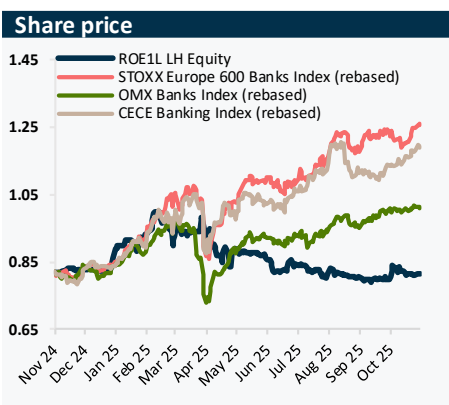


Artea Bank

Key share data	
Sector	Financials
Reuters	ROE1L:VL
Bloomberg	ROE1L:LH
Market Cap (EURm)	536
Free float (EURm)	329
Issued shares, m	652
Avg. daily value traded 3M	261 704



Equilibrium between growth and profitability amid efficiency pressures remains tough

Artea Bank issued its 3Q25 report on October 30th. 3Q results have led to an upward revision of our 2025E estimates, primarily due to stronger NII and reduced loan losses. The bank has recognised the need for tighter cost control to achieve its strategic targets and has launched a cost-cutting programme to improve the long-term C/I ratio. We believe maintaining a sustainable balance between cost efficiency, growth initiatives, and organisational changes will be challenging amid ongoing internal adjustments, external uncertainties, and an increasingly competitive market landscape. The bank's share performance has remained subdued, particularly compared with European and CEE banking indices, which have recorded strong gains in recent months. While we view discounted pricing as partly reflecting lower profitability, the valuation gap versus peers remains notable. We therefore evaluate the bank's pricing-return profile as less attractive relative to CEE peers, many of which currently offer more appealing combinations. Triggered by a stronger 3Q, our valuation range now stands at EUR 0.90-1.13/sh.

Artea Bank's 3Q25 results:

- NII was ~6% above our estimate at EUR 35.9m, up ~6% QoQ (-11% YoY)
- Quarterly volume growth was broadly flat vs +4.5% QoQ in 2Q, with corporate loans marginally down QoQ and retail loans up ~3% QoQ
- Fee income came in line with our expectations, up ~5% YoY
- Total costs were broadly as expected by us, up ~25% YoY vs ~15% in 2Q. Adj. for one-offs of EUR 3.8m in 3Q (EUR 10.1m YTD), total adj. costs were 5% above our estimate, rising ~8% YoY
- The bank booked loan loss reversals of EUR 0.6m vs EUR 2.8m in losses expected by us and EUR 3.0m a year ago
- Stage 3 exposure as % of total exposure stood at 2.08%, up ~6bps QoQ
- CET1 ratio came in at 17.0%, down 70bps QoQ
- ROE landed at 11.4%, stronger QoQ and well above our estimate. Adj. ROE settled at 13.5%, lower YoY.

3Q/25 results	3Q/24	2Q/25	3Q/25	3Q/25e	Deviation
EURm			Reported	Norne	
Net interest income	40.4	34.0	35.9	33.8	6.3%
Net commission income	7.3	7.6	7.6	7.6	-0.4%
Net insurance income incl. other income	-0.8	-1.2	-3.1	0.1	nm
Total costs	22.2	27.8	27.7	27.0	2.7%
Adj. total costs	22.2	23.7	23.9	22.7	5.2%
Core earnings before loan losses	28.4	18.4	19.7	18.4	7.5%
Write-downs on loans	3.0	1.6	-0.6	2.8	nm
Core earnings	25.4	16.9	20.3	15.6	30.5%
EPS (EUR)	0.031	0.021	0.025	0.019	30.2%
EPS adjusted (EUR)	0.031	0.027	0.029	0.024	21.4%
CET1 ratio, %	17.7%	17.7%	17.0%	17.9%	-0.9%p
ROE (annualised)	14.9%	9.9%	11.4%	8.7%	2.7%p
Adj. ROE (annualised)	14.9%	12.3%	13.5%	11.1%	2.4%p

This report is paid for by the company covered in it.

Analysts

Justė Subatavičiūtė

(+370) 60582 527

juste.subataviciute@norne.no

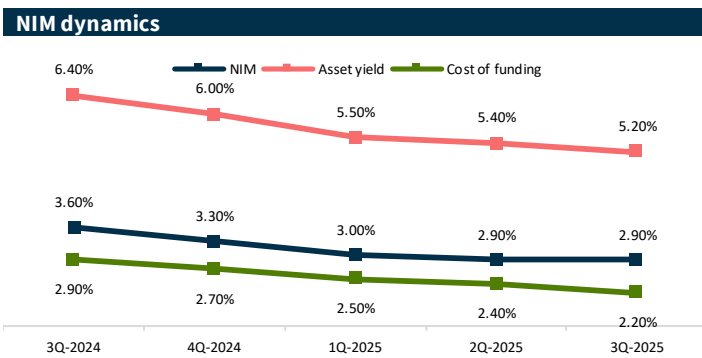
Žilvinas Jusaitis, CFA

(+370) 606 88 919

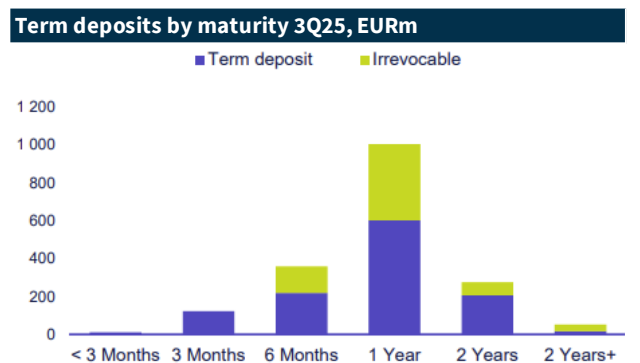
zilvinas.jusaitis@norne.no

Balancing act of asset yields and funding costs seems to work for now

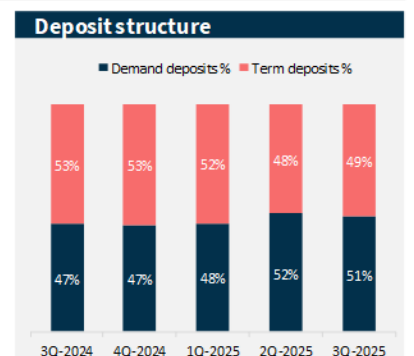
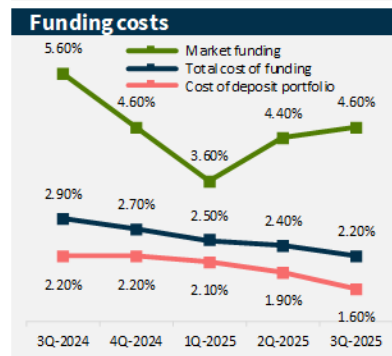
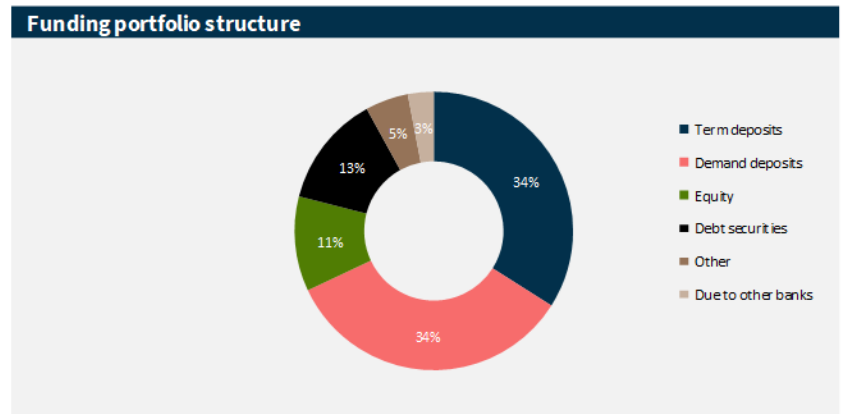
Although asset yields remain sensitive to ECB policy, the ECB's decision on 30 October 2025 to keep all key interest rates unchanged for a third consecutive meeting signals a stabilising rate environment. The continued pause suggests that further rate cuts are unlikely in the near term, as the ECB views its current policy stance as "in a good place." In 3Q25, stability was also seen in the bank's NIM – lower asset yields were largely offset by declining funding costs. The total cost of funding declined by ~20bps QoQ, driven primarily by a ~30bps reduction in deposit costs. Term deposits grew faster than demand deposits (~+9% vs. ~+4% QoQ), supported by the accommodative rate environment and promotional campaigns, leaving the deposit structure roughly balanced at 50/50. The bank highlighted ongoing efforts to actively manage funding costs to mitigate pressure from lower asset yields, including hedging instruments to reduce interest rate sensitivity. While we view the competitive environment as increasingly intense, potentially exerting further pressure on asset yields, the bank's proactive funding cost management has thus far supported and helped preserve margins. Looking ahead, we believe a slight moderation in NIM is possible, though no material deterioration is anticipated in the near term.



Source: Artea Bank, Norne Securities



Source: Artea Bank, Norne Securities

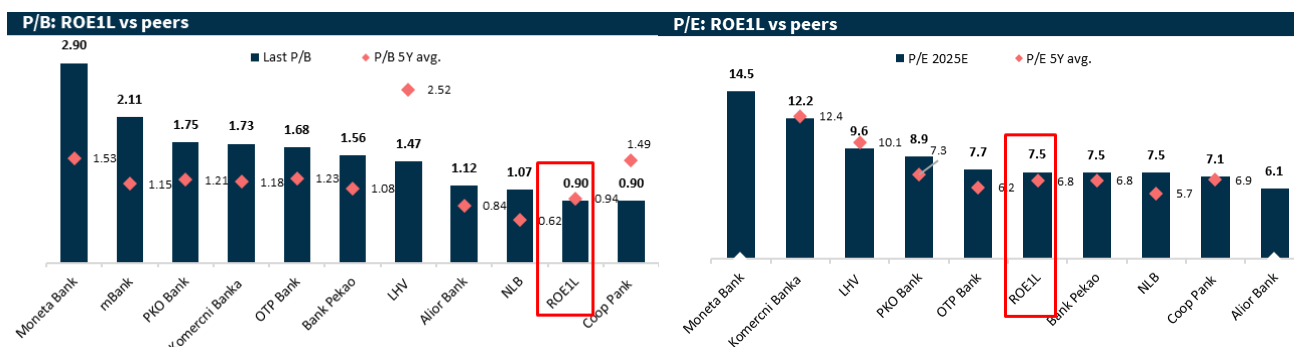


Source: Artea Bank, Norne Securities



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



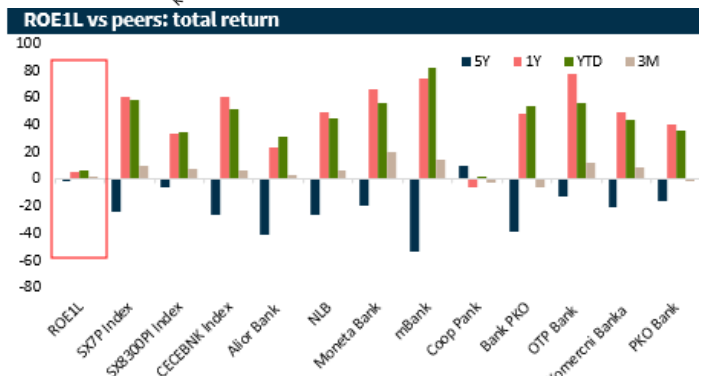
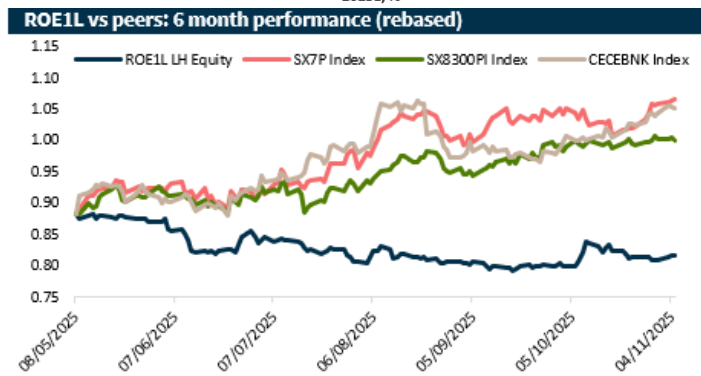
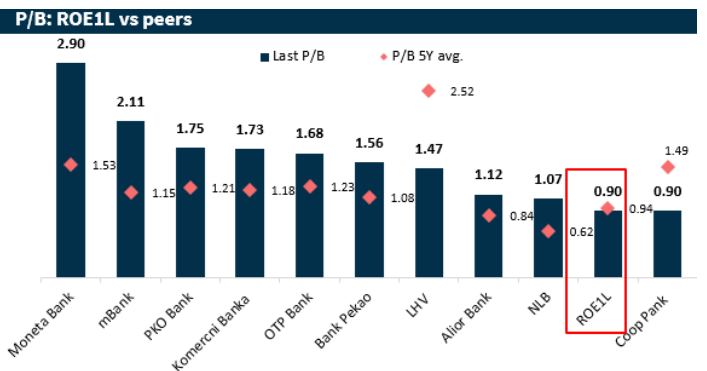
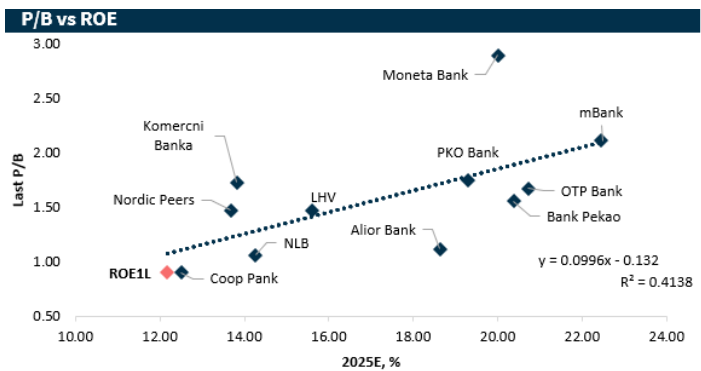
Potential downsides for the investment case

- 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)	4Q/25e			2025E			2026E			2027E		
	New	Old	Change	New	Old	Change	New	Old	Change	New	Old	Change
Net interest income	36.5	34.4	5.9%	140.8	136.6	3.1%	150.6	147.5	2.1%	166.1	165.9	0.1%
Net commission income	8.4	8.5	-1.1%	31.2	31.3	-0.4%	32.9	33.0	-0.4%	35.2	35.1	0.2%
Net insurance income incl. other incor	-1.1	-1.2	nm	0.0	3.0	nm	-0.5	-0.2	nm	-2.4	-1.8	35.5%
Total costs	32.9	31.7	3.9%	113.5	111.5	1.7%	117.6	115.5	1.9%	122.3	119.9	2.0%
Write-downs on loans	2.2	4.0	-45.2%	5.4	10.6	-48.9%	10.3	11.8	-12.6%	11.0	11.1	-1.1%
Core earnings	13.9	11.3	22.7%	53.0	48.8	8.7%	55.1	53.1	3.7%	65.7	68.3	-3.8%
Pre tax profit	13.9	11.3	22.7%	73.3	66.0	11.1%	71.8	69.3	3.5%	84.1	86.0	-2.2%
EPS (EUR)	0.02	0.01	24.5%	0.09	0.08	11.8%	0.09	0.09	5.0%	0.11	0.11	-0.8%
EPS adjusted (EUR)	0.02	0.02	18.2%	0.11	0.10	9.2%	0.11	0.10	4.4%	0.11	0.11	-0.7%
CET1 ratio	18.1%	17.8%	0.3%p	18.1%	17.8%	0.3%p	18.7%	18.0%	0.7%p	19.1%	18.5%	0.6%p
Dividend per share (EUR)	0.05	0.04	12.6%	0.05	0.04	12.6%	0.05	0.04	5.0%	0.05	0.05	-0.8%
Adj. ROE (annualised)	10.3%	8.8%	1.6%p	12.2%	11.3%	0.9%p	11.4%	11.0%	0.4%p	11.1%	11.2%	-0.1%p

Relative pricing still a bargain, albeit with subpar returns

Following the 3Q25 results, our 2025E have improved, primarily driven by stronger NII and reduced loan losses. The bank has acknowledged the need for stricter cost control to achieve its strategic targets and has launched a cost-cutting programme to improve the long-term C/I ratio. The initiative focuses mainly on personnel-related expenses, which account for roughly half of total OPEX, complemented by measures targeting structural efficiencies, project selectivity, and other operational optimisations. We believe that maintaining a sustainable balance between cost efficiency, growth initiatives, and organisational changes will be challenging amid ongoing internal adjustments, external uncertainties, and an increasingly competitive market landscape. The bank's share performance has remained subdued, particularly relative to European and CEE banking indices, which have posted strong gains recently. While the discounted pricing partly reflects subdued profitability, the gap versus peers remains considerable. The bank currently trades at 0.90x P/B and 7.5x adj. P/E 2025e, versus peer averages of 1.44x and 9.9x, under an adj. ROE of 12.2% compared with 14.4% for peers. In our view, the pricing-return profile remains less attractive versus CEE peers, offering more attractive combinations. Despite ongoing share buybacks, the stock has shown limited signs of recovery, potentially signalling that investor sentiment remains cautious regarding the bank's ability to deliver on its ambitious financial targets. Triggered by a stronger 3Q, our valuation range now stands at EUR 0.90-1.13/sh. 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*	2.3%
Long term growth rate for RIV	2.3%
Long term ROE**	11.0%

*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	72	70	72	81	82
Dividends paid	30	30	35	40	41
Payout ratio (Group)	42%	42%	48%	50%	50%
Share buybacks	4.1	2.7			
PV of dividends	29	26	28	29	
Capital Adequacy ratio, %	22.5%	22.6%	22.6%	22.7%	
Capital Adequacy ratio target, %	17.8%	17.8%	17.8%	17.8%	
RWA	2 845	3 158	3 520	3 796	
Excess capital to shareholders	133	152	169	186	

Valuation (EURm)	Share
NPV of dividends paid, forecasted period	113 18%
NPV of excess capital to shareholders	149
NPV of share buybacks	4
NPV of dividends paid, TV	377 59%
Total NPV of dividends	643 76%
Number of shares (mill.)	652
Value per share (EUR)	0.99

Sensitivity (EUR/share)		Cost of equity				
		8.3%	9.3%	10.3%	11.3%	12.3%
Long term growth	0.5%	1.04	0.95	0.87	0.81	0.76
	1.5%	1.14	1.02	0.93	0.85	0.79
	2.5%	1.27	1.12	1.00	0.91	0.84
	3.5%	1.46	1.25	1.10	0.98	0.89

Residual Income Valuation (RIV)

Estimates (EURm)	2025E	2026E	2027E	2028E	Base year
Equity to shareholders (start of year)	606	635	675	721	771
ROE	12.2%	11.4%	11.1%	11.7%	11.0%
Cost of Equity	10.3%	10.3%	10.3%	10.3%	10.3%
Residual income	12	7	5	10	5
PV of residual income	11	6	4	7	

Valuation (EURm)	Share
Opening equity to shareholders	606 89%
PV of residual income, forecasted period	29 4%
PV of residual income, TV	49 7%
Total value to shareholders	684 100%
Number of shares (mill.)	652
Value per share (EUR)	1.05

Sensitivity (EUR/share)		Cost of equity				
		8.3%	9.3%	10.3%	11.3%	12.3%
Long term growth	0.5%	1.24	1.13	1.03	0.95	0.89
	1.5%	1.27	1.15	1.04	0.96	0.88
	2.5%	1.31	1.17	1.05	0.96	0.88
	3.5%	1.37	1.19	1.06	0.96	0.88

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	0.90	0.98	0.83	0.90
Base Case	0.99	1.05	0.88	0.97
High Case	1.15	1.26	0.98	1.13

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

**Low/High assuming 5YR min. ROE of ~11% 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	0.99	1.08	0.92	1.00
Base Case	1.09	1.16	0.97	1.07
High Case	1.27	1.39	1.08	1.25

Adj. P/E multiple under target price				
	DDM	RIV	Peers-based	Average
Low Case	8.25	9.01	7.65	8.30
Base Case	9.05	9.63	8.10	8.93
High Case	10.59	11.60	9.00	10.40

Our base case valuation range stands at EUR 0.88-1.05/sh. with a mid-point of EUR 0.97/sh., which values Artea Bank at P/B of 1.07x and adj. P/E of 8.93x for 2025E. As for the Low-High case, our blended approach implies a valuation range of EUR 0.90-1.13/sh., which suggests an upside potential to the current share price of 10-38% for the Low-High case, respectively.

Lithuania's economy overview

According to the Bank of Lithuania (BoL), the global economy continues to expand, albeit unevenly. Early in 2025, concerns over potential U.S. tariff hikes prompted precautionary inventory build-ups that temporarily boosted global trade, production, and equity markets. Services activity also strengthened, supported by resilient labour markets and easing monetary conditions. However, these effects proved short-lived. As BoL notes, new trade restrictions and softening manufacturing momentum have since made the near-term global trade outlook more cautious.

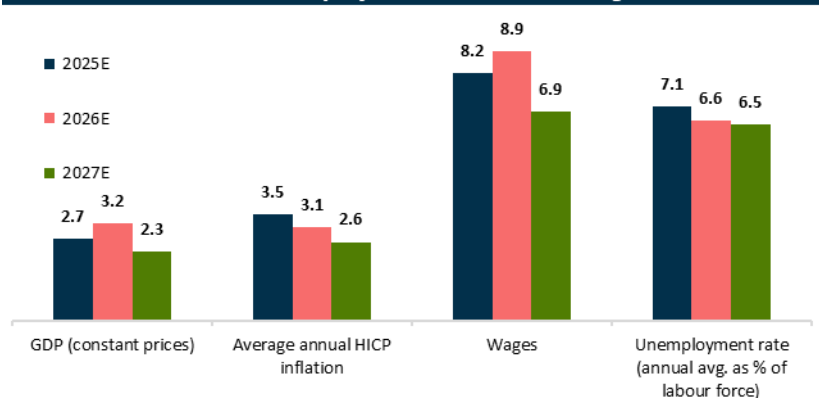
In Lithuania, economic activity has broadly met expectations but shows signs of deceleration. In 1H25, real GDP growth was roughly half the pace recorded in 2024 (2.7% in 2024; about half that rate in 1H25). Private consumption weakened early in the year as inflation outpaced income growth, recovering only partially in the second quarter (+2.2% in 2025, according to BoL). Construction activity lost steam due to a decline in EU-funded engineering projects, while non-residential building growth remained too modest to offset the contraction (gross fixed capital formation +5.7% in 2025, down from +1.9% in 2024). Manufacturing improved early in the year as foreign orders picked up but later slowed amid weaker external demand and capacity issues at a fertilizer plant.

The labour market remains relatively solid, though both wage and employment growth have moderated. Employment is expected to contract slightly in 2025 (-0.2%) after expanding in 2024 (+1.6%). Real wages continue to rise, supported by persistent labour shortages, yet demographic pressures and skills mismatches are constraining labour supply. BoL projects wage growth of 8.2% in 2025, down from 10.3% in 2024, while unemployment is expected to average 7.1% (down from 7.5% in 2024).

Looking ahead, GDP growth is projected at 2.7% in 2025, accelerating to 3.2% in 2026 as second-pillar pension withdrawals boost consumption (+6.0% in 2026), before easing to 2.3% in 2027 as this effect fades and EU funding tapers off. Recent tax changes adopted in mid-2025 will modestly constrain activity and add around 0.5pp to inflation. Price growth remains elevated, driven by food, energy, and indirect tax effects (~0.8pp in 2025), but is forecasted to decline gradually from 3.5% in 2025 to 3.1% in 2026 and 2.6% in 2027 (BoL). Wages are set to continue outpacing productivity, rising by 8.2% in 2025 and 8.9% in 2026 before moderating to 6.9% in 2027, thereby sustaining cost pressures. The external balance remains positive, though the current account surplus is projected to narrow from 1.4% of GDP in 2025 to 0.8% in 2027.

Overall, Lithuania's economy is cooling after a solid 2024 (+2.7%), with a temporary boost expected in 2026 before growth slows again. Structural constraints, including demographics, skills mismatches, and weaker external demand, are likely to weigh increasingly on momentum, while inflation gradually returns to more sustainable levels.

Lithuania's macroeconomic projections (annual % change)



Data source: Bank of Lithuania

As of 30 October 2025, the ECB kept all key interest rates unchanged for the third consecutive meeting, maintaining the deposit rate at 2% despite eurozone inflation edging up to 2.2% in September (from 2.0% in August). The ECB described its inflation outlook as “broadly unchanged”, citing a robust labour market and the effects of previous rate cuts as key drivers of economic resilience. The outlook remains in line with the September projections, which foresee headline inflation easing to 2.1% in 2025, 1.7% in 2026, and 1.9% in 2027, alongside GDP growth of 1.2% in 2025. Eurozone GDP grew 0.2% in 3Q25, slightly above expectations, although inflation continues to vary across member states. With growth modest yet stable and policy transmission working as intended, the ECB reaffirmed that monetary policy remains appropriately restrictive, maintaining a data-dependent, meeting-by-meeting approach. President Christine Lagarde noted that improvements in global trade relations and geopolitical stability have reduced downside risks, leaving policy “in a good place.” Most analysts expect rates to remain on hold, viewing the current stance as sufficiently tight to contain inflation without derailing growth.



For Lithuania, these developments imply a stable external monetary environment after a period of rapid rate adjustments. With euro area inflation converging to target and ECB policy on hold, Lithuanian financial conditions are likely to remain accommodative, supporting credit supply. Lower funding costs help sustain mortgage and corporate lending, though demand is tempered by slower domestic growth. Nevertheless, profitability may face pressure as deposit repricing converges more quickly than loan repricing. The sector’s strong capital buffers somewhat mitigate risks, but margins will stay tighter than in 2023-2024, reinforcing the need for efficiency gains and diversified income sources.

Financial guiding

2025

2026

2027

2028-29

		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, % 5Y avg.	P/E 5Y avg.	P/B 5Y avg.
				2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E			
ROE1L	Norne	536	0.90	7.5	7.7	7.5	5.6	5.5	6.5	12.2	11.4	11.1	15.0	6.8	0.94
ROE1L	Consensus*	-	-	7.6	6.8	5.9	5.8	6.8	8.5	10.8	11.8	13.5	14.7	8.5	0.94
Nordic Peers															
DNB Bank ASA	Consensus*	32 876	1.47	9.4	9.9	9.6	6.6	6.8	7.0	15.3	14.0	14.0	13.3	9.8	1.28
Svenska Handelsbanken AB	Consensus*	22 950	1.28	10.8	11.3	10.8	10.2	8.0	7.7	11.4	11.2	11.7	12.0	11.6	1.05
Nordea Bank Abp	Consensus*	50 051	1.58	10.4	10.3	9.8	6.6	6.7	6.9	15.1	14.7	15.0	12.5	9.6	1.16
Swedbank AB	Consensus*	30 215	1.52	10.8	11.3	10.6	6.6	7.6	7.5	14.0	13.2	13.8	14.0	10.2	1.14
Skandinaviska Enskilda Banken AB	Consensus*	33 918	1.62	11.6	11.1	10.2	5.2	5.3	5.4	13.7	13.8	14.3	14.2	11.4	1.27
Danske Bank A/S	Consensus*	32 833	1.38	10.9	10.6	10.0	6.6	7.0	7.0	12.6	12.5	12.9	6.7	9.1	0.74
Average			1.48	10.6	10.7	10.2	7.0	6.9	6.9	13.7	13.2	13.6	12.1	10.3	1.10
Median			1.49	10.8	10.9	10.1	6.6	6.9	7.0	13.8	13.5	13.9	12.9	10.0	1.15
<i>Premium/discount</i>			<i>-39%</i>	<i>-30%</i>	<i>-29%</i>	<i>-26%</i>	<i>-1.0%p</i>	<i>-1.4%p</i>	<i>-0.5%p</i>	<i>-1.7%p</i>	<i>-2.1%p</i>	<i>-2.8%p</i>	<i>2.1%p</i>	<i>-32%</i>	<i>-19%</i>
CEE Peers															
Alior Bank SA	Consensus*	3 209	1.12	6.1	7.3	6.8	8.5	8.9	10.3	18.6	14.1	14.3	10.2	na	0.84
LHV Group AS	Consensus*	1 072	1.47	9.6	8.8	7.3	2.4	2.8	3.4	15.6	15.3	16.5	21.7	10.1	2.52
Nova Ljubljanska Banka dd	Consensus*	3 610	1.07	7.5	7.3	6.8	7.2	7.7	8.5	14.3	13.8	13.9	16.9	5.7	0.62
Moneta Money Bank AS	Consensus*	3 773	2.90	14.5	13.7	13.1	6.9	6.2	6.6	20.0	20.3	20.9	15.2	na	1.53
mBank SA	Consensus*	10 157	2.11	8.7	10.5	9.2	0.0	2.5	3.8	22.4	18.6	18.7	0.4	na	1.15
Coop Pank AS	Consensus*	200	0.90	7.1	6.6	5.2	3.1	3.6	4.7	12.5	12.4	14.0	15.2	6.9	1.49
Bank Polska Kasa Opieki SA	Consensus*	12 161	1.56	7.5	9.3	8.7	9.6	8.3	8.2	20.4	16.4	16.4	13.2	6.8	1.08
OTP Bank Nyrt	Consensus*	23 600	1.68	7.7	7.2	6.6	3.4	4.1	4.6	20.7	19.0	18.1	16.1	6.2	1.23
Komercni Banka AS	Consensus*	8 781	1.73	12.2	12.2	11.5	7.9	7.6	6.6	13.8	13.7	14.2	11.8	12.4	1.18
Powszechna Kasa Oszczednosci Bai	Consensus*	22 779	1.75	8.9	8.8	7.7	7.8	8.1	8.8	19.3	18.6	19.9	7.2	7.3	1.21
Erste Group Bank AG	Consensus*	36 577	1.58	11.7	9.6	9.0	0.8	4.2	4.9	14.3	14.7	14.6	11.2	9.2	0.81
Average			1.63	9.2	9.2	8.4	5.2	5.8	6.4	17.4	16.1	16.5	12.6	8.1	1.24
Median			1.58	8.7	8.8	7.7	6.9	6.2	6.6	18.6	15.3	16.4	13.2	7.1	1.18
<i>Premium/discount</i>			<i>-43%</i>	<i>-14%</i>	<i>-13%</i>	<i>-4%</i>	<i>-1.3%p</i>	<i>-0.7%p</i>	<i>-0.1%p</i>	<i>-6.5%p</i>	<i>-3.9%p</i>	<i>-5.3%p</i>	<i>1.7%p</i>	<i>-5%</i>	<i>-21%</i>
Western Europe Peers															
Deutsche Bank AG	Consensus*	61 526	0.94	10.6	9.5	8.6	3.2	3.7	4.1	9.0	9.3	9.6	4.6	6.9	0.40
Raiffeisen Bank International AG	Consensus*	10 059	0.53	7.0	5.0	5.0	4.9	5.6	6.4	7.1	9.9	9.4	12.2	4.9	0.43
KBC Group NV	Consensus*	43 947	1.79	12.5	11.3	10.3	5.1	5.5	6.2	14.4	14.7	15.3	12.6	10.5	1.26
Commerzbank AG	Consensus*	36 035	1.19	13.0	10.7	9.0	3.0	4.0	4.9	8.6	10.3	11.5	2.3	9.4	0.42
Societe Generale SA	Consensus*	43 907	0.63	9.0	7.7	6.7	2.8	3.3	3.9	7.9	8.4	8.9	3.2	7.1	0.30
Banco Santander SA	Consensus*	133 447	1.31	10.1	9.4	8.3	2.7	3.1	3.7	13.2	13.1	13.7	7.2	7.8	0.59
ING Groep NV	Consensus*	67 154	1.32	11.0	9.7	8.4	4.9	5.3	6.0	12.0	13.2	14.1	9.5	9.1	0.81
Average			1.10	10.4	9.1	8.0	3.8	4.4	5.0	10.3	11.3	11.8	7.4	8.0	0.60
Median			1.19	10.6	9.5	8.4	3.2	4.0	4.9	9.0	10.3	11.5	7.2	7.8	0.43
<i>Premium/discount</i>			<i>-24%</i>	<i>-29%</i>	<i>-20%</i>	<i>-12%</i>	<i>2.4%p</i>	<i>1.5%p</i>	<i>1.5%p</i>	<i>3.2%p</i>	<i>1.1%p</i>	<i>-0.5%p</i>	<i>7.8%p</i>	<i>-13%</i>	<i>115%</i>
Average all peers			1.44	9.9	9.6	8.7	5.2	5.7	6.1	14.4	14.0	14.4	11.0	8.7	1.02
Median all peers			1.47	10.2	9.6	8.8	5.1	5.6	6.3	14.1	13.8	14.1	12.1	9.1	1.11
<i>Premium/discount</i>			<i>-38%</i>	<i>-26%</i>	<i>-20%</i>	<i>-16%</i>	<i>0.5%p</i>	<i>-0.1%p</i>	<i>0.2%p</i>	<i>-2.0%p</i>	<i>-2.4%p</i>	<i>-3.1%p</i>	<i>2.9%p</i>	<i>-26%</i>	<i>-16%</i>

* 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	141	151	166	183	200
Net commission income	16	17	19	20	29	31	33	35	36	37
Net insurance income incl. other income	3	5	12	-8	-6	0	0	-2	-4	-8
Total income	95	103	137	169	183	172	183	199	216	229
Salaries and related expenses	23	27	31	36	50	56	60	64	68	71
Depreciation and amortization expenses	4	4	5	5	8	8	7	7	7	7
Other costs	15	17	22	31	38	50	50	51	51	52
Total costs	43	49	57	73	96	113	118	122	126	130
Core earnings before loan losses	52	55	80	96	87	58	65	77	90	99
Write-downs on loans	12	4	5	15	11	5	10	11	12	13
Core earnings	40	51	75	81	76	53	55	66	78	86
Dividends/associated companies	-	-	-	-	-	-	-	-	-	-
Net return on financial investments	13	17	5	14	20	20	17	18	20	24
One-offs	-	-	-	7	7	14	13	3	-	-
Pre tax profit	53	67	80	96	96	73	72	84	98	110
Taxes	-10	-12	-13	-20	-18	-14	-13	-15	-17	-19
Minority interest	-	-	-	-	-	-	-	-	-	-
Net profit	43	55	67	75	79	60	59	69	81	91
Adj. profit after taxes	43	55	67	81	85	72	70	72	81	91
EPS	0.07	0.09	0.11	0.12	0.12	0.09	0.09	0.11	0.12	0.14
EPS (adj.)	0.07	0.09	0.11	0.13	0.13	0.11	0.11	0.11	0.12	0.14
Profitability										
ROE (adj.)	12.7%	14.3%	16.1%	16.7%	15.0%	12.2%	11.4%	11.1%	11.7%	12.9%
ROE (reported)	12.7%	14.3%	16.1%	15.5%	14.0%	10.2%	9.6%	10.7%	11.7%	12.9%
ROA	1.4%	1.4%	1.6%	1.6%	1.6%	1.1%	1.0%	1.1%	1.1%	1.2%
RORWA	2.2%	2.6%	2.8%	3.1%	2.9%	2.1%	1.9%	2.0%	2.1%	2.2%
Core earnings ROE	11.3%	12.4%	17.0%	15.0%	13.1%	8.8%	8.7%	9.7%	10.8%	11.2%
Core earnings in % of RWA	2.1%	2.4%	3.1%	3.3%	2.8%	1.9%	1.7%	1.9%	2.0%	2.1%
Cost/Income ratio	45.0%	47.0%	41.5%	43.1%	52.3%	66.0%	64.3%	61.5%	58.4%	56.7%
Adjusted Cost/Income ratio	45.0%	47.0%	41.5%	39.2%	48.5%	57.7%	57.2%	60.0%	58.4%	56.7%
Costs in % of total assets	1.4%	1.2%	1.4%	1.5%	1.9%	2.0%	1.9%	1.9%	1.8%	1.7%
Tax rate	18.7%	17.9%	16.1%	21.3%	18.3%	18.4%	17.5%	17.5%	17.5%	17.5%
Loss ratio	0.75%	0.21%	0.21%	0.58%	0.35%	0.16%	0.26%	0.25%	0.25%	0.25%
Net interest margin	3.00%	2.99%	3.21%	4.05%	3.70%	2.68%	2.58%	2.62%	2.68%	2.71%
Operating margin	3.1%	2.6%	3.3%	3.5%	3.7%	3.1%	3.0%	3.0%	3.0%	3.0%
Pretax margin	1.7%	1.7%	1.9%	2.0%	2.0%	1.3%	1.2%	1.3%	1.4%	1.4%
Growth rates (YoY)										
Core earnings	-5%	26%	49%	8%	-6%	-31%	4%	19%	18%	11%
EPS (adj.)	-16%	28%	22%	18%	-4%	-15%	-2%	3%	12%	13%

Balance sheet (EURm)	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Cash and receivables	590	1 162	630	1 041	715	1 023	855	604	621	639
Net lending to customers	1 606	1 909	2 392	2 645	3 118	3 404	3 899	4 481	4 850	5 250
Total securities	781	839	1 118	1 034	1 007	1 078	1 242	1 432	1 552	1 680
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	70	70	70	70	71
Total assets	3 029	3 962	4 183	4 809	4 923	5 589	6 081	6 601	7 107	7 654
Total equity	355	406	443	543	585	606	635	675	721	771
Minority interest	-	-	-	-	-	-	-	-	-	-
Total deposits	2 575	3 377	3 470	3 733	3 604	4 019	4 343	4 693	5 071	5 480
Debt securities in issue	20	95	171	276	448	698	836	966	1 047	1 133
Other liabilities	79	84	98	257	285	266	267	268	269	270
Equity and liabilities	3 029	3 962	4 183	4 809	4 923	5 589	6 081	6 601	7 107	7 654
Growth of loans	6.0%	18.9%	25.3%	10.6%	17.9%	9.2%	14.5%	14.9%	8.2%	8.2%
Growth of deposits	22.2%	31.1%	2.8%	7.6%	-3.5%	11.5%	8.0%	8.1%	8.1%	8.1%
Equity ratio	11.7%	10.3%	10.6%	11.3%	11.9%	10.8%	10.4%	10.2%	10.1%	10.1%
CET1 ratio	19.6%	19.5%	18.1%	19.9%	18.9%	18.1%	18.7%	19.1%	19.4%	19.5%
Core capital (EURm)	377	410	439	485	562	564	640	721	787	855
Tier 1 ratio	19.6%	19.5%	18.1%	19.9%	20.8%	19.8%	20.3%	20.5%	20.7%	20.7%
Capital base (EURm)	397	430	459	547	660	639	714	796	862	930
Capital adequacy	20.7%	20.4%	19.0%	22.4%	24.4%	22.5%	22.6%	22.6%	22.7%	22.5%
RWA	1917	2106	2421	2439	2707	2845	3158	3520	3796	4133

Share data	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Shares outstanding, year end (mill.)	601	601	601	663	663	652	652	652	652	652
Share price, year end (EUR)	0.50	0.76	0.69	0.69	0.82	0.82	0.82	0.82	0.82	0.82
Market cap (EURm)	299	457	412	459	546	536	536	536	536	536
EPS	0.07	0.09	0.11	0.12	0.12	0.09	0.09	0.11	0.12	0.14
EPS (adj.)	0.07	0.09	0.11	0.13	0.13	0.11	0.11	0.11	0.12	0.14
Book value per share (EUR)	0.59	0.68	0.74	0.82	0.88	0.93	0.97	1.03	1.10	1.18
Dividends per share (EUR)	0.005	0.034	0.027	0.049	0.059	0.046	0.045	0.053	0.062	0.070
Share buybacks per share	-	-	-	-	0.013	0.006	0.004	-	-	-
Share buybacks (EURm)	-	-	-	-	8.4	4.1	2.7	-	-	-
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%	57%	55%	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	9.0	9.0	7.7	6.6	5.9
P/E (adj.)	7.0	8.3	6.1	5.2	6.5	7.5	7.7	7.5	6.6	5.9
P/B (excl. goodwill)	0.84	1.12	0.93	0.85	0.93	0.88	0.84	0.79	0.74	0.69
Dividend yield	1.1%	4.5%	3.9%	7.0%	7.2%	5.6%	5.5%	6.5%	7.5%	8.5%

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%	9.2%	14.5%	14.9%	8.2%	8.2%
Growth of deposits	22.2%	31.1%	2.8%	7.6%	-3.5%	11.5%	8.0%	8.1%	8.1%	8.1%
EPS (adj.)	-16.5%	28.3%	22.1%	18.2%	-3.9%	-14.6%	-1.5%	2.7%	12.2%	12.7%

Capital ratios	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Equity ratio	11.7%	10.3%	10.6%	11.3%	11.9%	10.8%	10.4%	10.2%	10.1%	10.1%
CET1 ratio	19.6%	19.5%	18.1%	19.9%	18.9%	18.1%	18.7%	19.1%	19.4%	19.5%
Tier 1 ratio	19.6%	19.5%	18.1%	19.9%	20.8%	19.8%	20.3%	20.5%	20.7%	20.7%
Capital adequacy	20.7%	20.4%	19.0%	22.4%	24.4%	22.5%	22.6%	22.6%	22.7%	22.5%

Profitability	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
ROE (adj.)	12.7%	14.3%	16.1%	16.7%	15.0%	12.2%	11.4%	11.1%	11.7%	12.9%
ROE (reported)	12.7%	14.3%	16.1%	15.5%	14.0%	10.2%	9.6%	10.7%	11.7%	12.9%
ROA	1.4%	1.4%	1.6%	1.6%	1.6%	1.1%	1.0%	1.1%	1.1%	1.2%
Costs/Income ratio	45.0%	47.0%	41.5%	43.1%	52.3%	66.0%	64.3%	61.5%	58.4%	56.7%
Adjusted Costs/Income ratio	45.0%	47.0%	41.5%	39.2%	48.5%	57.7%	57.2%	60.0%	58.4%	56.7%
Costs in % of total assets	1.4%	1.2%	1.4%	1.5%	1.9%	2.0%	1.9%	1.9%	1.8%	1.7%
Loss ratio	0.75%	0.21%	0.21%	0.58%	0.35%	0.16%	0.26%	0.25%	0.25%	0.25%
Net interest margin	3.00%	2.99%	3.21%	4.05%	3.70%	2.68%	2.58%	2.62%	2.68%	2.71%

Valuation, risk and sources

Valuation range

Valuation range history for Artea Bank Group during the previous 12 months:

Date	Valuation range (EUR/share)
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
05/08/2025	0.86-1.08
20/10/2025	0.84-1.06
07/11/2025	0.90-1.13

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.

DISCLOSURES AND DISCLAIMER

STANDARDS AND SUPERVISORY AUTHORITY

This report has been prepared by Norne Securities AS, which is supervised by The Financial Supervisory Authority of Norway (Finanstilsynet). Industry standards issued by The Norwegian Securities Dealers Association (Verdipapirforetakenes Forbund) (www.vpff.no) have been used in preparing this report.

DISCLAIMER

This report is provided for information purposes only. It should not be used or considered as an offer to sell or a solicitation of an offer to buy any securities. This report is prepared for general circulation and general information only. It does not take into account the specific investment objectives, investment knowledge and experience and financial situation of any recipient. Investors seeking to buy or sell any securities discussed or recommended in this report, should seek independent financial advice relating thereto and make his/her own appraisal of the tax or other financial merits of the investment. Any opinions expressed are subject to change without prior notice. This report is based on information from various sources believed to be reliable. Although all reasonable care has been taken to ensure that the information herein is not misleading, Norne Securities AS makes no guarantee, representation or warranty, expressed or implied as to its accuracy, adequacy or completeness. Neither Norne Securities AS, its employees, nor any other person connected with it, accepts any liability whatsoever for any direct, indirect or incidental, special or consequential loss of any kind arising out of the use or reliance on the information in this report.

This report is intended for use only by those persons to whom it is made available by Norne Securities AS. This report may not be distributed, quoted from or reproduced, in full or in part, in any manner without written approval by Norne Securities AS.

DISCLOSURE OF INTERESTS

Norne Securities AS may at any time perform investment banking or other services or solicit investment banking or other mandates from the company or companies covered in this report. Norne Securities AS may hold positions in securities covered in this report due to its own-account trading that is part of its investment services operations, such as market making. Norne Securities AS has appointed and may at any time appoint tied agents to provide investment services on behalf of Norne Securities AS. Tied agents are listed in the public registry of the Norwegian Financial Supervisory Authority, and an updated overview of appointed tied agents of Norne Securities AS can be found on [Compliance | Norne Securities](#).

PREVENTING CONFLICTS OF INTEREST

Norne Securities AS has arrangements in place with the aim of preventing conflicts of interest. As part of these arrangements, Norne Securities AS has established information barriers between different parts of the company to restrict and control the exchange of sensitive information. No direct link exists between remuneration of the Norne Securities AS analysts and investment banking services provided by Norne Securities AS, but analysts may receive a bonus under the firm's general bonus scheme. Under our internal regulations, which have been prepared in accordance with applicable legislation and relevant industry standards, our analysts are not permitted to purchase new securities in the companies they cover.

CAUTIONARY NOTE REGARDING RISK

An investment in the company involves risk, and several factors could cause the actual results, performance or achievements of the company to be materially different from future results, performance or achievements that may be expressed or implied by statements and information in this presentation. Including, among others, risk or uncertainties associated with the company's business segments, development, growth management, financing, market acceptance and relations with customer, and more generally, general economic and business conditions, changes in domestic and foreign laws and regulations, taxes, changes in competition and pricing environment, fluctuations in currency exchange rates and interest rates and other factors. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document. Past performance is not a guide to future performance. Investing in securities may result in a loss of all or part of the investment.

DISTRIBUTION RESTRICTIONS

This report is not intended for and must not be distributed to private customers in the UK or US. Norne Securities AS and its employees are not subject to the Rules of the Financial Industry Regulatory Authority (FINRA) governing research analyst conflicts. The research reports are intended for distribution in the United States solely to "major U.S. institutional investors" as defined in Rule 15a-6 under the United States Securities Exchange Act of 1934, as amended and may not be furnished to any other person in the United States. Each major U.S. institutional investor that receives a copy of a Norne Securities AS research report by its acceptance thereof represents and agrees that it shall not distribute or provide copies to any other person. Reports are prepared by Norne Securities AS and distributed to major U.S. institutional investors under Rule 15a-6(a)(2).

VALUATION

Due to the services being Paid Research, Norne Securities will, under current legislation, not provide a specific research recommendation with respect to the Company's shares, but will provide a fair value estimate range, from conservative to optimistic, in accordance with market practice for such research.

POTENTIAL CONFLICTS OF INTEREST

This report is paid for by the company covered in it.

This report has been presented to the issuer before dissemination for a check of factual information. Amendments of factual information have not been made following this.

Obligation to provide information about employees' own holdings, cf. Securities Regulations § 3-10 (2) and § 3-11 (1) lit. a and b. Information on holdings of listed financial instruments that the employees of Norne Securities AS own is provided on request.

COPYRIGHT

This report may not be duplicated, photocopied or otherwise reproduced, in full or in part, under applicable copyright laws.

THIS REPORT IS SUBJECT TO NORWEGIAN LAW, AND ANY DISPUTE ARISING IN RESPECT OF THIS REPORT IS SUBJECT TO THE EXCLUSIVE JURISDICTION OF NORWEGIAN COURTS.