

Dividend Policy Update

October 1, 2024

Today's Speakers



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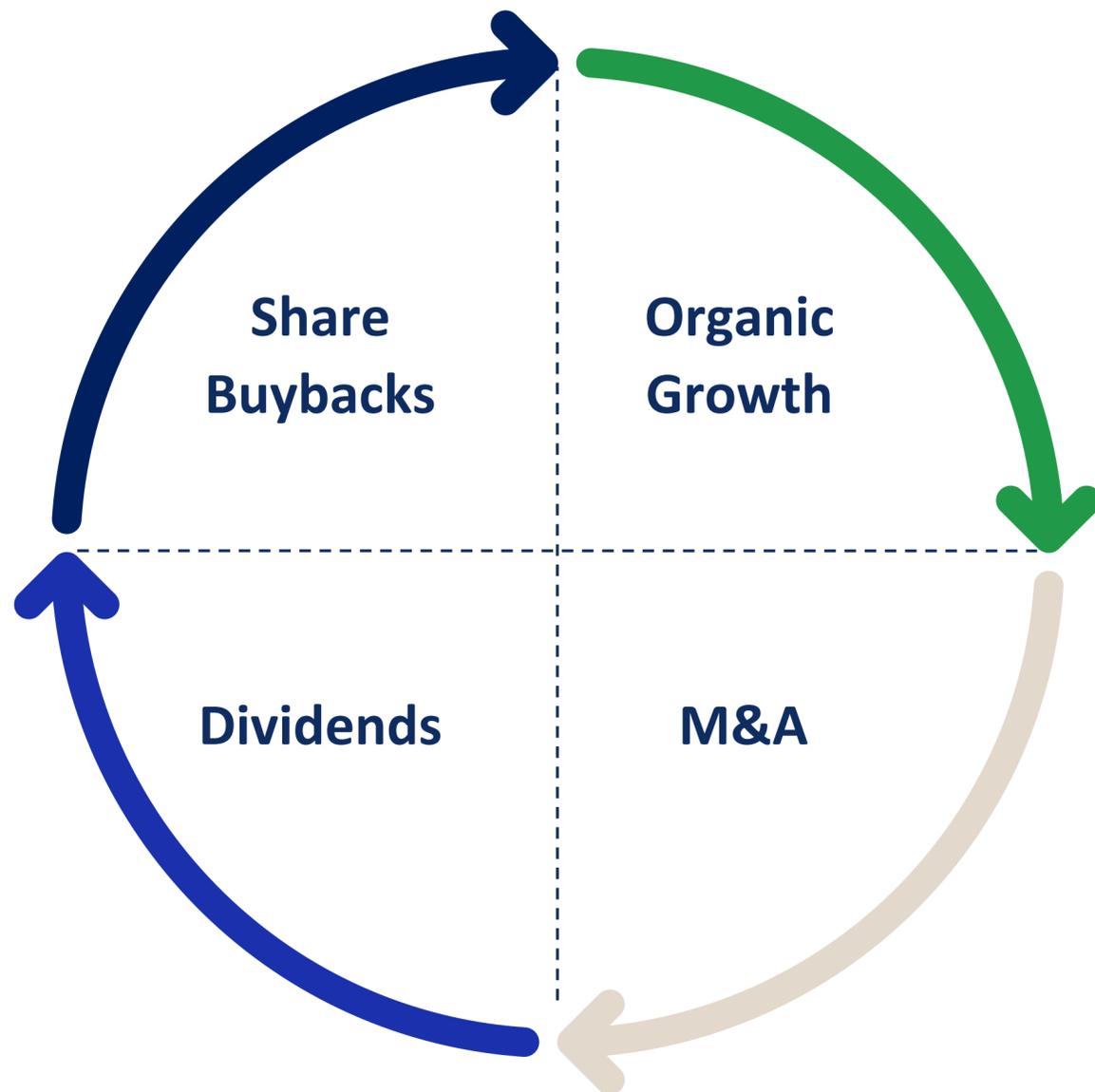
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Head of Investment Management and
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Management Board



Tautvydas Mėdžius

Strategy Partner



Capital Allocation Principles

- Maintain adequate capital levels to meet regulatory requirements
- Distribute capital primarily through dividends, strategically supplementing them with share buybacks to address valuation discount
- Invest in the organic growth of our business to deliver on our strategic objectives and create long-term value for all stakeholders
- Maintain agility to pursue bolt-on M&A when strategically important, value-accretive opportunities arise
- Distribute excess capital through additional dividends or share buybacks to exceed the minimum payout ratio guidance

Dividend Policy Update

Revised capital return policy to optimise capital structure and enhance shareholder value

New Dividend Policy

Our dividend policy commits to a minimum payout of 50% of the previous year's net earnings

Dividend payment assumptions:

- Sustainable compliance with both external and internal capital and liquidity and other regulatory requirements
- The level of capital, after the proposed dividend payment, remains sufficient to support investment, development plans, and other capital-consuming activities

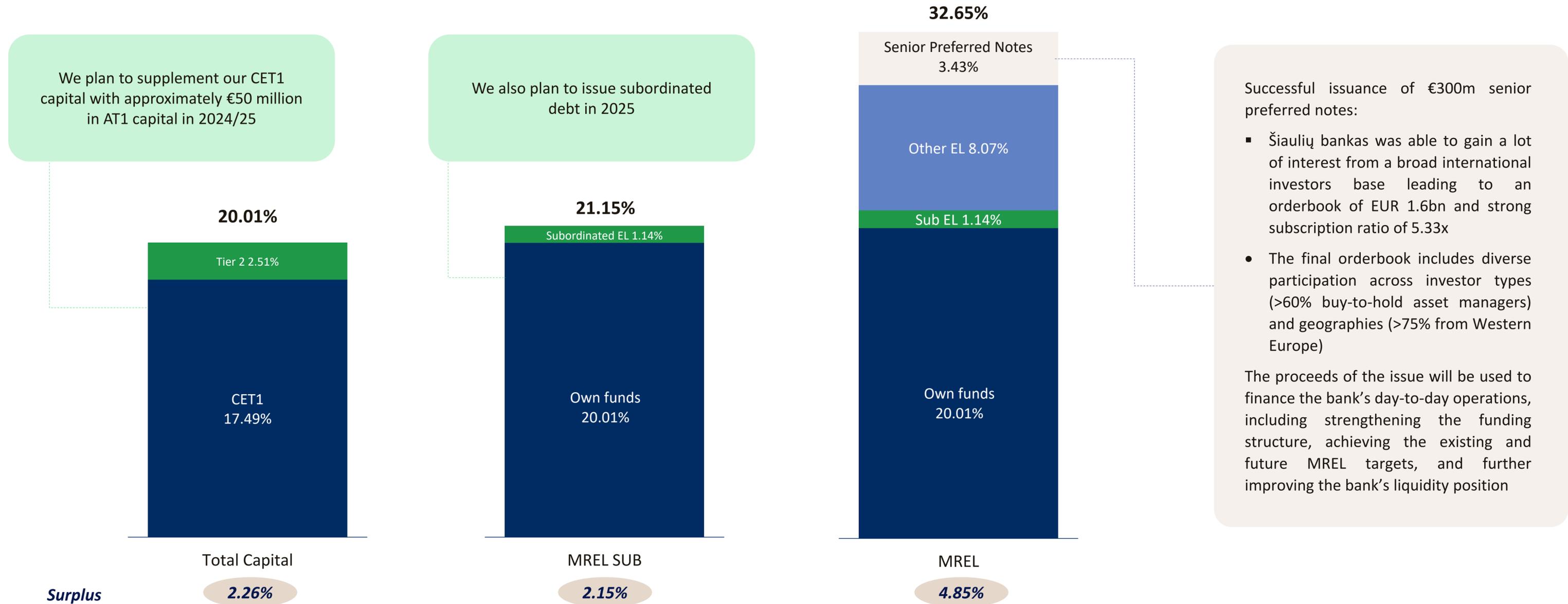
Under specific circumstances, some portion of the above-mentioned net earnings distribution could be executed in a form of share buybacks

If the Bank intends to deviate from the minimum payout level stated in this policy, it will provide the shareholders with a rationale for such a proposal prior to the shareholders' final approval.

The Dividend Policy and changes to it are approved by the Supervisory Council. The decision on the payment of dividends and the amount of dividends shall be made by the General Meeting of Shareholders of the Bank.

Our Journey To Optimise Capital Position

Sufficient capital to support growth going forward and capital distributions, with opportunities for further optimisation



Note: 2024-06-30 capital position adjusted for the senior preferred bond issuance in September.

Share Buyback Program Principles

Key Principles

- A tender offer is planned, followed by an open market buyback
- This strategy aims to reduce the discount to the stock's fair P/B multiple
- The company plans to continue buybacks as long as the stock trades below fair value multiples
- Buyback program on the open market will amount up to 25% of daily trading volume which in turn will boost liquidity in the market, enhancing the stock's appeal to investors
- Management believes that current valuations make this a highly effective use of capital

Current Program – Key Facts

The bank has permission from the ECB to buy back up to 13 745 114 of its own:

- Up to 12 000 000 shares, for a predetermined amount of **up to EUR 10 million** for reduction of the Bank capital
- Up to 1 745 114 shares, for a predetermined amount of **up to EUR 1.5 million** for employees as part of the deferred variable remuneration

Share Buyback Program Plan

Substantial open market buyback program will be supplemented with a tender offer

Tender Offer (c.€5m)

- **First of all, we will execute a tender offer via Nasdaq Baltic auction at set price via Dutch auction format**
- **Expected timing:** October 2024
- **Key objectives:**
 - Expediate the share buyback program as relatively low stock liquidity currently precludes a very large open market transaction
 - To set a precedent for liquidity events, encouraging institutional investors to consider investing in the stock by demonstrating a reliable exit option
 - To improve per share metrics (BVPS and EPS)



Open Market (c.€5-6m)

- **Second, following the completion of the tender offer, we will start open market buybacks**
- **Expected timing:** post Q3'24 results announcement
- The open market program will amount up to 25% of daily trading volume, within the scope of MAR regulation (“safe harbor”)
- **Key objectives:**
 - Provide longer-term support for the stock price in the market & create additional liquidity in the secondary market
 - To improve per share metrics (BVPS and EPS)

Key Financial Targets

We have increased returns to shareholders while maintaining our strategic objectives

Focus Areas		2024	2025	2026	2027–2029
Growth	Loan Book	€3.3bn	€3.7bn	€4.1bn	CAGR: ~8%
	Deposits	€3.3bn	€3.6bn	€4.0bn	CAGR: ~10%
	Total Operating Income	€202m	€211m	€243m	CAGR: ~10%
	Net Fee and Commission Income	€27m	€29m	€33m	CAGR: ~20%
Efficiency	Cost-to-Income Ratio	49.7%	53.2%	48.8%	Below 47.5%
Profitability	Return On Equity	13.7%	13.1%	15.0%	Above 15.0%
Shareholder Returns	Minimum Payout Policy	50% Dividends			

Market Leading Shareholder Value Creation

1

50%

Dividend Payout Ratio

2

10%

Loan Book Over the Cycle Growth Rate Target

3

>15%

Long-term ROE Target

ŠIAULIŲ BANKAS

SBLIZINGAS

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Q&A

Disclaimer

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