

Investor Conference Webinar

Recent Developments

14 December 2022

Presenters

VYTAUTAS SINIUS

CEO

DONATAS SAVICKAS

CFO

TOMAS VARENBERGAS, CFA

Head of Treasury & Markets

Webinar Agenda

Retail Business Merger p. 3

MREL Bond Issue p. 13



Retail Business Merger

General ambition

CURRENT POSITION

Having established strong and leading positions across different lending products in B2B and B2C...

DEVELOPMENT DIRECTION

...the Bank sees higher growth potential in expanding its client base and sales opportunities through new focus on retail banking products and experience

Why retail banking?

Widest branch
network + Call
Centre

Renewed internet
bank and app

Sufficient client
base ready for
cross-sell

Competitive retail
products

Historically top-notch
client service quality.
Closer to the clients

Continuous
investments to the
retail infrastructure

More diversified
income and less capital
intense

Strategic development

MISSION

We come from the same roots. By providing financial services, we build the wellbeing of the Lithuanian people and businesses, growing together with them.

VISION

The best financing solutions for the ambitions of businesses and the ideas of people.

VALUES

Trust

Respect

Professionalism

Responsibility

**Full-scope service bank
competing for the TOP 3
bank choice position**

**Corporate
financing**

Retail banking

Saving and
Investing

Financing

Daily
banking

Note: The mission and values are not changed during this transitional period - they will be updated in 2023, taking into account the progress of integration and newly emerging opportunities

Priority directions

RETAIL BANKING	<i>Extend service focus to daily economy services and build full-scope banking service provider position.</i>	DIGITALIZATION	<i>Focus on clients and business operations and offerings where the digitalization adds most value by implementing the best market practices.</i>
<ul style="list-style-type: none">- Boost retail banking to empower a competitiveness with TOP3 players- Attract new and activate existing customers by enhancing a penetration of minimum set of products for the growth of commission revenue- Ensure omni-channel performance excellence by keeping similar high NPS in all the channels		<ul style="list-style-type: none">- Implement best e-channel and products practices to catch-up the market and provide core services digitally by 2025- Empower API, RPA and AI technologies for value and revenue creation	
FINANCING	<i>Maintain financing leadership through corporate financing, mortgages, renovation and consumer loans.</i>	GOVERNANCE	<i>Implement higher standard governance and risk management practices across Group companies and organizational levels.</i>
<ul style="list-style-type: none">- Constant portfolio growth slightly above the market through key products leading to TOP3 market players.- One of customers entry points enabling the growth of commission revenue.		<ul style="list-style-type: none">- Compliance and risk culture strengthened through all organizational levels and processes of the Group- ESG considerations embedded in daily activities- Unified and efficient process management, ensuring uniform and effective performance standards	

Transaction overview

- On 22 November, Šiaulių Bankas and Invalda INVL signed an agreement to merge segments of their retail businesses
- The value of the transaction is EUR 40.2 million which represents 9.39% of Šiaulių Bankas post-transaction shareholding
- Closing of the transaction is expected in Q4 2023

SCOPE OF THE AGREEMENT

- II and III pillar pension funds and retail investment funds in Lithuania
- Life insurance business in Lithuania, Latvia and Estonia
- 235+ thousand clients
- EUR 1.04 billion AuM / EUR 15+ million annual revenue
- 190 specialists and *know how*

POST TRANSACTION STRUCTURE

ŠIAULIŲ  BANKAS

New Company

 SB DRAUDIMAS

Asset management

Life Insurance

 ASSET MANAGEMENT

 LIFE

Market share:
II pillar PF 12%
III pillar PF 33%

Market share:
LT 4%
LV 1%
EE 9%

ŠIAULIŲ  BANKAS

Transaction impact for the Group

10

Strategy

- Supports the shift to retail banking
- Strengthens daily economy business to become full-scope service bank

Profitability

- Transaction will generate profit and unlock synergies in the mid-term (from Y2024)
- ROE expected to be kept higher than alternative scenarios of retail market entry
- Higher revenue diversification between interest income vs non-interest income

Capital

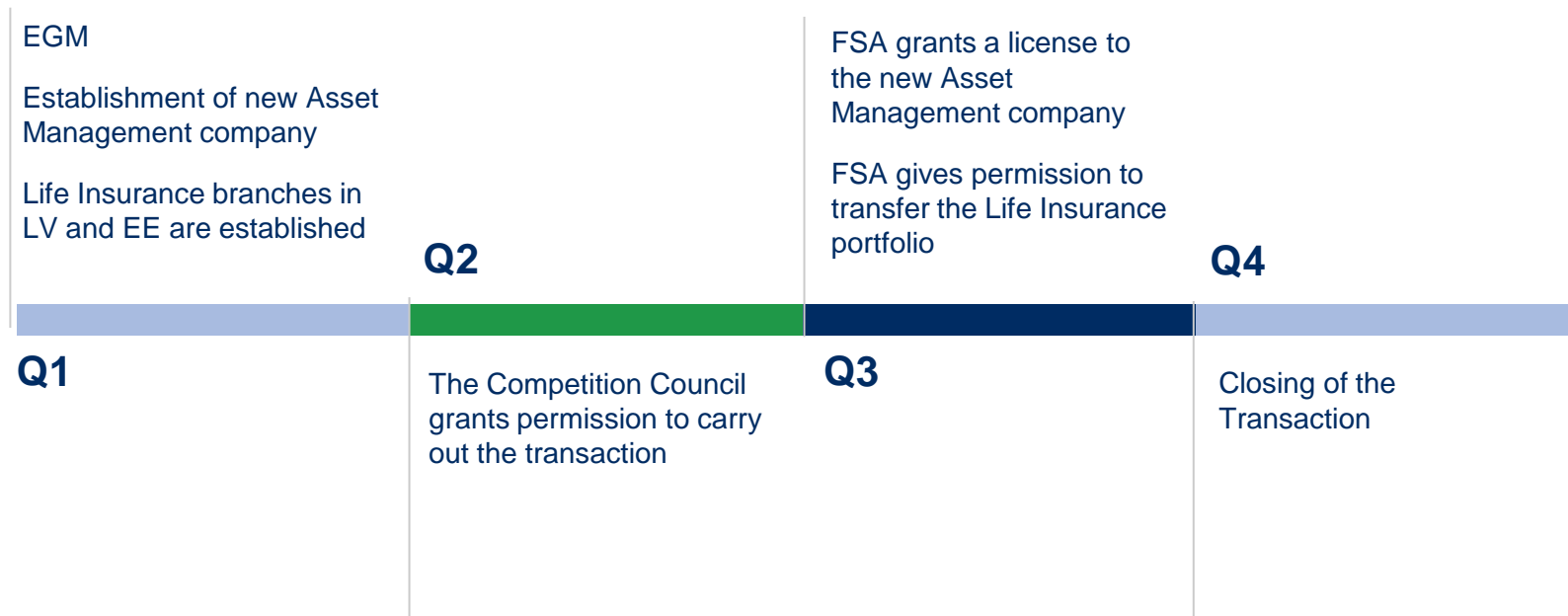
- Up to 50 bps one-time negative impact for CAR mainly due to increase in RWA as investments in subsidiaries

Risk

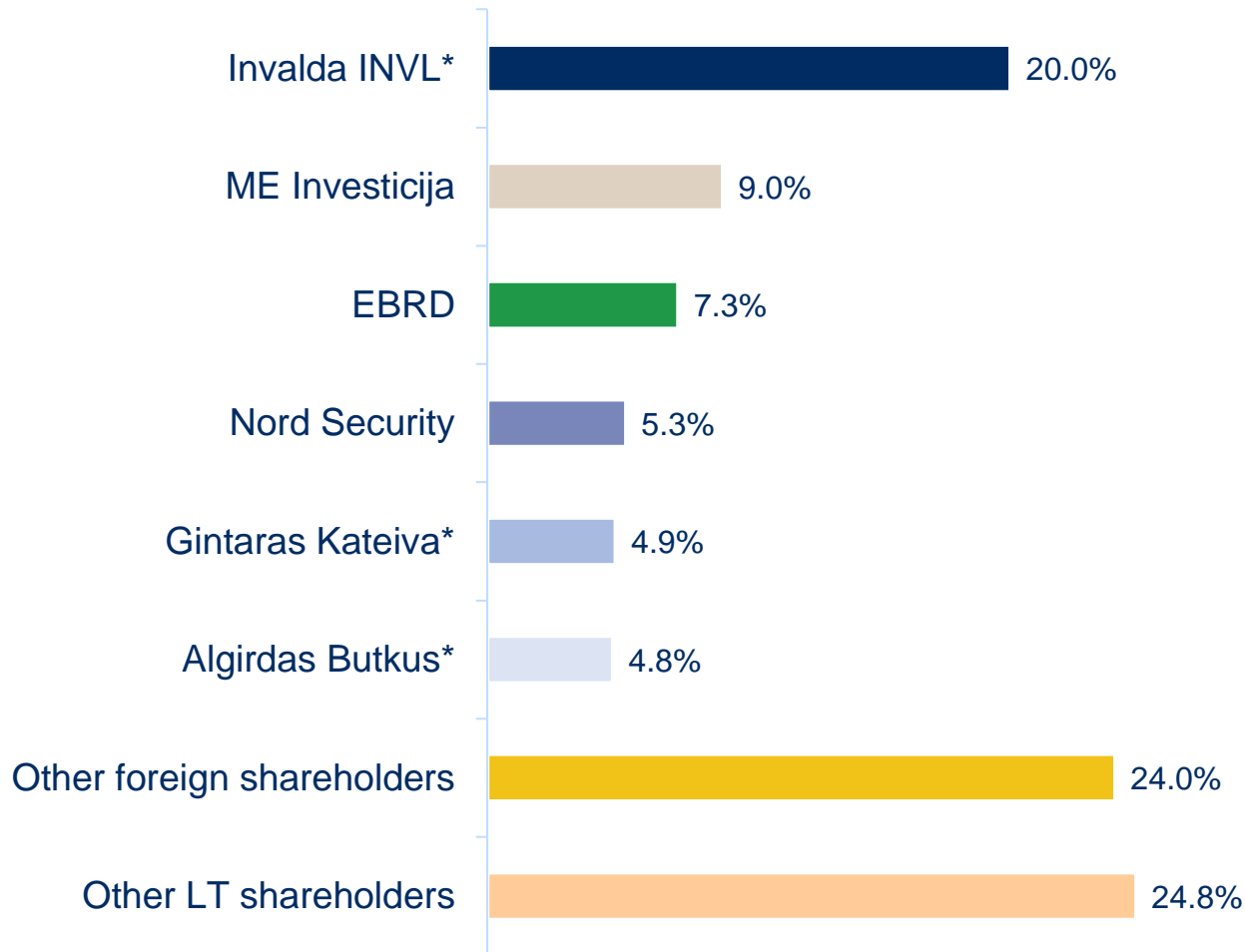
- Full scope legal and tax due diligence
- Transaction value (*fair value*) is assessed by the independent valuation specialists
- Master Agreement in line with market terms and best practice

Transaction Timeline

KEY TRANSACTION MILESTONES IN 2023



Shareholders structure



* Including indirectly owned shares

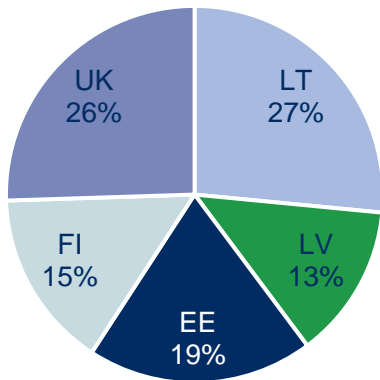
- Expected structure of shareholders after settlement of all publicly announced transactions:
 - EBRD announced that it has agreed to sell an 18% stake in the Bank. Invalda INVL, Nord Security and ME Investicija to acquire stakes till June 2024. 6% of stake has already been sold as of end November 2022
 - After closing of retail business merge, Invalda INVL will acquire 9.39% of the Bank post-transaction shareholding. Transaction closing is expected in Q4 2023

MREL Bond Issue

Bonds issue review

- In November, the Bank has successfully completed a tap issue of EUR 85 million of 4-year senior preferred 1.047% coupon bonds in the international financial markets
- The bonds were issued with the aim of meeting future minimum requirement for own funds and eligible liabilities (MREL requirements) set by the Bank's supervisory authorities
- A tap issue was placed with yield to maturity of 6,4%

INVESTORS BY COUNTRY



INVESTORS BY TYPE



KEY TERMS OF BONDS

Status	Restricted Senior Preferred Notes / unsecured
ISIN	LT0000405771
Issuer Rating	Baa2 (positive outlook) by Moody's
Issue size of new Notes/ Aggregate	EUR 85 million / EUR 160 million
Maturity	7 October 2025
Optional Redemption	7 October 2024 at 100%
Initial Rate of Interest	1.047% payable annually in arrears, Act/Act (ICMA)
Reset Rate of Interest	1-year mid-swap rate +140 bps, Act/Act (ICMA)
Documentation	EUR 250 million EMTN Programme dated 25 th October, 2022
Register / Registrar	Nasdaq CSD SE Lithuanian branch
Law	Lithuanian law
Listing	Nasdaq Vilnius Stock Exchange

Q&A

