

Assessing the Real Potential of Banking Stocks

2024

January 20, 2024

ŠIAULIŲ  BANKAS

1

Picking banking stocks

Traditional banking stock valuation

2

Finding the real potential

Framework to assess real potential

3

Valuing Šiaulių Bankas

Three important takeaways

1

Picking banking stocks

Traditional banking stock valuation

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Finding the real potential

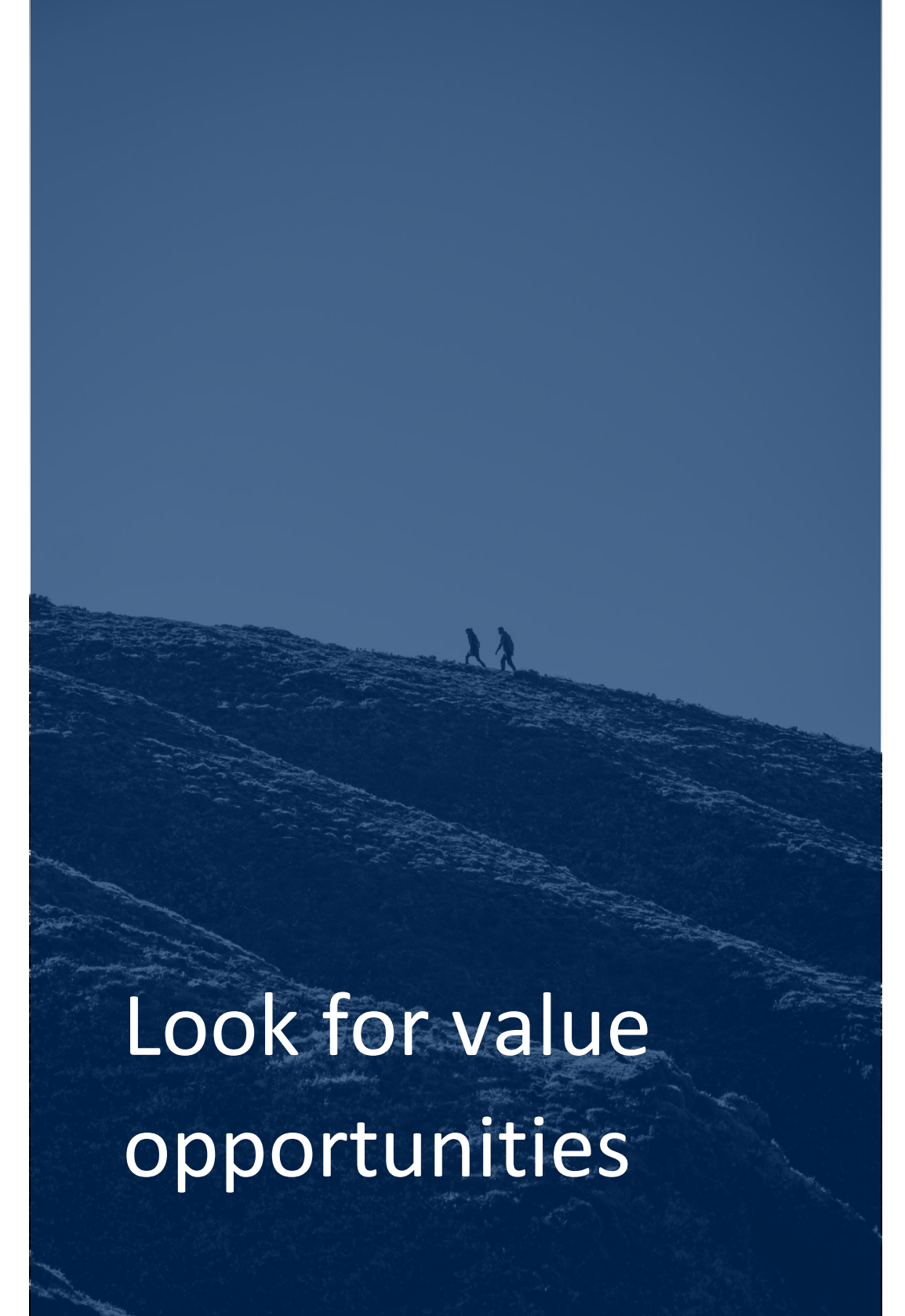
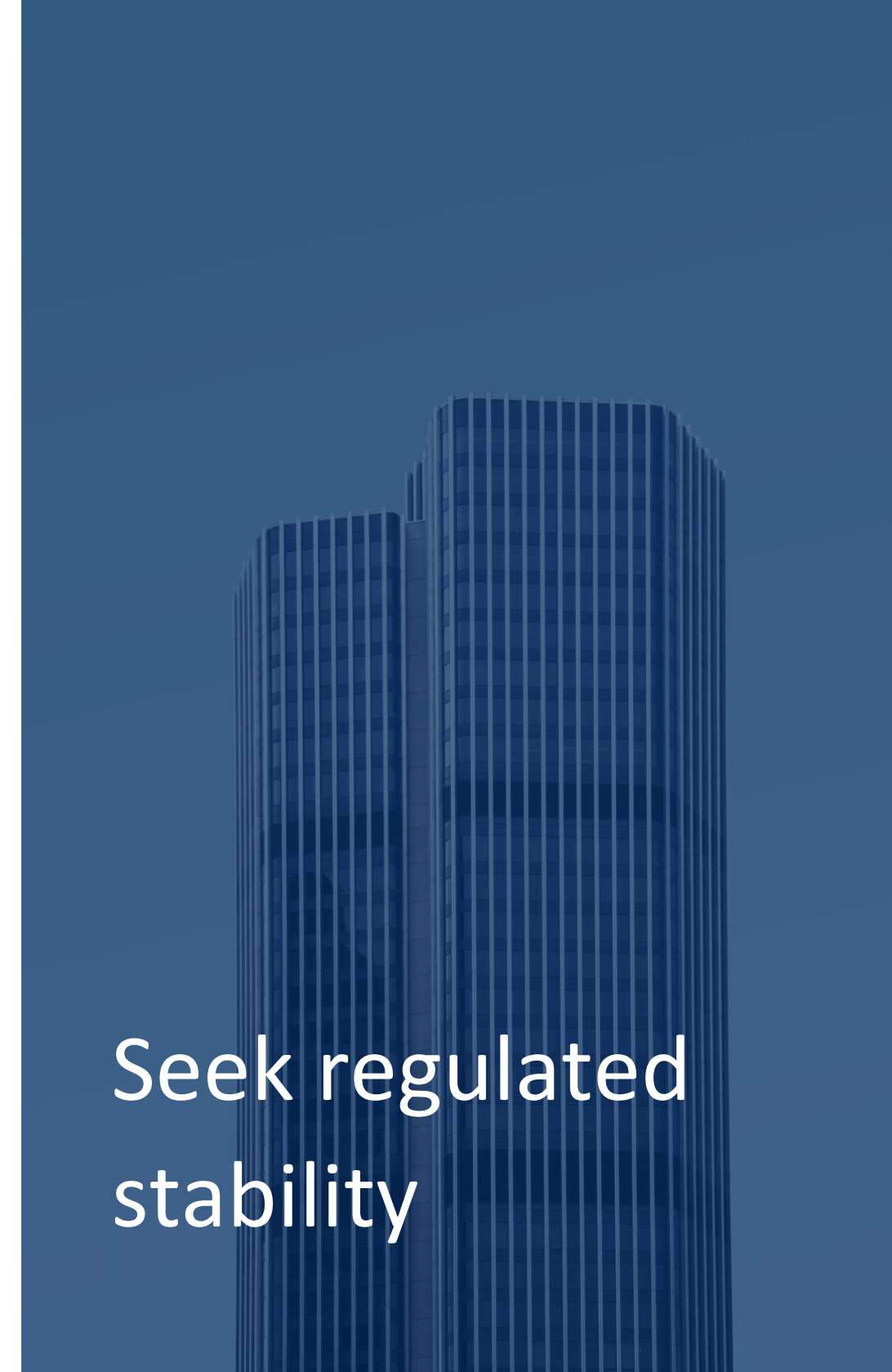
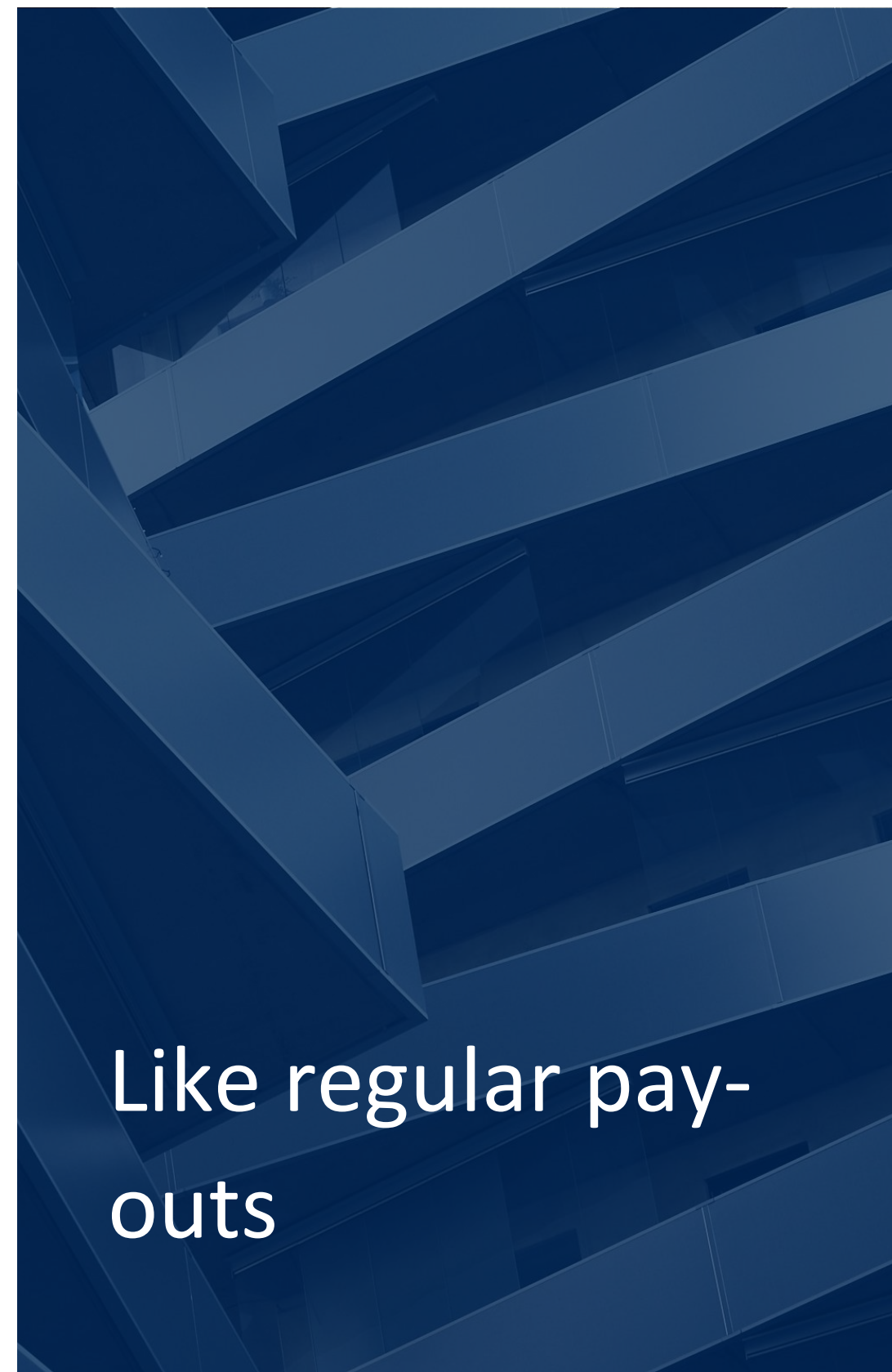
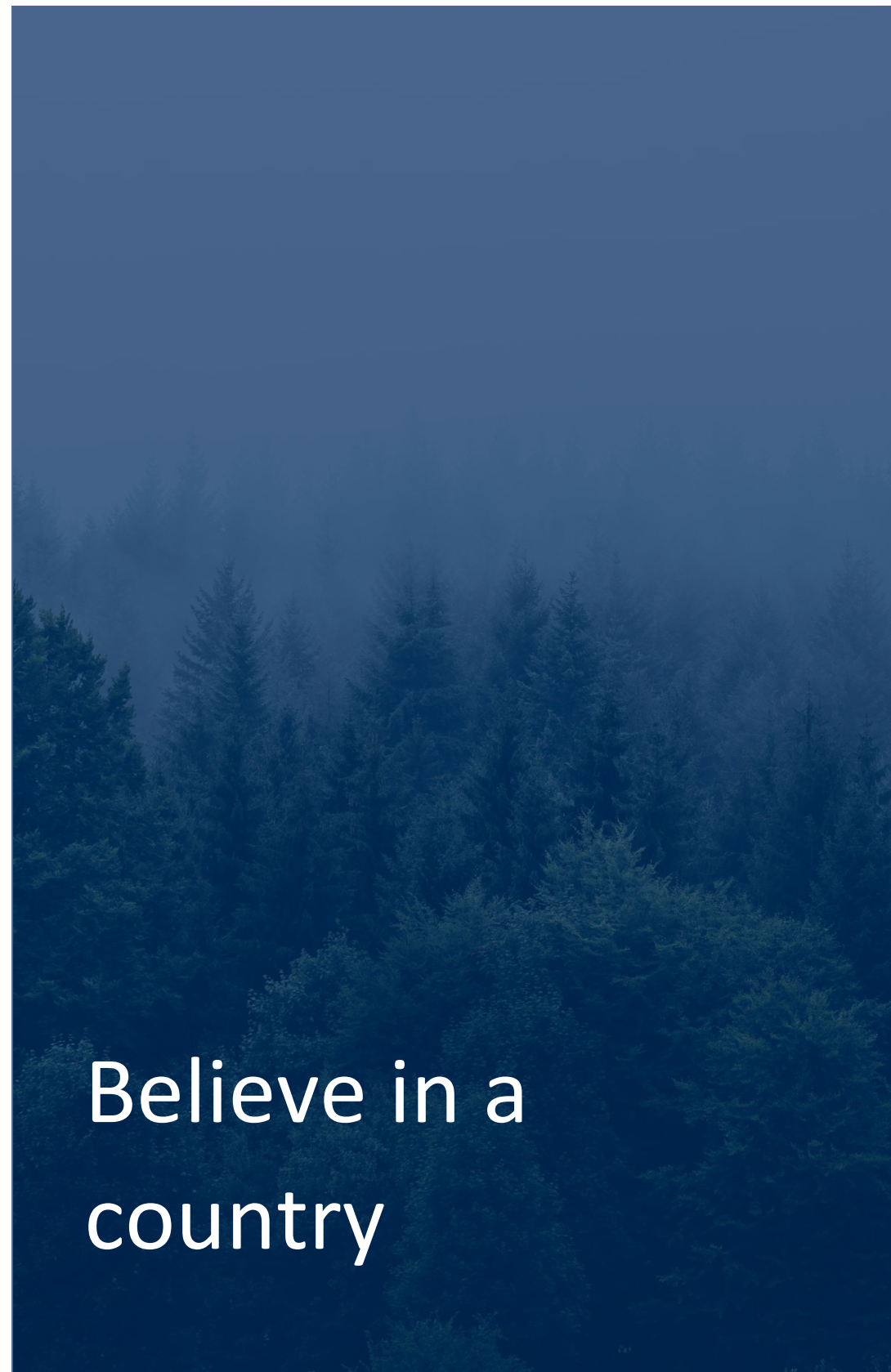
Framework to assess real potential

3


Valuing Šiaulių Bankas

Three important takeaways


People who buy banks



Add a bank to your portfolio

Swedbank 

17.45 EUR
1.16x P/B

 Add


SEB

9.45 EUR
1.32x P/B

 Add

LHV

3.63 EUR
2.26x P/B

 Add


ŠIAULIŲ  BANKAS

0.69 EUR
0.85x P/B

 Add


coop | Pank

2.43 EUR
1.41x P/B

 Add

Danske Bank


24.99 EUR
0.95x P/B

 Add


Nordea

11.04 EUR
1.32x P/B

 Add

 Deutsche Bank

11.83 EUR
0.38x P/B

 Add

How to value?

Dividend Discount Model

Trading Multiples: P/E

Trading Multiples: P/B

Regression Analysis (P/B vs RoE)

Precedent Transaction Analysis

Bank A

PRICE EUR

 Add

Bank B

PRICE EUR

 Add

How to value?

Dividend Discount Model

Trading Multiples: P/E

Trading Multiples: P/B

Regression Analysis (P/B vs RoE)

Precedent Transaction Analysis

$$P / B = \frac{\text{Share Price}}{\text{Book-Value-Per-Share}}$$

The price-to-book ratio (P/B ratio) is the go-to valuation method for banks due to its simplicity and ease of interpretation

Is it so obvious?

OPTION A

OPTION B



January 31, 2017

0.42x P/B



January 31, 2017

2.30x P/B

Not always...



PRICE - 25% TOTAL RETURNS - 18%



PRICE + 282% TOTAL RETURNS + 323%

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FRAMEWORK

Real potential =

Market environment

+

Business model

+

Track record

+

Capital & liquidity

+

Pay-out policy

+

Future strategy

Finding the real potential

Market environment

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Future strategy

Structurally Attractive Lithuanian Market (1/2)

Sound fundamentals, low credit risks and favourable growth outlook



Membership in prominent organisations of economic integration and security (EU, NATO, OECD)



Competitive, Western-oriented economic growth model



Front-runners according to the business climate measures



Sound and balanced credit risk profile

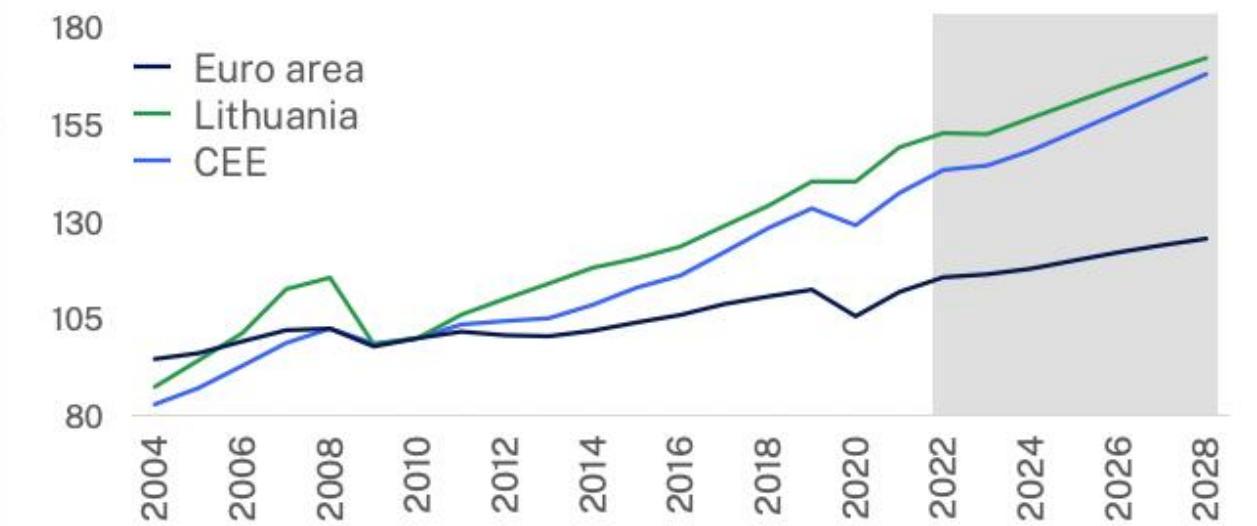


Still catching-up: faster growth and higher yield potential



Strong Growth Outlook

Real GDP index (2010=100), %



Lithuania's economic growth has outpaced the Euro area and CEE and is expected to maintain this momentum in the future

Key Facts

POPULATION (2022)	2.8 million
NOMINAL GDP (2022)	€67 billion
CREDIT RATINGS ¹	A2 / A+ / A
GDP/CAPITA IN PPS	89.3% of EU avg.
PUBLIC DEBT ²	38%

Notes: (1) Moody's / Standard & Poor's / Fitch Ratings. (2) As percentage of GDP
Source: EBA Interactive Risk Dashboard Q2 2023, ECB Data Warehouse, Eurostat

Finding the real potential

Market environment

Business model

Track record

Capital & liquidity

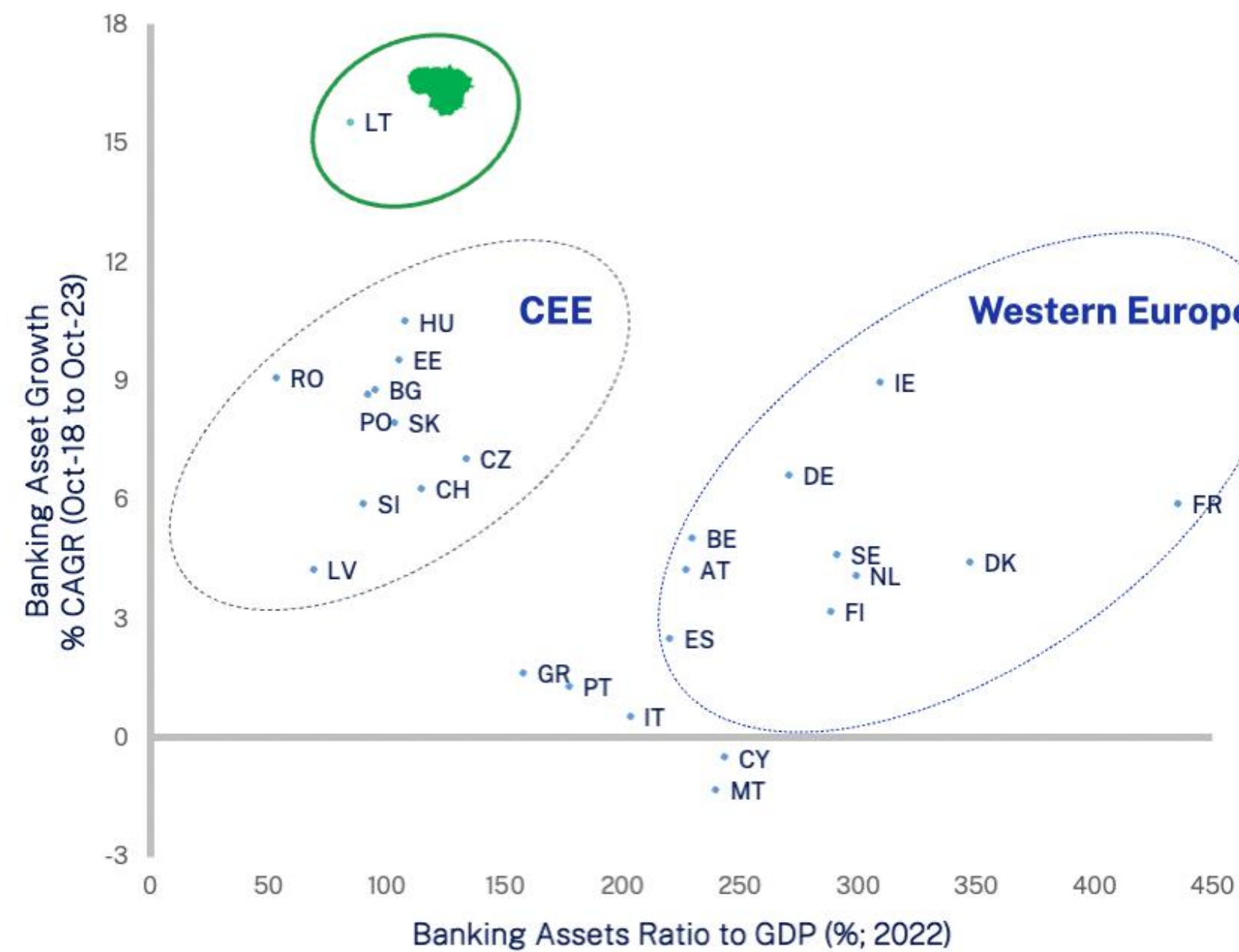
Pay-out policy

Future strategy

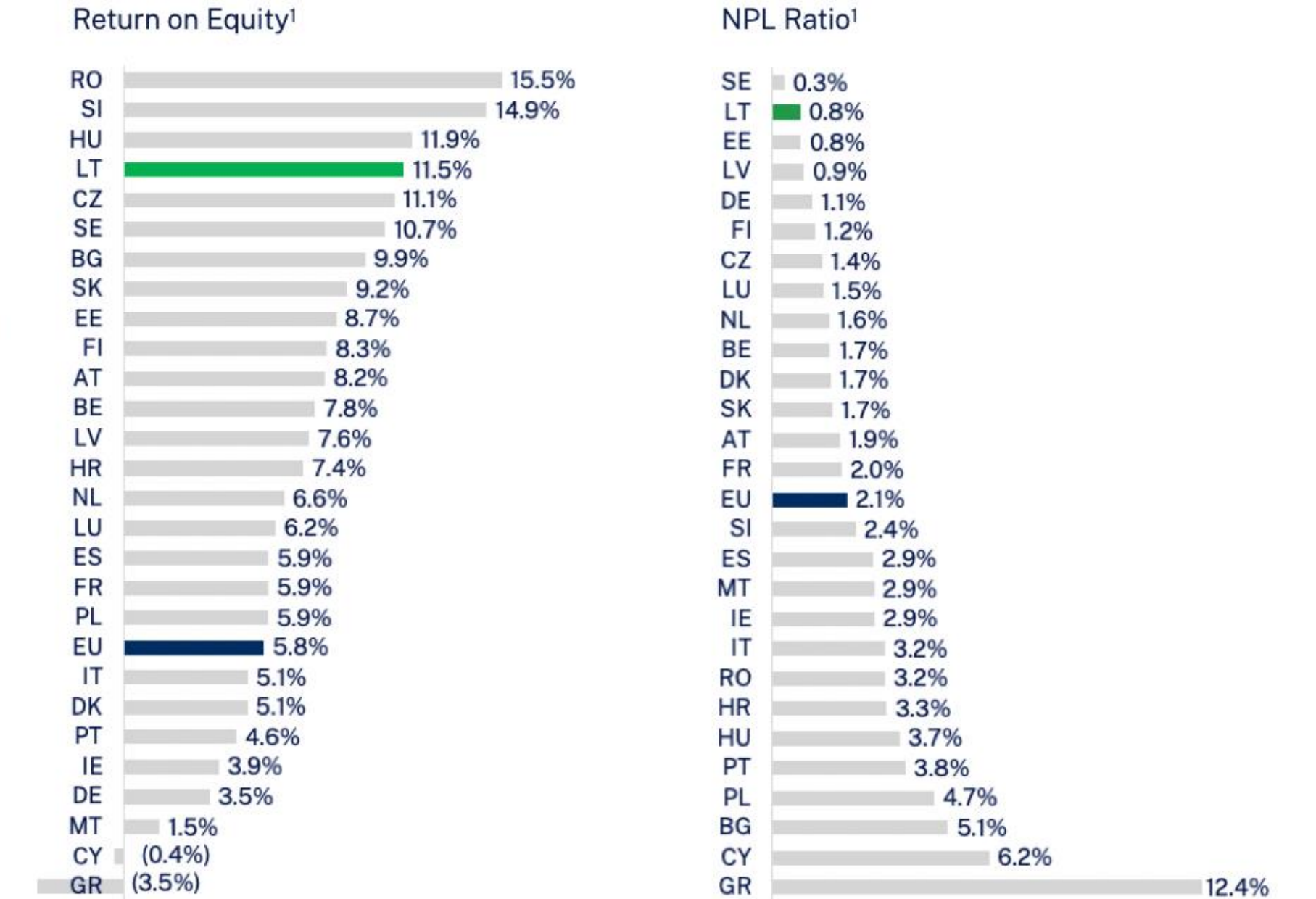
Structurally Attractive Lithuanian Market (2/2)

Favorable banking landscape in Lithuania: high profitability, resiliency and strong growth potential

High Growth Potential in Lithuanian Banking Sector



Profitable and Resilient Sector



Notes: (1) Average of 2022, 2021 and 2020 results
Source: EBA Interactive Risk Dashboard Q2 2023, ECB Data Warehouse, Eurostat

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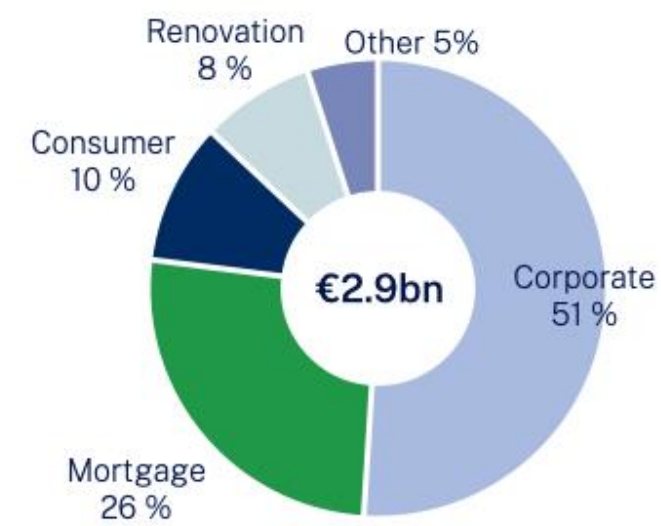
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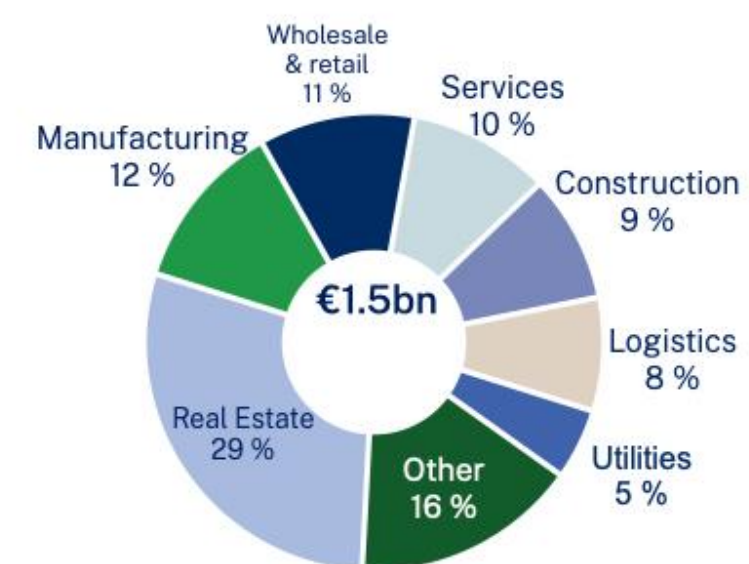
Diversified Business Model Driving Superior Returns

Diversified Book of Business

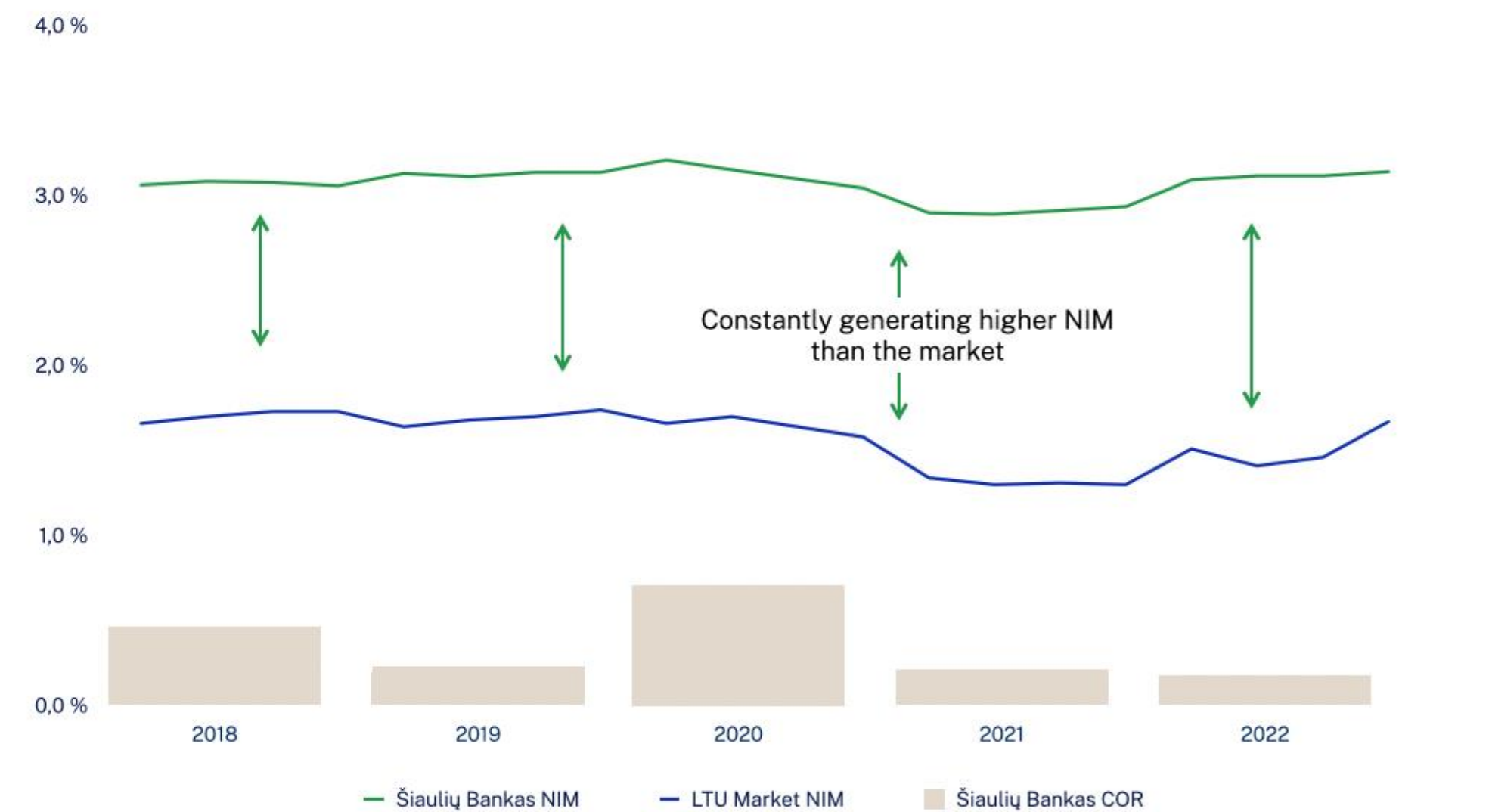
Loan Portfolio²



Diversified corporate loan book:



Higher Than Average NIM Without Sacrificing Asset Quality



Notes: (1) Market share statistics as of Sept-23

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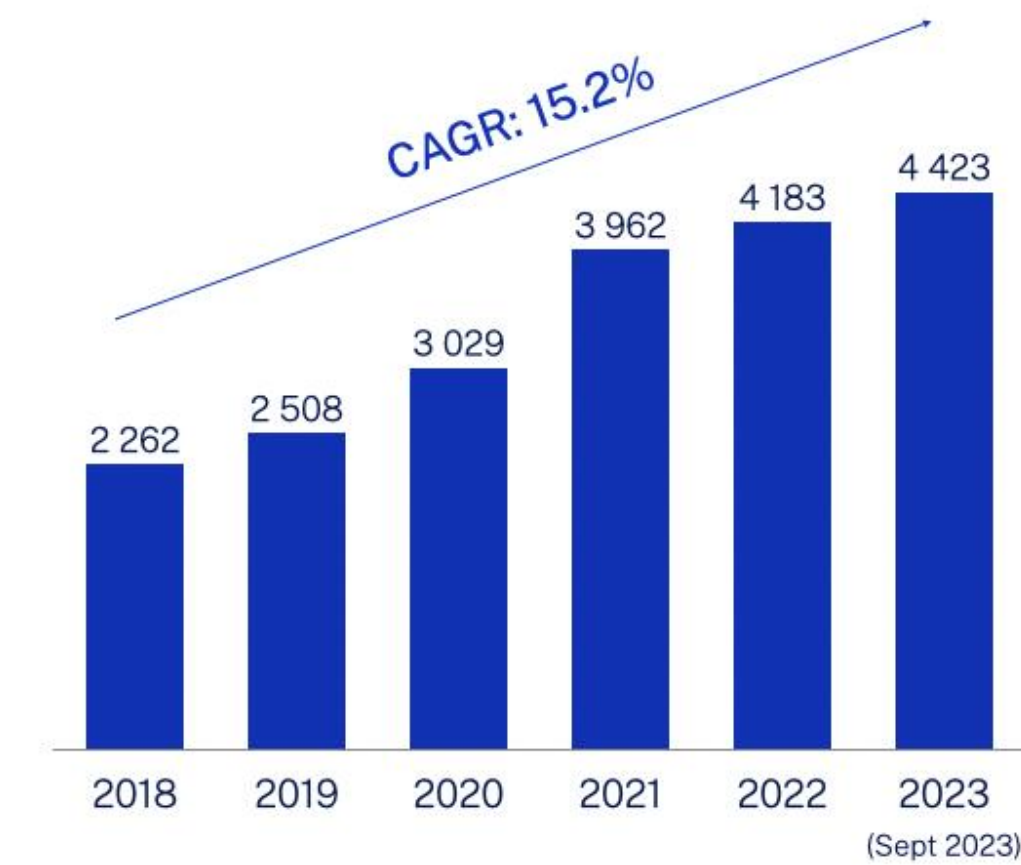
Pay-out policy

Future strategy

Proven Track Record of High Growth and Profitability

Substantial Scale

Total Assets (€'m)



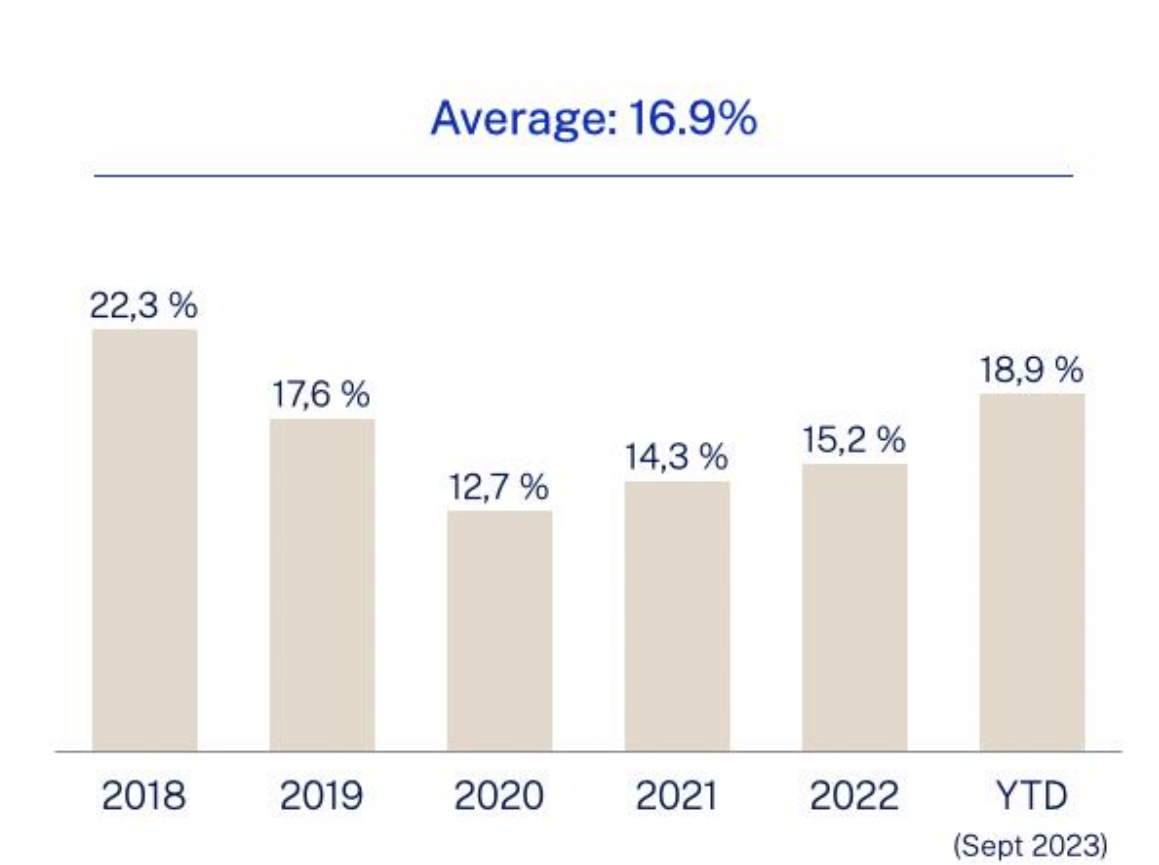
High Growth

Net Interest Income (€'m)



Strong Profitability

Return on Equity (%)



Solid Organic Growth
Supplemented with
Value-Accretive M&A

ŪKIO BANKAS
2013 Performing assets and insured liabilities
€790m assets

finasta
2015 Investment bank
€70m assets

Danske Bank
2020 Lithuania branch private clients portfolio
€125m portfolio

INVALDA INL
2023 Retail business
€1.1bn AuM

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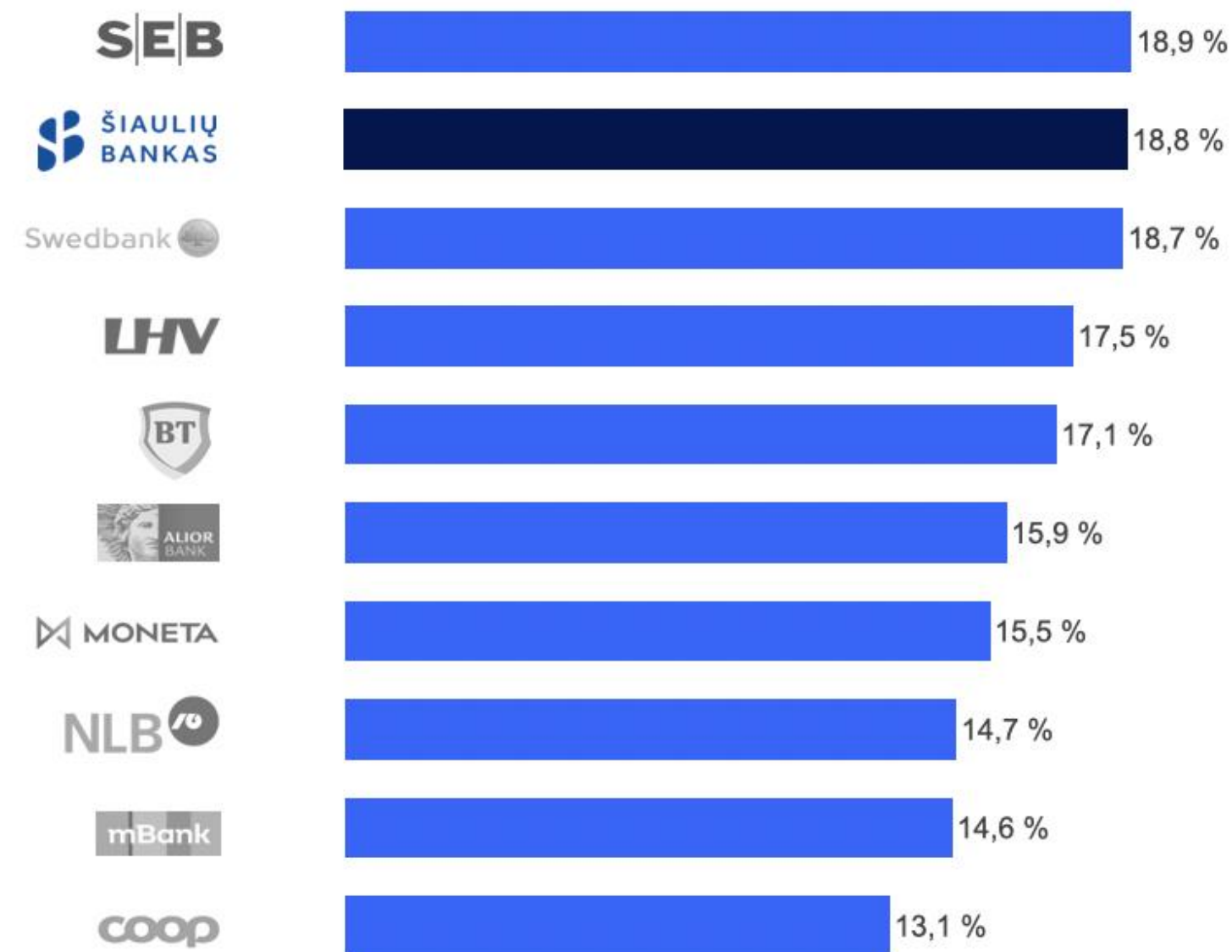
Future strategy

Robust Capital and Liquidity Position

Strong balance sheet will underpin our ambitious growth initiatives and strategic direction

Robust Capital Position

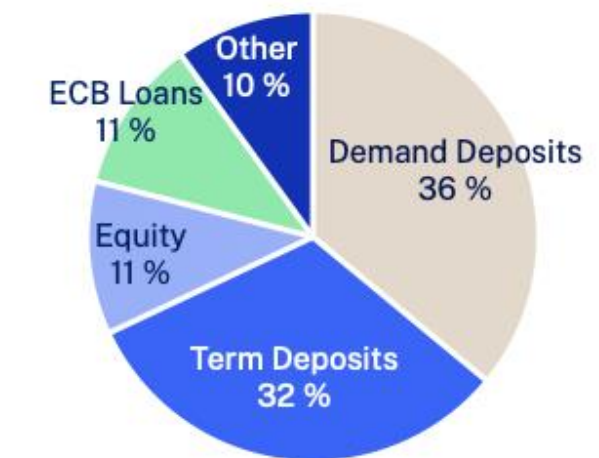
CET Ratio¹



Notes: (1) Data as of Sept-23

Efficient Funding Structure

Funding Driven By Local Deposits¹



Liquidity

Liquidity Coverage Ratio (LCR)¹

183%

Finding the real potential

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Future strategy

Šiaulių Bankas – Capital Allocation (FY 2023)

57%

- Organic growth
- M&A
- Buy-backs



Up to 43%

- Dividends

Šiaulių Bankas has a minimum dividend payout policy of 25%

Finding the real potential

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The Best Bank in Lithuania by 2029

Mission

Banking that empowers

Progressive, customer-centric and caring

Vision

The Bank you choose to grow with

Creating the best conditions for financial, professional and national growth

How will we define our success?

Exceptional client experiences

Sustained growth momentum, always exceeding the market

The top-of-mind choice for financial services among Lithuanian clients

Superior shareholder returns

Finding the real potential

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Future strategy

The Best Bank in Lithuania by 2029

New core banking platform

New growth opportunities, improved efficiency and elevated client experiences

Customer-centricity at the core

Realigned organisational structure to prioritise client needs and accelerate growth

Commitment to phygital

Bridging the physical and digital worlds to create leading client experience

Compliance

Dedication to compliance while delivering exceptional client experiences

Rebranding

Striving to create a strong link between our brand and clients

ESG

Focusing on tangible projects that deliver change and lasting impact

$$P/B + \text{Real potential} = \text{Investment decision}$$

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Three important takeaways

01 Our book value

0.85x

Price 0.695 EUR

Top 3 Most Liquid Baltic Stocks

Currently Attractive P/B

02 Our real potential



Market environment



Business model



Track record



Capital position



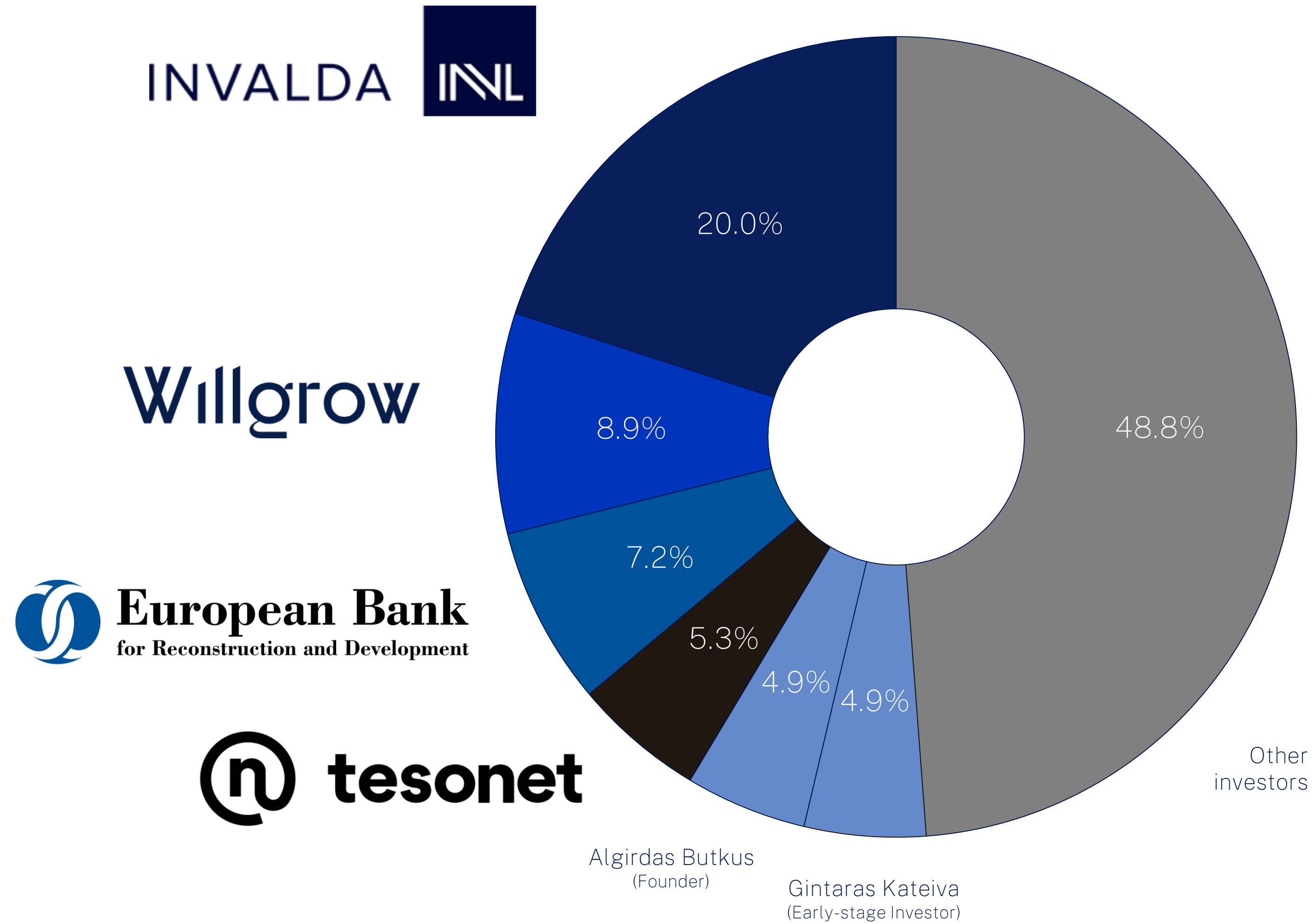
Pay-out policy



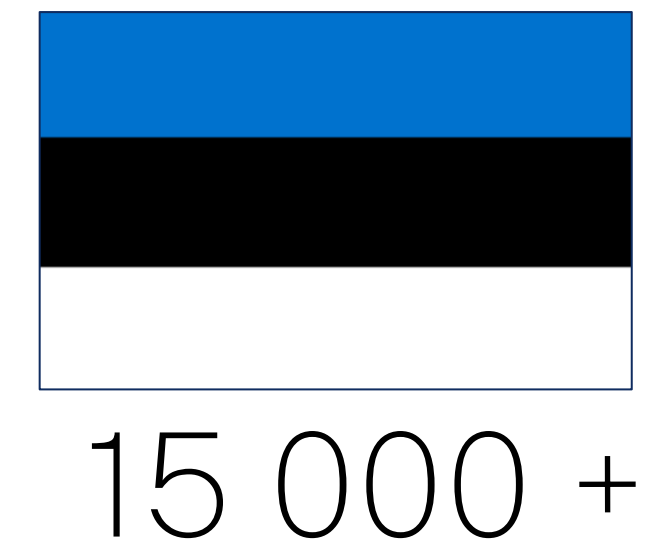
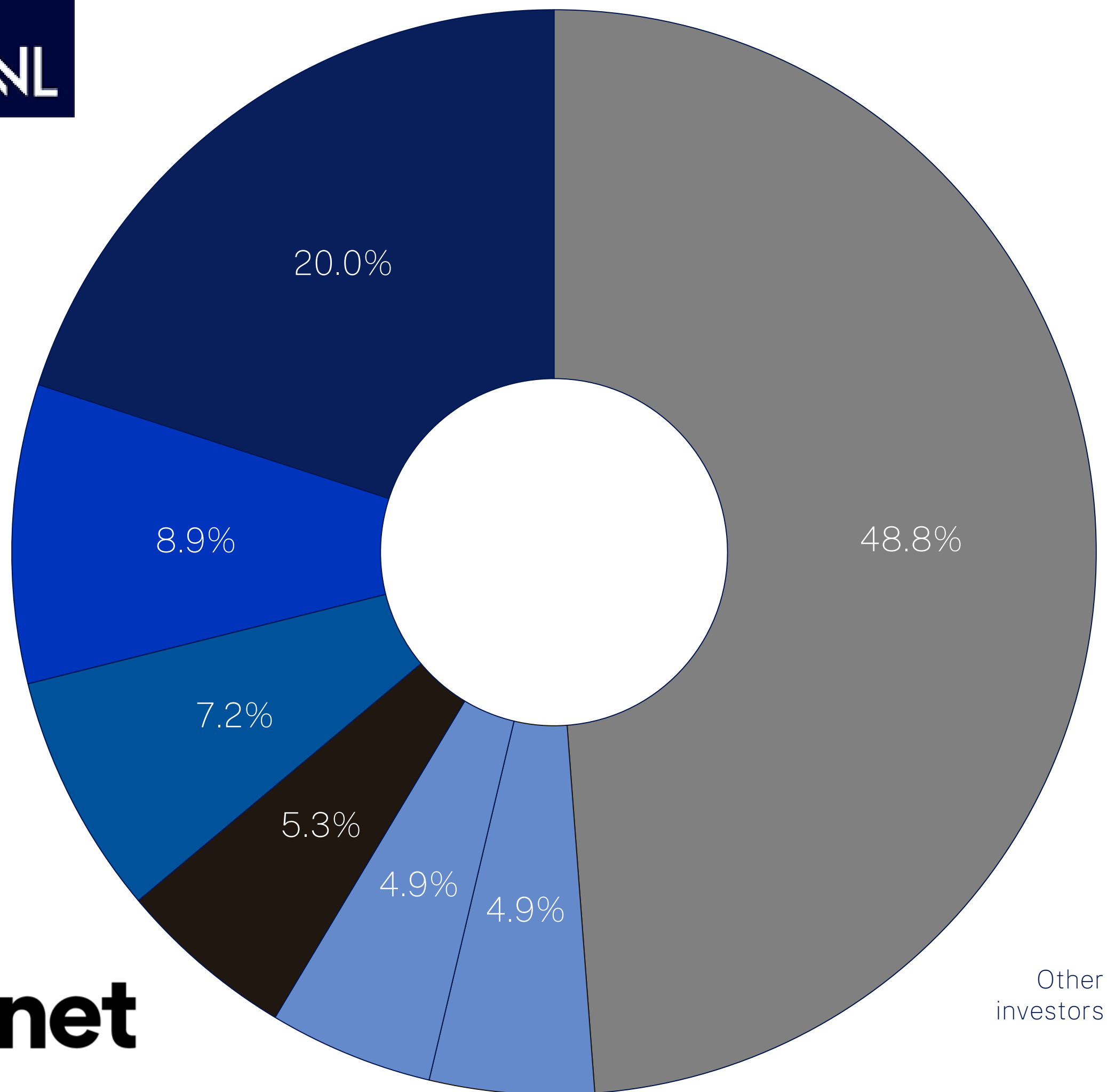
Future ambition

20,000+

investors who believe in
our long-term potential



Notes: (1) Expected shareholders structure after settlement of all publicly announced transactions



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Make
your own
assessment

