 12-18 months (including dividends)

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