

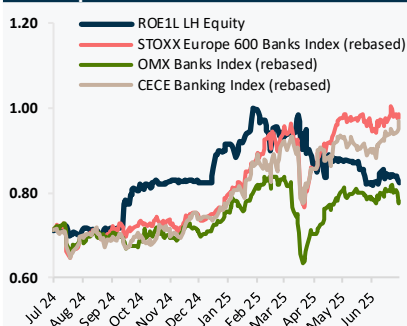
Artea Bank

Key share data

Sector	Financials
Reuters	ROE1L.VL
Bloomberg	ROE1L:LH

Market Cap (EURm)	547
Free float (EURm)	320
Issued shares, m	663
Avg. daily value traded 3M	302 706

Share price



Upcoming events

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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Shifting from NII tailwinds to headwinds

Artea Bank will report its 2Q25 results on July 30th. We expect top-line headwinds to persist in 2Q, driven by ongoing pressure on asset yields following over a year of monetary policy easing by the ECB. Nonetheless, we assume the bank will adopt a more disciplined stance on cost management to offset the impact of weaker earnings quality and to remain aligned with both its short and long-term financial targets. Lithuania's macroeconomic environment remains broadly supportive, underpinning the bank's operational and balance sheet stability, assuming no adverse shocks. Given the offsetting nature of our forecast revisions, i.e., lower NII expectations balanced by reduced cost assumptions, our long-term estimates and valuation are broadly unchanged. Our valuation range is unchanged at EUR 0.86–1.08/sh.

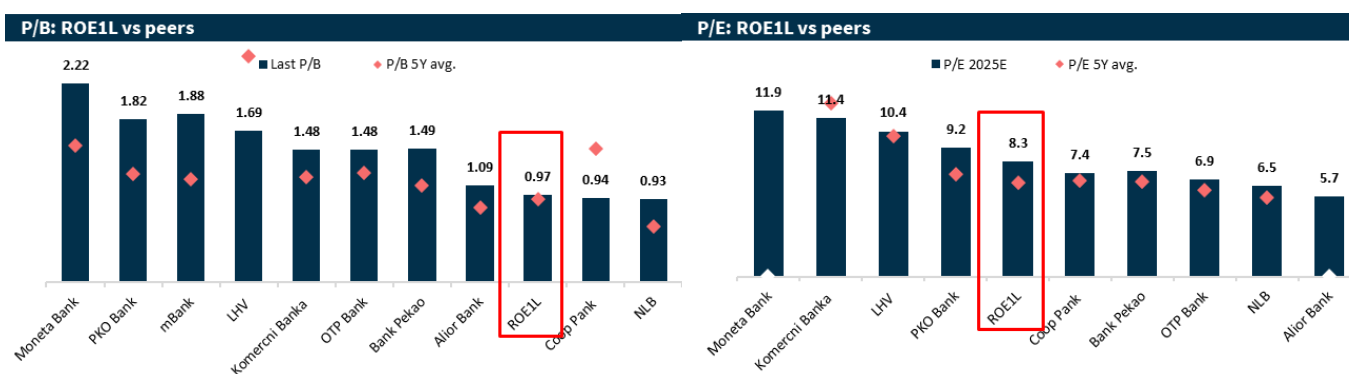
Artea Bank's 2Q25 results:

- NII is expected at EUR 33.4m, or ~3% down QoQ (-19% YoY). This reflects our assumption of slower-than-anticipated loan book growth, based on 1Q trends, which set a weaker trajectory for 1H. We also expect continued pressure on asset yields in 2Q, driven by the ECB's rate-cutting cycle that began in June 2024. Notably, both Swedbank and SEB Lithuania units reported a sharp QoQ drop in 2Q25 NII, supporting our assumption
- Fee income is forecast to remain robust, with estimated growth of ~12% YoY, building on a solid ~17% YoY increase in 1Q
- Total operating expenses are projected to remain elevated in 2Q, albeit growing at a more moderate pace of ~11% YoY, compared to ~27% in 1Q. Adjusted for estimated one-off items of EUR 2.7m in 2Q (EUR 4.9m YTD), total adjusted costs are expected to rise by ~10% YoY
- Loan losses are projected to be broadly in line with the 2Q24 level, at around EUR 1.7m. This assumes stable asset quality, as no material deterioration has been observed in the bank's balance sheet or in Lithuanian macroeconomic indicators
- The CET1 ratio is expected to remain broadly flat QoQ at 17.8%
- We estimate 2Q ROE at 9.3%, reflecting an expected decline in earnings quality QoQ (12.4%) and YoY (15.1%). Adj. ROE is projected at 10.8%.

2Q/25 results	2Q/24	1Q/25	2Q/25e
EURm			Norne
Net interest income	41.1	34.4	33.4
Net commission income	7.3	7.6	8.1
Net insurance income incl. other income	-0.8	5.4	-0.9
Total costs	24.1	25.1	26.8
Adj. total costs	21.9	22.9	24.1
Core earnings before loan losses	27.0	24.5	18.2
Write-downs on loans	1.7	2.2	1.7
Core earnings	25.3	22.3	16.5
EPS (EUR)	0.031	0.027	0.020
EPS adjusted (EUR)	0.034	0.029	0.023
CET1 ratio, %	17.5%	18.0%	17.8%
ROE (annualised)	15.1%	12.4%	9.3%
Adj. ROE (annualised)	16.4%	13.6%	10.8%

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

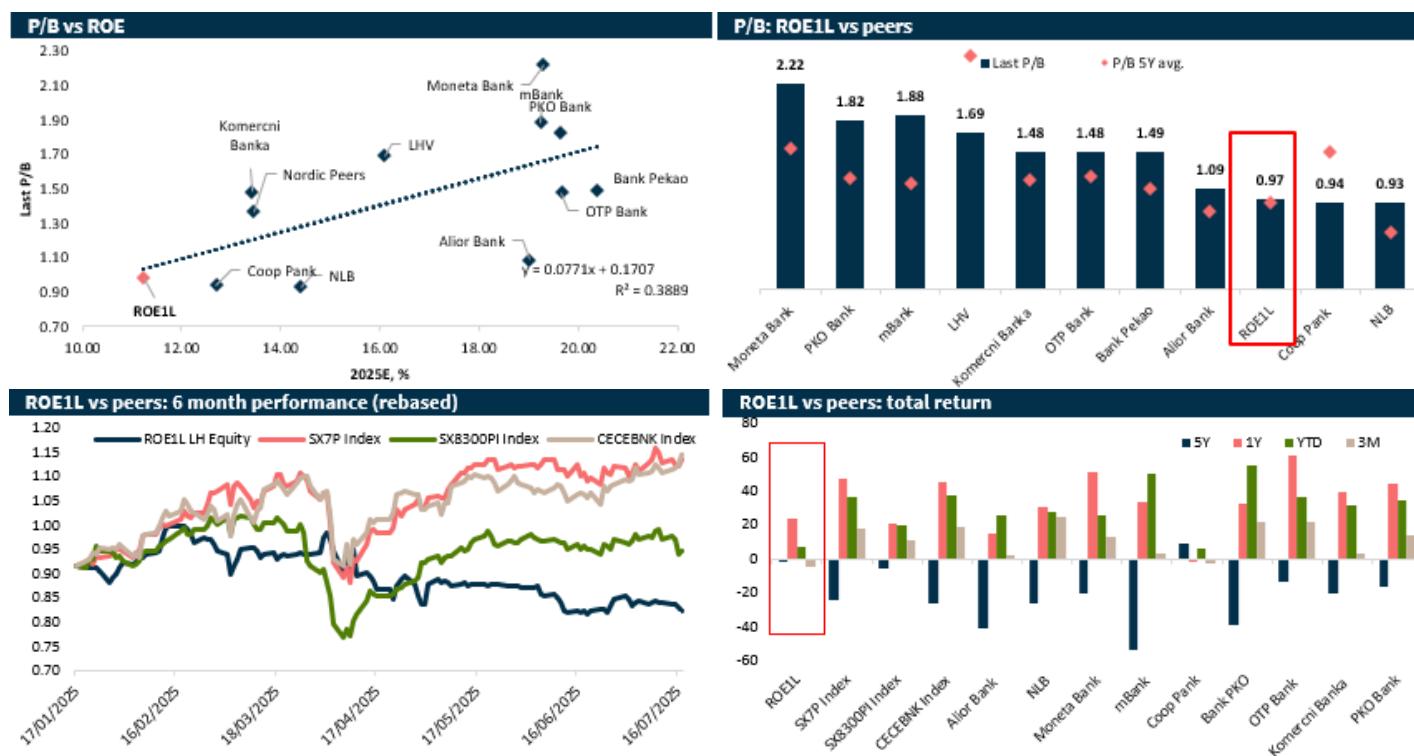
- Although the bank's targets are highly ambitious, aiming for an ROE exceeding 17%, we believe achieving this goal depends on several critical factors aligning simultaneously. These include sustained strong economic growth in Lithuania, stable asset quality without macroeconomic shocks, the successful 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)	2Q/25e			2025E			2026E			2027E		
	New	Old	Change	New	Old	Change	New	Old	Change	New	Old	Change
Net interest income	33.4	35.6	-6.2%	137.8	146.3	-5.8%	150.3	162.3	-7.4%	172.0	182.2	-5.6%
Net commission income	8.1	8.1	0.0%	32.8	32.8	0.0%	35.9	35.9	0.0%	38.7	38.7	0.0%
Net insurance income incl. other income	-0.9	-1.0	-5.7%	2.5	1.9	29.2%	-1.2	-1.9	-36.0%	-2.7	-3.2	-17.0%
Total costs	26.8	26.6	0.8%	108.5	109.6	-0.9%	111.5	116.7	-4.5%	115.5	122.1	-5.3%
Write-downs on loans	1.7	2.0	-12.1%	11.6	12.3	-5.9%	13.0	14.0	-7.3%	14.8	15.6	-5.1%
Core earnings	16.5	18.7	-12.0%	52.9	59.1	-10.5%	60.4	65.6	-7.9%	77.8	80.1	-2.9%
Pre tax profit	16.5	18.7	-12.0%	68.9	75.8	-9.1%	76.8	82.9	-7.4%	95.5	98.7	-3.3%
EPS (EUR)	0.02	0.02	-12.0%	0.08	0.09	-9.1%	0.10	0.10	-7.4%	0.12	0.12	-3.3%
EPS adjusted (EUR)	0.02	0.03	-10.5%	0.10	0.11	-7.8%	0.11	0.11	-6.6%	0.12	0.12	-3.2%
CET1 ratio	17.8%	17.6%	0.3%p	19.2%	18.2%	1.0%p	19.5%	18.9%	0.6%p	19.8%	19.0%	0.7%p
Dividend per share (EUR)	-	-	-	0.04	0.05	-9.1%	0.05	0.05	-7.4%	0.06	0.06	-3.3%
Adj. ROE (annualised)	10.8%	12.0%	-1.2%p	11.2%	12.1%	-0.9%p	11.4%	12.1%	-0.7%p	12.1%	12.4%	-0.3%p

No material change to our long-term outlook heading into 2Q results

Ahead of the 2Q results, we updated our model to reflect the latest ECB interest rate projections and revised assumptions for the bank's loan book growth. Consequently, forward NII estimates have been lowered. As NII accounts for approximately 70% of the bank's total operating income, this revision has negatively impacted the outlook for earnings. However, we also anticipate a more stringent approach to cost management, which should help offset some of the earnings pressure and support progress toward the bank's short and long-term financial targets. While our returns estimates for this and the following year have been revised slightly lower, given that the negative impact from NII still outweighs projected cost savings, our forecasts from 2027 onwards remain broadly intact. Accordingly, our valuation range is unchanged at EUR 0.86–1.08/sh.

The bank's estimated adj. ROE for 2025e stands at 11.2%, lagging behind the peer average of 14.2%. However, based on our P/B vs. ROE regression, ROE1L plots below the trendline, with a current P/B of 0.97x, implying a significant ~30% discount to the peer average of 1.30x. Discount on the adj. P/E multiple for 2025e is also considerable at ~10%, partially justifying the subpar returns for 2025e. 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**	11.9%

*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	66	71	80	96	99
Dividends paid	28	32	39	48	50
Payout ratio (Group)	42%	45%	49%	50%	50%
Share buybacks	3.1	0.0			
PV of dividends	26	27	30	33	
Capital Adequacy ratio, %	23.7%	23.5%	23.3%	22.7%	
Capital Adequacy ratio target, %	17.8%	17.8%	17.8%	17.8%	
RWA	2 906	3 291	3 653	3 946	
Excess capital to shareholders	170	186	202	193	

Valuation (EURm)	Share
NPV of dividends paid, forecasted period	116 16%
NPV of excess capital to shareholders	147
NPV of share buybacks	3
NPV of dividends paid, TV	471 64%
Total NPV of dividends	737 80%
Number of shares (mill.)	663
Value per share (EUR)	1.11

Sensitivity (EUR/share)		Cost of equity				
Long term growth		8.3%	9.3%	10.3%	11.3%	12.3%
	0.5%	1.12	1.01	0.92	0.85	0.79
	1.5%	1.23	1.09	0.99	0.90	0.83
	2.5%	1.38	1.20	1.07	0.96	0.88
	3.5%	1.59	1.35	1.17	1.04	0.94

Residual Income Valuation (RIV)

Estimates (EURm)	2025E	2026E	2027E	2028E	Base year
Equity to shareholders (start of year)	610	645	692	749	814
ROE	11.2%	11.4%	12.1%	13.5%	11.9%
Cost of Equity	10.3%	10.3%	10.3%	10.3%	10.3%
Residual income	6	7	13	24	13
PV of residual income	6	6	10	17	

Valuation (EURm)	Share
Opening equity to shareholders	610 79%
PV of residual income, forecasted period	38 5%
PV of residual income, TV	126 16%
Total value to shareholders	774 100%
Number of shares (mill.)	663
Value per share (EUR)	1.17

Sensitivity (EUR/share)		Cost of equity					
Long term growth		8.3%	9.3%	10.3%	11.3%	12.3%	
	0.5%	1.36	1.23	1.12	1.03	0.95	
	1.5%	1.40	1.25	1.14	1.04	0.96	
	2.5%	1.47	1.29	1.16	1.05	0.96	
	3.5%	1.55	1.34	1.18	1.06	0.97	

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	0.95	0.84	0.79	0.86
Base Case	1.11	1.17	0.83	1.04
High Case	1.24	1.08	0.93	1.08

*Low/High case as variables for lower/higher terminal growth/cost of equity

**Low/High assuming 5YR min. ROE of 11.9% 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	1.12	1.00	0.93	1.02
Base Case	1.31	1.38	0.98	1.23
High Case	1.47	1.27	1.09	1.28

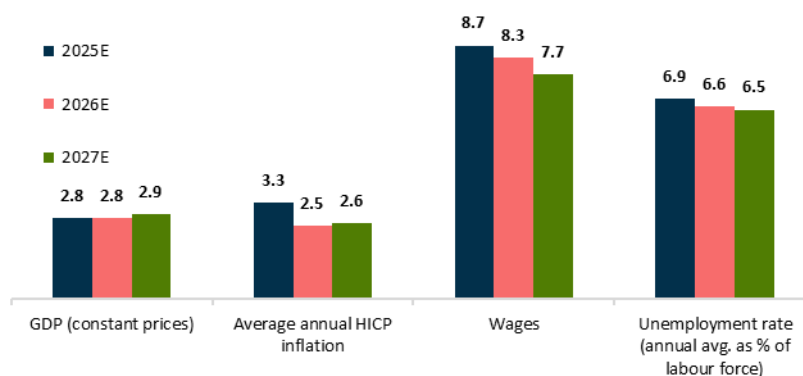
Adj. P/E multiple under target price	DDM	RIV	Peers-based	Average
Low Case	9.52	8.46	7.89	8.62
Base Case	11.15	11.71	8.35	10.40
High Case	12.45	10.79	9.28	10.84

Our base case valuation range stands at EUR 0.83-1.17/sh. with a mid-point of EUR 1.04/sh., which values Artea Bank at P/B of 1.23x and adj. P/E of 10.40x for 2025E. As for the Low-High case, our blended approach implies a valuation range of EUR 0.86-1.08/sh., which suggests an upside potential to the current share price of 4-31% for the Low-High case, respectively.

Lithuania's economy overview

Global trade tensions and rising U.S. tariffs are dampening international economic activity, weakening external demand for Lithuanian exports, according to the Bank of Lithuania (BoL). Nevertheless, Lithuania's GDP grew by 3.0% YoY in 1Q25 (BoL), driven by strong performance in manufacturing, particularly in high-value-added sectors such as electronics and chemicals, and continued expansion in ICT activities. BoL highlights that the investment-to-GDP ratio remains elevated at around 25%, supported by post-COVID recovery and EU funding. Inflation eased to 3.0% in May (BoL), largely due to lower energy prices. Although wage growth slowed to 8.2% YoY in 1Q (BoL), it continued to outpace inflation, supporting household purchasing power. Unemployment is at multi-year lows, though labour market pressures are gradually easing (BoL). According to BoL, real GDP is projected to grow by 2.8% in 2025, with similar rates expected in the following years. While export growth is set to slow due to global trade restrictions, this will likely be offset by resilient domestic demand, supported by EU-funded investment and rising household consumption. Average annual inflation is forecast at 3.3% in 2025, declining to ~2.5% in 2026–2027 (BoL). Key risks include tighter-than-expected U.S.–EU trade barriers, domestic policy reforms, and migration dynamics.

Lithuania's macroeconomic projections (annual % change)



Data source: Bank of Lithuania

As of June 2025, the ECB reduced its key interest rates by 25 bp, lowering the deposit facility to 2.00%, the main refinancing rate to 2.15%, and the marginal lending facility to 2.40%. This was the eighth consecutive cut since June 2024, reflecting easing inflation and slower economic growth across the euro area. With inflation aligning with the 2% target, the ECB signaled a likely pause in further rate cuts, stressing a data-dependent approach. While the current stance remains accommodative, further easing would require a significant shift in inflation or growth dynamics. The ECB also reaffirmed its symmetric 2% inflation target and commitment to using its full policy toolkit. The next policy meeting on 23–24 July 2025 will be the first under the updated monetary strategy, with markets expecting no change in rates unless new data prompts a reassessment.

Financial guiding

		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%
	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			

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.
ROE1L	Norne	547	0.97	8.3	7.7	6.8	5.1	5.8	7.2	11.2	11.4	12.1	15.0	6.8	0.94
ROE1L	Consensus*	-	-	8.3	6.5	5.3	5.9	7.3	9.8	11.1	13.0	15.5	14.7	8.5	0.94
Nordic Peers															
DNB Bank ASA	Consensus*	31 918	1.50	9.3	9.7	9.3	6.7	6.8	7.0	15.3	13.9	13.9	13.3	9.8	1.28
Svenska Handelsbanken AB	Consensus*	20 621	1.22	10.0	10.3	9.9	10.4	8.7	8.7	11.4	11.3	11.6	12.0	11.6	1.05
Nordea Bank Abp	Consensus*	42 159	1.38	8.9	8.9	8.4	7.7	7.9	8.2	14.7	14.2	14.5	12.5	9.6	1.16
Swedbank AB	Consensus*	24 561	1.32	9.4	9.6	9.2	7.6	8.5	8.4	13.5	13.2	13.3	14.0	10.2	1.14
Skandinaviska Enskilda Banken AB	Consensus*	29 687	1.51	10.5	10.0	9.2	5.8	6.0	6.2	13.5	13.7	14.1	14.2	11.4	1.27
Danske Bank A/S	Consensus*	28 430	1.25	9.6	9.4	8.8	7.4	7.7	7.7	12.5	12.2	12.5	6.7	9.1	0.74
Average			1.36	9.6	9.6	9.1	7.6	7.6	7.7	13.5	13.1	13.3	12.1	10.3	1.10
Median			1.35	9.5	9.6	9.2	7.5	7.8	8.0	13.5	13.4	13.6	12.9	10.0	1.15
Premium/discount			-28%	-13%	-20%	-26%	-2.4%p	-2.0%p	-0.8%p	-2.3%p	-2.0%p	-1.5%p	2.1%p	-32%	-19%
CEE Peers															
Alior Bank SA	Consensus*	3 020	1.09	5.7	6.2	6.3	9.2	8.9	10.3	19.0	16.0	14.7	10.2	na	0.84
LHV Group AS	Consensus*	1 195	1.69	10.4	8.7	7.3	2.5	3.0	3.6	16.1	17.0	17.6	21.7	10.1	2.52
Nova Ljubljanska Banka dd	Consensus*	3 130	0.93	6.5	6.5	6.5	8.5	8.7	9.0	14.4	13.7	12.5	16.9	5.7	0.62
Moneta Money Bank AS	Consensus*	3 002	2.22	11.9	11.2	10.9	7.7	7.6	8.1	19.3	19.7	20.1	15.2	na	1.53
mBank SA	Consensus*	8 195	1.88	6.7	7.2	7.1	0.0	4.6	7.0	19.3	21.8	19.6	0.4	na	1.15
Coop Pank AS	Consensus*	208	0.94	7.4	6.5	5.4	3.5	4.0	4.5	12.7	13.0	14.0	15.2	6.9	1.49
Bank Polska Kasa Opieki SA	Consensus*	11 885	1.49	7.5	8.2	8.1	9.6	9.2	9.1	20.4	17.7	16.9	13.2	6.8	1.08
OTP Bank Nyrt	Consensus*	20 000	1.48	6.9	6.6	6.1	3.8	4.5	4.9	19.7	18.0	17.0	16.1	6.2	1.23
Komercni Banka AS	Consensus*	7 895	1.48	11.4	11.1	10.4	8.1	7.8	7.1	13.4	13.5	13.9	11.8	12.4	1.18
Powszechna Kasa Oszczednosci Bai	Consensus*	23 667	1.82	9.2	8.1	7.9	7.2	8.4	9.0	19.6	20.9	19.7	7.2	7.3	1.21
Erste Group Bank AG	Consensus*	31 096	1.38	10.3	8.8	8.3	1.0	4.6	5.3	14.0	14.7	14.2	11.2	9.2	0.81
Average			1.49	8.6	8.1	7.7	5.5	6.5	7.1	17.1	16.9	16.4	12.6	8.1	1.24
Median			1.48	7.5	8.1	7.3	7.2	7.6	7.1	19.0	17.0	16.9	13.2	7.1	1.18
Premium/discount			-34%	10%	-5%	-6%	-2.1%p	-1.8%p	0.1%p	-7.8%p	-5.6%p	-4.8%p	1.7%p	-5%	-21%
Western Europe Peers															
Deutsche Bank AG	Consensus*	50 567	0.76	9.2	8.2	7.5	3.9	4.5	5.0	8.0	8.3	8.6	4.6	6.9	0.40
Raiffeisen Bank International AG	Consensus*	8 362	0.44	4.4	4.6	4.4	5.7	6.4	7.1	11.4	10.0	8.9	12.2	4.9	0.43
KBC Group NV	Consensus*	36 635	1.49	10.9	9.8	8.9	5.6	6.3	7.0	14.6	14.2	14.9	12.6	10.5	1.26
Commerzbank AG	Consensus*	33 680	1.05	12.7	9.8	8.2	3.2	4.4	5.3	8.0	10.1	11.1	2.3	9.4	0.42
Societe Generale SA	Consensus*	39 728	0.56	8.6	7.4	6.5	2.9	3.4	4.1	7.4	8.1	8.5	3.2	7.1	0.30
Banco Santander SA	Consensus*	108 514	1.08	8.5	8.0	7.1	3.1	3.4	4.0	12.5	12.0	12.3	7.2	7.8	0.59
ING Groep NV	Consensus*	59 138	1.16	10.2	8.8	7.6	5.1	5.8	6.7	11.4	12.7	13.6	9.5	9.1	0.81
Average			0.93	9.2	8.1	7.2	4.2	4.9	5.6	10.5	10.8	11.1	7.4	8.0	0.60
Median			1.05	9.2	8.2	7.5	3.9	4.5	5.3	11.4	10.1	11.1	7.2	7.8	0.43
Premium/discount			-7%	-10%	-6%	-9%	1.2%p	1.3%p	1.9%p	-0.1%p	1.3%p	1.0%p	7.8%p	-13%	115%
Average all peers			1.30	9.0	8.5	7.9	5.7	6.3	6.8	14.2	14.2	14.1	11.0	8.7	1.02
Median all peers			1.35	9.3	8.7	8.0	5.7	6.3	7.0	13.8	13.7	14.0	12.1	9.1	1.11
Premium/discount			-28%	-11%	-12%	-15%	-0.6%p	-0.5%p	0.2%p	-2.5%p	-2.3%p	-1.9%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	138	150	172	194	215
Net commission income	16	17	19	20	29	33	36	39	41	44
Net insurance income incl. other income	3	5	12	-8	-6	2	-1	-3	-4	-7
Total income	95	103	137	169	183	173	185	208	232	252
Salaries and related expenses	23	27	31	36	50	58	61	64	67	70
Depreciation and amortization expenses	4	4	5	5	8	9	9	9	9	9
Other costs	15	17	22	31	38	41	42	42	42	43
Total costs	43	49	57	73	96	109	112	116	119	122
Core earnings before loan losses	52	55	80	96	87	65	73	93	113	130
Write-downs on loans	12	4	5	15	11	12	13	15	15	16
Core earnings	40	51	75	81	76	53	60	78	98	114
Dividends/associated companies	-	-	-	-	-	-	-	-	-	-
Net return on financial investments	13	17	5	14	20	16	16	18	19	23
One-offs	-	-	-	7	7	13	9	2	-	-
Pre tax profit	53	67	80	96	96	69	77	95	117	137
Taxes	-10	-12	-13	-20	-18	-13	-13	-17	-20	-24
Minority interest	-	-	-	-	-	-	-	-	-	-
Net profit	43	55	67	75	79	56	63	79	96	113
Adj. profit after taxes	43	55	67	81	85	66	71	80	96	113
EPS	0.07	0.09	0.11	0.12	0.12	0.08	0.10	0.12	0.15	0.17
EPS (adj.)	0.07	0.09	0.11	0.13	0.13	0.10	0.11	0.12	0.15	0.17
Profitability										
ROE (adj.)	12.7%	14.3%	16.1%	16.7%	15.0%	11.2%	11.4%	12.1%	13.5%	15.5%
ROE (reported)	12.7%	14.3%	16.1%	15.5%	14.0%	9.5%	10.2%	11.9%	13.5%	15.5%
ROA	1.4%	1.4%	1.6%	1.6%	1.6%	1.0%	1.1%	1.2%	1.4%	1.5%
RORWA	2.2%	2.6%	2.8%	3.1%	2.9%	1.9%	1.9%	2.2%	2.4%	2.6%
Core earnings ROE	11.3%	12.4%	17.0%	15.0%	13.1%	8.7%	9.4%	11.2%	13.1%	14.0%
Core earnings in % of RWA	2.1%	2.4%	3.1%	3.3%	2.8%	1.8%	1.8%	2.1%	2.5%	2.7%
Cost/Income ratio	45.0%	47.0%	41.5%	43.1%	52.3%	62.7%	60.3%	55.5%	51.3%	48.4%
Adjusted Cost/Income ratio	45.0%	47.0%	41.5%	39.2%	48.5%	55.3%	55.3%	54.8%	51.3%	48.4%
Costs in % of total assets	1.4%	1.2%	1.4%	1.5%	1.9%	2.0%	1.9%	1.8%	1.7%	1.6%
Tax rate	18.7%	17.9%	16.1%	21.3%	18.3%	19.2%	17.5%	17.5%	17.5%	17.5%
Loss ratio	0.75%	0.21%	0.21%	0.58%	0.35%	0.34%	0.32%	0.32%	0.30%	0.30%
Net interest margin	3.00%	2.99%	3.21%	4.05%	3.70%	2.66%	2.64%	2.78%	2.90%	2.98%
Operating margin	3.1%	2.6%	3.3%	3.5%	3.7%	3.2%	3.1%	3.2%	3.3%	3.4%
Pretax margin	1.7%	1.7%	1.9%	2.0%	2.0%	1.3%	1.3%	1.5%	1.7%	1.8%
Growth rates (YoY)										
Core earnings	-5%	26%	49%	8%	-6%	-31%	14%	29%	26%	16%
EPS (adj.)	-16%	28%	22%	18%	-4%	-22%	7%	13%	20%	17%

Balance sheet (EURm)	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Cash and receivables	590	1 162	630	1 041	715	791	502	329	348	373
Net lending to customers	1 606	1 909	2 392	2 645	3 118	3 454	4 036	4 542	4 917	5 322
Total securities	781	839	1 118	1 034	1 007	1 113	1 304	1 469	1 591	1 722
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	14	14	14	14	14
Other assets	36	38	26	74	67	75	75	76	76	76
Total assets	3 029	3 962	4 183	4 809	4 923	5 447	5 932	6 431	6 945	7 507
Total equity	355	406	443	543	585	610	645	692	749	814
Minority interest	-	-	-	-	-	-	-	-	-	-
Total deposits	2 575	3 377	3 470	3 733	3 604	3 890	4 218	4 573	4 960	5 379
Debt securities in issue	20	95	171	276	448	638	759	854	924	1 000
Other liabilities	79	84	98	257	285	309	310	311	313	314
Equity and liabilities	3 029	3 962	4 183	4 809	4 923	5 447	5 932	6 431	6 945	7 507
Growth of loans	6.0%	18.9%	25.3%	10.6%	17.9%	10.8%	16.8%	12.6%	8.2%	8.2%
Growth of deposits	22.2%	31.1%	2.8%	7.6%	-3.5%	7.9%	8.4%	8.4%	8.4%	8.5%
Equity ratio	11.7%	10.3%	10.6%	11.3%	11.9%	11.2%	10.9%	10.8%	10.8%	10.8%
CET1 ratio	19.6%	19.5%	18.1%	19.9%	18.9%	19.2%	19.5%	19.8%	19.4%	19.8%
Core capital (EURm)	377	410	439	485	562	608	693	773	816	902
Tier 1 ratio	19.6%	19.5%	18.1%	19.9%	20.8%	20.9%	21.1%	21.2%	20.7%	21.0%
Capital base (EURm)	397	430	459	547	660	687	772	853	895	982
Capital adequacy	20.7%	20.4%	19.0%	22.4%	24.4%	23.7%	23.5%	23.3%	22.7%	22.8%
RWA	1917	2106	2421	2439	2707	2906	3291	3653	3946	4302

Share data	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Shares outstanding, year end (mill.)	601	601	601	663	663	663	663	663	663	663
Share price, year end (EUR)	0.50	0.76	0.69	0.69	0.82	0.83	0.83	0.83	0.83	0.83
Market cap (EURm)	299	457	412	459	546	547	547	547	547	547
EPS	0.07	0.09	0.11	0.12	0.12	0.08	0.10	0.12	0.15	0.17
EPS (adj.)	0.07	0.09	0.11	0.13	0.13	0.10	0.11	0.12	0.15	0.17
Book value per share (EUR)	0.59	0.68	0.74	0.82	0.88	0.92	0.97	1.04	1.13	1.23
Dividends per share (EUR)	0.005	0.034	0.027	0.049	0.059	0.042	0.048	0.059	0.073	0.085
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%	56%	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	9.8	8.6	6.9	5.7	4.9
P/E (adj.)	7.0	8.3	6.1	5.2	6.5	8.3	7.7	6.8	5.7	4.9
P/B (excl. goodwill)	0.84	1.12	0.93	0.85	0.93	0.90	0.85	0.79	0.73	0.67
Dividend yield	1.1%	4.5%	3.9%	7.0%	7.2%	5.1%	5.8%	7.2%	8.8%	10.3%

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%	10.8%	16.8%	12.6%	8.2%	8.2%
Growth of deposits	22.2%	31.1%	2.8%	7.6%	-3.5%	7.9%	8.4%	8.4%	8.4%	8.5%
EPS (adj.)	-16.5%	28.3%	22.1%	18.2%	-3.9%	-21.8%	7.3%	12.9%	20.4%	17.0%

Capital ratios	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Equity ratio	11.7%	10.3%	10.6%	11.3%	11.9%	11.2%	10.9%	10.8%	10.8%	10.8%
CET1 ratio	19.6%	19.5%	18.1%	19.9%	18.9%	19.2%	19.5%	19.8%	19.4%	19.8%
Tier 1 ratio	19.6%	19.5%	18.1%	19.9%	20.8%	20.9%	21.1%	21.2%	20.7%	21.0%
Capital adequacy	20.7%	20.4%	19.0%	22.4%	24.4%	23.7%	23.5%	23.3%	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%	15.0%	11.2%	11.4%	12.1%	13.5%	15.5%
ROE (reported)	12.7%	14.3%	16.1%	15.5%	14.0%	9.5%	10.2%	11.9%	13.5%	15.5%
ROA	1.4%	1.4%	1.6%	1.6%	1.6%	1.0%	1.1%	1.2%	1.4%	1.5%
Costs/Income ratio	45.0%	47.0%	41.5%	43.1%	52.3%	62.7%	60.3%	55.5%	51.3%	48.4%
Adjusted Costs/Income ratio	45.0%	47.0%	41.5%	39.2%	48.5%	55.3%	55.3%	54.8%	51.3%	48.4%
Costs in % of total assets	1.4%	1.2%	1.4%	1.5%	1.9%	2.0%	1.9%	1.8%	1.7%	1.6%
Loss ratio	0.75%	0.21%	0.21%	0.58%	0.35%	0.34%	0.32%	0.32%	0.30%	0.30%
Net interest margin	3.00%	2.99%	3.21%	4.05%	3.70%	2.66%	2.64%	2.78%	2.90%	2.98%

Valuation, risk and sources

Valuation range

Valuation range history for Artea Bank 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
06/05/2025	0.86-1.08
18/07/2025	0.86-1.08

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 Artea Bank 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: Artea Bank, Bloomberg, and Infront.

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