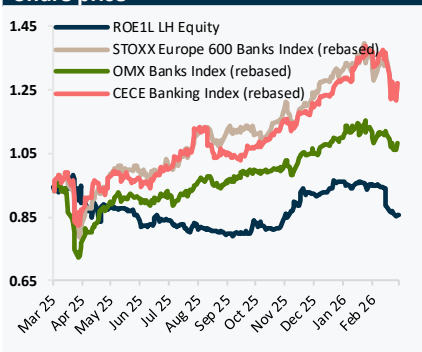


Artea Bank

Key share data

Sector	Financials
Reuters	ROE1L.VL
Bloomberg	ROE1L:LH
Market Cap (EURm)	560
Free float (EURm)	345
Issued shares, m	652
Avg. daily value traded 3M	221 770

Share price



Upcoming events

1Q26 report	April 27, 2026
2Q26 report	July 29, 2026
3Q26 report	October 28, 2026

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

Dampened earnings outlook

Although Artea Bank's 4Q25 earnings came in line with our estimate, broad underperformance across core income lines has led us to materially reduce our NII and NFCI forecasts. We view the bank's updated guidance as overly ambitious and hard to deliver under current market conditions, especially given the execution risks of a growing organization. While our assumptions now align with guidance on the dividend payout ratio and NFCI, the remaining projections still diverge meaningfully. We made only modest cuts to our cost and loan loss assumptions; however, the negative revisions to core income lines more than offset these changes, resulting in a materially lower valuation. We have therefore lowered our earnings expectations for 2026-2028 and our longer-term outlook. Relative valuation is also not particularly attractive at this time. Our valuation range is now set at EUR 0.78-1.00/sh.

Artea Bank's 4Q25 results:

- NII was ~7% below our estimate and down ~5% QoQ (-13% YoY). Quarterly lending volumes grew ~10% QoQ (vs broadly flat in 3Q), with corporate loans driving the double-digit increase
- Fee income came in somewhat below our forecast, up only ~2% YoY
- Total costs were broadly in line with our estimate, up ~6% YoY (vs ~25% in 3Q). Adjusting for one-offs of EUR 4.7m in 4Q (~EUR 14.8m in FY25), adjusted costs were marginally below our estimate and up ~7% YoY
- The bank booked minimal loan losses of EUR 0.7m (vs EUR 2.5m expected by us; EUR 4.0m in 4Q24)
- Stage 3 exposure was at 2.26% of total exposure or 18bps higher QoQ
- CET1 ratio was 16.6%, down 40bps QoQ
- Dividend proposal was in line with our expectations, corresponding to a 50% payout ratio and implying a 4.9% dividend yield for 2025
- Reported ROE was 8.5%, in line with our estimate. Adjusted for one-offs, ROE was 11.2%, broadly matching our estimate.

4Q/25 results	4Q/24	3Q/25	4Q/25	4Q/25e	Deviation
EURm			Reported	Norne	
Net interest income	39.2	35.9	34.0	36.6	-7.1%
Net commission income	8.1	7.6	8.2	8.6	-4.6%
Net insurance income incl. other income	-1.3	-3.1	-0.9	-1.1	-22.6%
Total costs	29.4	27.7	31.1	32.0	-2.8%
Adj. total costs	24.7	23.9	26.4	27.7	-4.9%
Core earnings before loan losses	21.9	19.7	15.5	17.4	-10.9%
Write-downs on loans	4.0	-0.6	0.7	2.5	-72.4%
Core earnings	17.9	20.3	14.8	14.9	-0.7%
EPS (EUR)	0.023	0.025	0.019	0.019	0.1%
EPS adjusted (EUR)	0.029	0.030	0.025	0.024	2.6%
Dividend per share (EUR)	0.059	-	0.047	0.047	0.0%
CET1 ratio, %	18.9%	17.0%	16.6%	18.1%	-1.5%p
ROE (annualised)	10.8%	11.5%	8.5%	8.5%	0.0%p
Adj. ROE (annualised)	13.6%	13.7%	11.2%	10.9%	0.3%p

Revised guidance 2026-2028

Compared with the prior framework, built around absolute targets and longer-term CAGR ranges, the new disclosure outlines annual percentage growth assumptions for the development targets. The revised 2026-28 guidance largely reflects a re-phasing of the bank's financial trajectory, implying weaker delivery on key metrics in 2026-27 but broadly unchanged targets for 2028. Profitability and efficiency are reset lower in the near term, with lower net profit and ROE expectations and higher C/I ratios versus the previous plan, consistent with a higher cost base and delayed operating leverage. ROE is lowered to 10.0% from 13.5% for 2026 and to 13.5% from 16.0% for 2027, while adjusted ROE is reduced to 12.0% from 15.4% and to 13.8% from 16.5%, respectively. Still, management guides for a pronounced improvement by 2028, with C/I at 42.2%, ROE at 16.9% and net profit of EUR 122m, supported by an expected acceleration in income growth into 2028. The dividend policy remains unchanged, with a minimum payout of 50%. Long-term guidance on efficiency and profitability is also intact, targeting a <45% C/I ratio and ROE >17%.

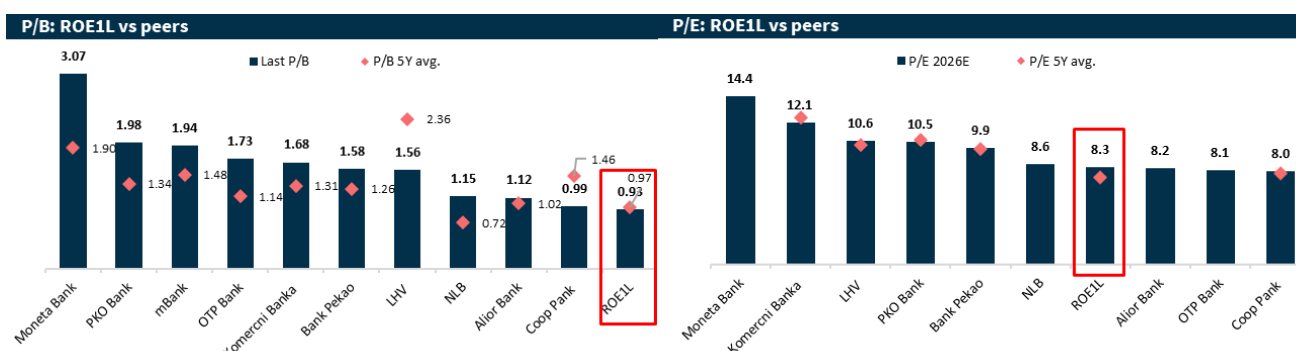
		2026	2027	2028
Growth	Loan Book	11%	13%	13%
	Deposits	5%	13%	12%
	Total Revenue	10%	14%	19%
	NFCI	4%	8%	15%
Efficiency	C/I Ratio	60.7%	50.1%	42.2%
	Adj. C/I Ratio ¹	53.2%	49.0%	42.2%
Profitability	RoE	10.0%	13.5%	16.9%
	Adj. RoE ²	12.0%	13.8%	16.9%
	Net Profit	€61m	€87m	€122m
	Adj. Net Profit ²	€73m	€89m	€122m
Shareholder Returns	Dividend Policy	Minimum 50% Pay-out		

While our estimates now converge closely on fee income, we still view the bank's targets as overly ambitious across the rest of the P&L. Delivering strong NII growth while simultaneously containing costs during a period of organisational expansion is challenging, particularly in a low-rate environment and a highly competitive market. We also see downside risk to the loan growth targets. The bank already struggled in 2025 to meet expectations amid market concentration and intense competition for loans. In addition, the 2026 guidance appears to imply a degree of funding mismatch, with deposits targeted to grow by 5% while the loan book is guided to expand by 11%. This suggests the bank may need to increase market funding, which raises questions around the potential impact on margins and the implied asset yield assumptions. Finally, there is a macro risk around the rate environment. While the interest rate environment is currently stable, the ongoing conflict in the Middle East is disrupting oil and gas markets and pushing energy prices higher. Although this is unlikely to pose a near-term risk, a prolonged disruption could reintroduce inflationary pressures and potentially alter the interest rate outlook. A table summarising our modelled growth rates for key profitability and efficiency metrics is provided below.

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
NII	5%	7%	32%	47%	2%	-14%	3%	9%	8%
NFCI	-4%	7%	9%	8%	44%	6%	4%	8%	15%
Total income	3%	9%	33%	23%	8%	-7%	-3%	8%	9%
Total costs	2%	14%	17%	28%	31%	17%	3%	4%	5%
Adj. profit after taxes	-16%	28%	22%	20%	4%	-14%	-7%	-3%	11%

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



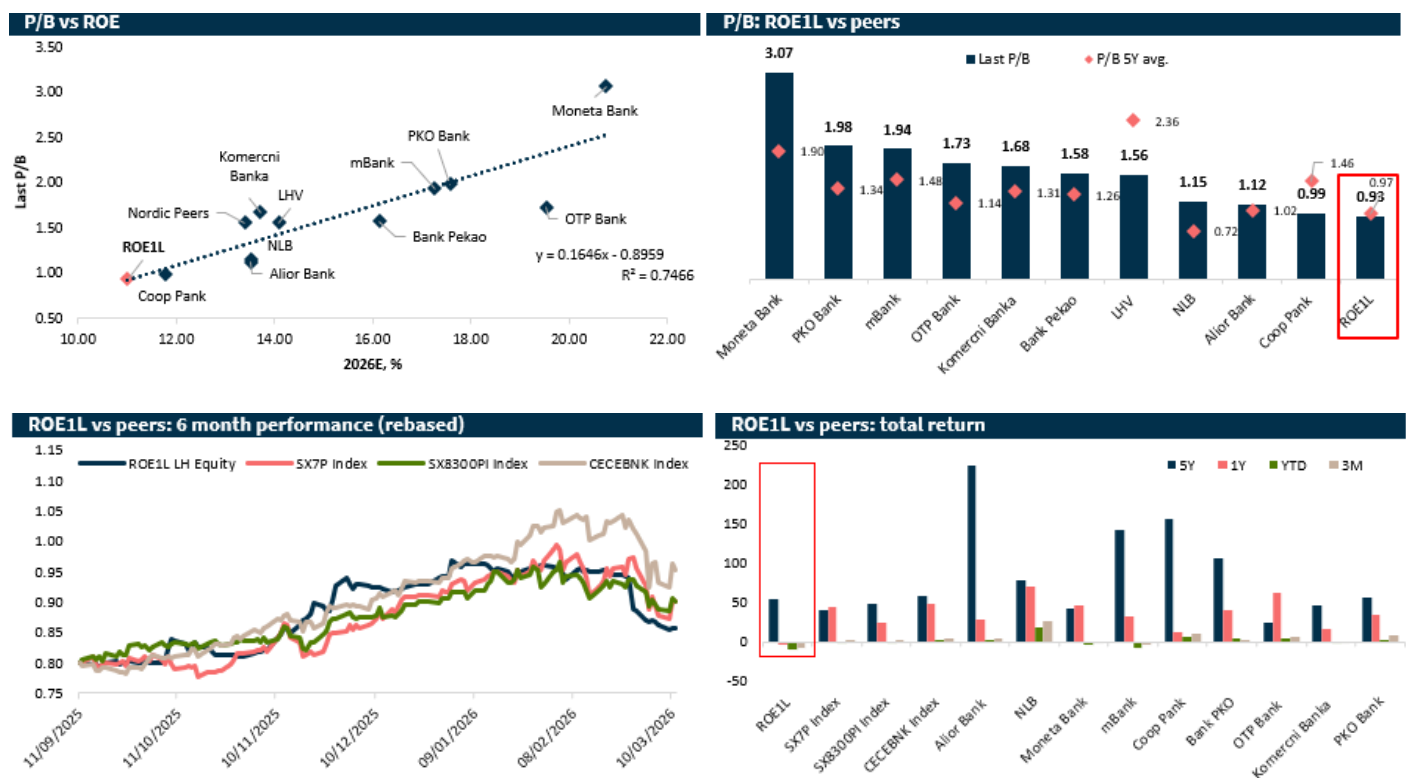
Potential downsides for the investment case

- 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)	1Q/26e			2025			2026E			2027E		
	New	Old	Change	Act.	Est.	Change	New	Old	Change	New	Old	Change
Net interest income	33.4	36.0	-7.2%	138.3	140.9	-1.8%	142.0	150.5	-5.6%	154.5	166.4	-7.1%
Net commission income	7.7	7.8	-1.6%	31.0	31.4	-1.3%	32.2	33.1	-2.7%	34.7	35.4	-2.0%
Net insurance income incl. other incor	1.6	2.7	nm	0.2	0.0	nm	-9.8	-0.3	nm	-11.6	-1.6	nm
Total costs	26.9	25.7	4.7%	111.6	112.6	-0.8%	115.1	116.7	-1.3%	120.3	121.3	-0.9%
Write-downs on loans	2.2	2.4	-8.0%	3.9	5.7	-31.4%	7.2	10.5	-30.9%	8.9	11.7	-24.2%
Core earnings	16.2	20.0	-18.8%	54.0	54.0	-0.1%	42.1	56.2	-25.1%	48.4	67.2	-27.9%
Pre tax profit	16.2	20.0	-18.8%	74.3	74.4	-0.1%	68.8	72.7	-5.3%	76.8	84.8	-9.4%
EPS (EUR)	0.02	0.03	-18.8%	0.09	0.09	0.0%	0.09	0.09	-5.3%	0.10	0.11	-9.4%
EPS adjusted (EUR)	0.02	0.03	-16.0%	0.11	0.11	0.6%	0.10	0.11	-4.5%	0.10	0.11	-9.5%
CET1 ratio	16.9%	17.0%	-0.1%p	16.6%	18.1%	-1.5%p	17.2%	18.9%	-1.7%p	17.1%	19.8%	-2.8%p
Dividend per share (EUR)	-	-	-	0.05	0.05	0.0%	0.04	0.05	-5.3%	0.05	0.05	-9.4%
Adj. ROE (annualised)	11.0%	13.1%	-2.1%p	12.4%	12.3%	0.1%p	11.0%	11.5%	-0.5%p	10.1%	11.1%	-1.0%p

Materially weaker income outlook reduces the investment appeal

Following the 4Q25 results, we have implemented a mix of estimate revisions that are net negative overall. The downgrades are primarily driven by the material decline and underperformance in 4Q NII versus our forecast. NFCI also came in somewhat below our estimate, and softer growth guidance further out has prompted additional downward revisions. While we only made modest trims to our cost and loan loss assumptions, the negative changes to core income items more than offset these, resulting in a lower valuation outlook. Relative valuation is also not particularly attractive at this time. The bank plots above the regression line on its P/B-ROE, currently trading at 0.93x P/B on an adjusted 2026e ROE of 11.0%, compared with peer averages of 1.49x and 14.0%, respectively. In our view, the pricing-return profile remains less compelling than that of CEE peers, which offer more attractive combinations. Overall, we believe the bank's current financial targets are overly ambitious and difficult to deliver under prevailing Lithuanian market conditions (p. 2). Our valuation range is now set at EUR 0.78-1.00/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**	10.7%

*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)	2026E	2027E	2028E	2029E	Base year
Net profit	67	66	73	78	79
Dividends paid	28	32	36	39	40
Payout ratio (Group)	42%	48%	50%	50%	50%
Share buybacks	2.1	0.0	0.0	0.0	
PV of dividends	26	26	27	26	
Capital Adequacy ratio, %	21.4%	20.9%	20.5%	20.2%	
Capital Adequacy ratio target, %	18.3%	18.3%	18.3%	18.3%	
RWA	3 074	3 341	3 654	3 931	
Excess capital to shareholders	96	89	80	77	

Valuation (EURm)	Share
NPV of dividends paid, forecasted period	136 25%
NPV of excess capital to shareholders	58
NPV of share buybacks	2
NPV of dividends paid, TV	338 63%
Total NPV of dividends	533 89%
Number of shares (mill.)	652
Value per share (EUR)	0.82

Sensitivity (EUR/share)		Cost of equity				
Long term growth		8.3%	9.3%	10.3%	11.3%	12.3%
	0.5%	0.87	0.78	0.71	0.66	0.61
	1.5%	0.96	0.85	0.77	0.70	0.64
	2.5%	1.08	0.94	0.83	0.75	0.68
	3.5%	1.25	1.06	0.92	0.81	0.73

Residual Income Valuation (RIV)

Estimates (EURm)	2026E	2027E	2028E	2029E	Base year
Equity to shareholders (start of year)	634	669	711	752	752
ROE	11.0%	10.1%	10.7%	11.2%	10.7%
Cost of Equity	10.3%	10.3%	10.3%	10.3%	10.3%
Residual income	4.8	(0.7)	2.8	7.1	3.6
PV of residual income	4.3	(0.6)	2.1	4.8	

Valuation (EURm)	Share
Opening equity to shareholders	665 94%
PV of residual income, forecasted period	11 2%
PV of residual income, TV	30 4%
Total value to shareholders	706 100%
Number of shares (mill.)	652
Value per share (EUR)	1.08

Sensitivity (EUR/share)		Cost of equity				
Long term growth		8.3%	9.3%	10.3%	11.3%	12.3%
	0.5%	1.27	1.16	1.07	1.00	0.94
	1.5%	1.29	1.17	1.08	1.00	0.94
	2.5%	1.32	1.19	1.08	1.00	0.93
	3.5%	1.37	1.21	1.09	1.00	0.93

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	0.74	0.90	0.72	0.78
Base Case	0.82	1.08	0.76	0.89
High Case	0.97	1.19	0.85	1.00

*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	0.80	0.97	0.78	0.85
Base Case	0.88	1.17	0.83	0.96
High Case	1.05	1.29	0.92	1.09

Adj. P/E multiple under target price	DDM	RIV	Peers-based	Average
Low Case	6.65	8.10	6.50	7.08
Base Case	7.37	9.76	6.89	8.01
High Case	8.75	10.76	7.65	9.05

Our base case valuation range stands at EUR 0.76-1.08/sh. with a mid-point of EUR 0.89/sh., which values Artea Bank at P/B of 0.96x and adj. P/E of 8.01x for 2025E. As for the Low-High case, our blended approach implies a valuation range of EUR 0.78-1/sh., which suggests an upside potential to the current share price of 17% for the High case.

Lithuania's economy overview

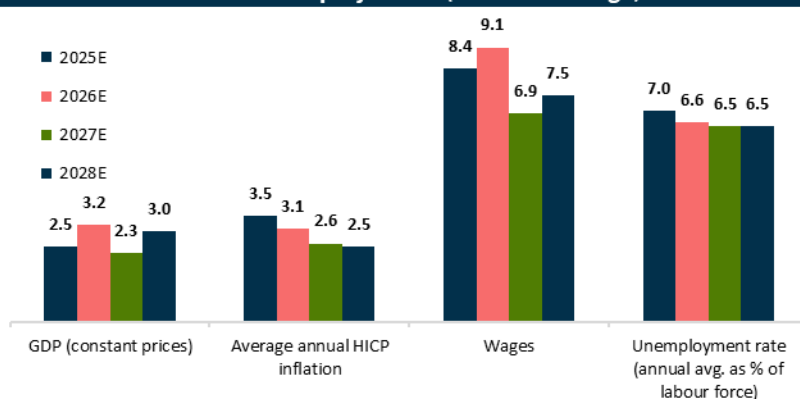
Lithuania's growth slowed in 2025 as inflation remained high and the external environment weakened. Average quarterly GDP growth in the first three quarters was only 0.27% (BoL), around four times lower than in 2024, largely because household spending softened. Retail and overall consumption slowed sharply, with the biggest drop in semi-durable goods such as clothing and household items. According to BoL, manufacturing also cooled: activity was strongest in Q1 due to stockpiling-related demand, but fell back as that effect faded, compounded by a temporary decline in fertiliser production. After several years of rapid expansion, parts of the services sector also moderated, including ICT, professional services, and administrative activities.

The labour market remains relatively resilient, but wage growth has started to ease. BoL indicates that quarterly wage increases were about one-fifth lower than in 2024, reflecting greater uncertainty and an already high labour share of value added. Even so, wages are still rising faster than prices, so real incomes continue to improve. Labour shortages remain close to the long-term average, while demographics are becoming less supportive: net migration is still positive but far below 2022-2023 levels, leaving both population and employment broadly flat.

According to BoL, growth is expected to accelerate in 2026 to 3.2% (from 2.5% in 2025), supported by higher government spending, particularly defence-related investment, and pension reform that allows withdrawals from second-pillar funds, temporarily boosting disposable income and consumption. External demand should contribute less as the 2025 stockpiling boost fades, while tariffs and the June 2025 tax package are expected to modestly constrain activity and lift prices. As the pension-related impulse wears off, growth is projected to slow to 2.3% in 2027, before picking up again to 3.0% in 2028 (BoL).

Inflation is expected to remain sticky in the near term, driven by food prices, indirect tax increases, and wage growth that still exceeds productivity gains. Indirect taxes explain a meaningful share of food and energy price increases and are estimated to add around 0.8pp to inflation in 2025 (BoL). Inflation is projected at 3.5% in 2025 and 3.1% in 2026, supported by additional tax measures (around +1.1pp in 2026) and stronger demand from pension withdrawals (BoL). As food commodity markets normalise and producer prices decline, inflation is expected to ease to 2.6% in 2027 and 2.5% in 2028 (BoL).

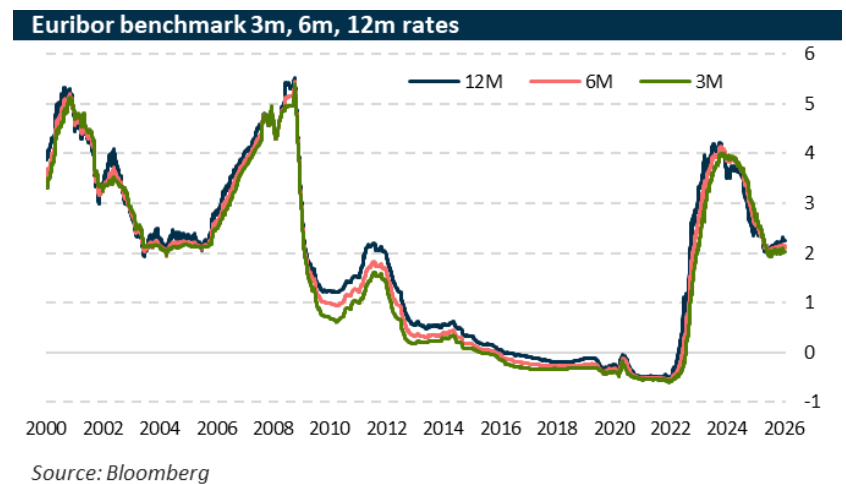
Lithuania's macroeconomic projections (annual % change)



Data source: Bank of Lithuania

On 18 December 2025, the ECB's Governing Council kept all three key policy rates unchanged (deposit facility 2.00%, main refinancing operations 2.15%, marginal lending facility 2.40%) and reiterated that policy decisions will remain meeting-by-meeting and data-dependent, consistent with its assessment that inflation is converging toward the 2% medium-term target. Updated staff projections put headline inflation at 2.1% (2025), 1.9% (2026), 1.8% (2027) and 2.0% (2028), and inflation excluding energy and food at 2.4%, 2.2%, 1.9% and 2.0%, respectively. The 2026 inflation forecast was nudged slightly higher, mainly reflecting a slower easing in services inflation, while GDP growth projections were revised up on firmer domestic demand to 1.4% (2025), 1.2% (2026) and 1.4% (2027-2028).

In the accounts published on 22 January 2026, the ECB reinforced a “no hurry” stance, noting policy was seen as appropriately restrictive and highlighting that the temporary dip of headline inflation below 2% in 2026-2027 is driven largely by energy-related effects, before returning to target in 2028, with services inflation still a central watchpoint. The next monetary policy meeting is scheduled for 4-5 February 2026 (decision/press conference on 5 February). Market pricing broadly aligns with this steady-policy narrative: no change is widely expected in February, the deposit rate is generally seen remaining around 2% through most of 2026, and only limited odds are priced for an additional cut later in the year (Reuters has recently cited roughly a ~25% probability of a cut by autumn).



For Lithuania, the ECB's decision to keep rates unchanged reinforces a stable external monetary backdrop after the earlier tightening cycle. With euro area inflation projected to converge toward the 2% target over the medium term and policy remaining on hold for now, Lithuanian financial conditions should stay broadly supportive, helping sustain credit availability. Easing funding pressures in the euro area also reduce wholesale financing costs, supporting mortgage and corporate lending, although demand is likely to remain constrained by softer domestic growth. At the same time, profitability may stay under pressure as deposit repricing normalises faster than loan yields, keeping margins tighter than in 2023-2024. Strong capital buffers provide resilience, but this environment increases the importance of cost discipline, pricing optimisation, and greater reliance on diversified fee-based income.

Financial guiding

		2026	2027	2028
Growth	Loan Book	11%	13%	13%
	Deposits	5%	13%	12%
	Total Revenue	10%	14%	19%
	NFCI	4%	8%	15%
Efficiency	C/I Ratio	60.7%	50.1%	42.2%
	Adj. C/I Ratio ¹	53.2%	49.0%	42.2%
Profitability	RoE	10.0%	13.5%	16.9%
	Adj. RoE ²	12.0%	13.8%	16.9%
	Net Profit	€61m	€87m	€122m
	Adj. Net Profit ²	€73m	€89m	€122m
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.
				2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E			
ROE1L	Norne	560	0.93	8.3	8.5	7.7	5.1	5.7	6.5	11.0	10.1	10.7	14.9	7.4	0.97
ROE1L	Consensus*	-	-	6.9	6.2	6.0	6.1	7.3	8.2	12.0	13.4	13.0	14.9	7.0	0.95
Nordic Peers															
DNB Bank ASA	Consensus*	38 508	1.56	11.0	10.6	10.2	6.2	6.4	6.6	14.0	13.9	14.2	14.7	11.4	1.36
Svenska Handelsbanken AB	Consensus*	26 226	1.39	12.6	12.1	11.5	6.9	6.9	7.3	11.3	12.1	12.3	12.4	12.9	1.12
Nordea Bank Abp	Consensus*	54 497	1.68	11.2	10.5	9.8	6.1	6.4	6.8	15.0	15.4	15.7	14.1	11.4	1.33
Swedbank AB	Consensus*	35 785	1.68	12.6	11.7	11.1	7.1	7.1	7.2	13.5	14.3	14.7	15.1	12.9	1.25
Skandinaviska Enskilda Banken AB	Consensus*	35 794	1.60	11.6	10.6	9.9	5.1	5.4	6.1	13.7	14.3	14.5	14.9	11.8	1.39
Danske Bank A/S	Consensus*	36 119	1.45	11.2	10.5	9.8	6.9	7.1	7.4	13.0	13.4	14.0	8.8	11.0	0.92
Average			1.56	11.7	11.0	10.4	6.4	6.5	6.9	13.4	13.9	14.2	13.3	11.9	1.23
Median			1.58	11.4	10.6	10.0	6.6	6.7	7.0	13.6	14.1	14.3	14.4	11.6	1.29
Premium/discount			-41%	-27%	-19%	-23%	-1.5%p	-1.0%p	-0.5%p	-2.6%p	-4.0%p	-3.7%p	0.5%p	-36%	-25%
CEE Peers															
Alior Bank SA	Consensus*	3 412	1.12	8.2	7.5	7.3	8.2	9.2	9.6	13.5	14.0	13.9	17.8	na	1.02
LHV Group AS	Consensus*	1 179	1.56	10.6	8.0	6.7	2.2	3.1	3.6	14.1	16.2	17.1	21.4	10.2	2.36
Nova Ljubljanska Banka dd	Consensus*	4 340	1.15	8.6	8.0	7.5	6.7	7.8	9.3	13.5	13.6	13.6	16.8	8.1	0.72
Moneta Money Bank AS	Consensus*	3 924	3.07	14.4	13.6	11.8	7.1	6.6	7.6	20.8	22.1	26.6	17.3	na	1.90
mBank SA	Consensus*	9 737	1.94	10.8	9.0	8.4	3.2	4.3	5.9	17.3	17.7	17.1	3.9	na	1.48
Coop Pank AS	Consensus*	232	0.99	8.0	6.2	5.2	3.1	4.0	5.4	11.8	13.7	14.7	16.2	7.8	1.46
Bank Polska Kasa Opieki SA	Consensus*	13 086	1.58	9.9	8.9	8.2	8.0	7.8	8.7	16.1	16.8	17.4	16.5	9.9	1.26
OTP Bank Nyrt	Consensus*	26 300	1.73	8.1	7.3	6.6	3.5	4.0	4.1	19.5	19.0	18.6	19.2	na	1.14
Komercni Banka AS	Consensus*	8 793	1.68	12.1	11.3	10.7	7.2	6.4	7.2	13.7	14.2	13.9	13.1	12.6	1.31
Powszechna Kasa Oszczednosci Bai	Consensus*	25 715	1.98	10.5	8.8	8.1	7.0	7.5	8.1	17.6	19.7	20.1	13.6	10.6	1.34
Average			1.68	10.1	8.9	8.0	5.6	6.1	7.0	15.8	16.7	17.3	15.6	9.9	1.40
Median			1.63	10.2	8.4	7.8	6.9	6.5	7.4	15.1	16.5	17.1	16.7	10.0	1.32
Premium/discount			-43%	-19%	2%	-1%	-1.8%p	-0.9%p	-0.9%p	-4.1%p	-6.3%p	-6.4%p	-1.8%p	-26%	-27%
Western Europe Peers															
Deutsche Bank AG	Consensus*	51 844	0.79	8.0	7.0	6.2	4.7	5.3	6.1	9.8	10.3	10.8	6.4	8.6	0.52
Raiffeisen Bank International AG	Consensus*	12 815	0.66	5.7	5.7	5.7	4.8	5.6	5.8	10.8	10.4	9.6	12.4	6.9	0.47
Erste Group Bank AG	Consensus*	39 717	1.74	10.0	9.1	8.1	4.3	4.8	5.7	15.6	15.4	15.8	11.1	10.1	1.12
KBC Group NV	Consensus*	46 256	1.73	11.4	10.3	9.2	5.6	6.3	7.2	15.1	15.7	16.4	14.1	11.5	1.37
Commerzbank AG	Consensus*	35 516	1.14	10.5	8.8	7.4	4.5	5.5	6.4	10.5	12.1	13.4	6.0	11.4	0.62
Societe Generale SA	Consensus*	51 117	0.85	8.8	7.5	6.8	2.8	3.3	3.7	8.9	9.6	9.9	5.8	9.3	0.47
Banco Santander SA	Consensus*	144 734	1.40	9.9	8.4	7.4	2.7	4.0	5.0	13.5	14.8	15.7	11.4	10.6	0.77
ING Groep NV	Consensus*	68 395	1.37	10.1	8.6	7.5	5.1	5.8	6.8	12.8	14.3	15.5	11.4	10.5	1.02
Average			1.21	9.3	8.2	7.3	4.3	5.1	5.8	12.1	12.8	13.4	9.8	9.9	0.79
Median			1.25	9.9	8.5	7.4	4.6	5.4	6.0	11.8	13.2	14.5	11.2	10.3	0.70
Premium/discount			-26%	-16%	0%	4%	0.5%p	0.3%p	0.5%p	-0.8%p	-3.0%p	-3.8%p	3.7%p	-28%	40%
Average all peers			1.49	10.2	9.2	8.4	5.4	5.9	6.6	14.0	14.7	15.2	13.1	10.5	1.15
Median all peers			1.56	10.5	8.8	8.1	5.4	6.1	6.7	13.6	14.3	14.7	13.8	10.6	1.20
Premium/discount			-41%	-21%	-3%	-5%	-0.3%p	-0.4%p	-0.2%p	-2.6%p	-4.1%p	-4.0%p	1.1%p	-30%	-19%
* Bloomberg															

Annual financial data

Profit & Loss (EURm)	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E
Net interest income	76	81	107	157	160	138	142	154	167	178
Net commission income	16	17	19	20	29	31	32	35	40	42
Net insurance income incl. other income	3	5	12	-8	-6	0	-10	-12	-14	-20
Total income	95	103	137	169	183	170	164	178	193	200
Salaries and related expenses	23	27	31	36	50	55	57	61	66	72
Depreciation and amortization expenses	4	4	5	5	8	8	7	7	7	7
Other costs	15	17	22	31	38	49	51	52	53	53
Total costs	43	49	57	73	96	112	115	120	126	132
Core earnings before loan losses	52	55	80	96	87	58	49	57	68	68
Write-downs on loans	12	4	5	15	11	4	7	9	10	11
Core earnings	40	51	75	81	76	54	42	48	58	58
Dividends/associated companies	-	-	-	-	-	-	-	-	-	-
Net return on financial investments	13	17	5	14	20	20	27	28	30	37
One-offs	-	-	-	7	7	15	13	3	-	-
Pre tax profit	53	67	80	96	96	74	69	77	88	94
Taxes	-10	-12	-13	-20	-18	-14	-12	-13	-15	-16
Minority interest	-	-	-	-	-	-	-	-	-	-
Net profit	43	55	67	75	79	61	57	63	73	78
Adj. profit after taxes	43	55	67	81	85	73	67	66	73	78
EPS	0.07	0.09	0.11	0.12	0.12	0.09	0.09	0.10	0.11	0.12
EPS (adj.)	0.07	0.09	0.11	0.13	0.13	0.11	0.10	0.10	0.11	0.12
Profitability										
ROE (adj.)	12.7%	14.3%	16.1%	16.7%	15.0%	12.4%	11.0%	10.1%	10.7%	11.2%
ROE (reported)	12.7%	14.3%	16.1%	15.5%	14.0%	10.3%	9.3%	9.8%	10.7%	11.2%
ROA	1.4%	1.4%	1.6%	1.6%	1.6%	1.0%	0.9%	0.9%	1.0%	1.0%
RORWA	2.2%	2.6%	2.8%	3.1%	2.9%	2.1%	1.8%	1.9%	2.0%	2.0%
Core earnings ROE	11.3%	12.4%	17.0%	15.0%	13.1%	9.0%	6.6%	7.2%	8.1%	7.7%
Core earnings in % of RWA	2.1%	2.4%	3.1%	3.3%	2.8%	1.9%	1.4%	1.5%	1.6%	1.5%
Cost/Income ratio	45.0%	47.0%	41.5%	43.1%	52.3%	65.9%	70.0%	67.7%	65.0%	65.9%
Adjusted Cost/Income ratio	45.0%	47.0%	41.5%	39.2%	48.5%	57.1%	62.1%	66.3%	65.0%	65.9%
Costs in % of total assets	1.4%	1.2%	1.4%	1.5%	1.9%	1.8%	1.8%	1.7%	1.7%	1.6%
Tax rate	18.7%	17.9%	16.1%	21.3%	18.3%	18.3%	17.5%	17.5%	17.5%	17.5%
Loss ratio	0.75%	0.21%	0.21%	0.58%	0.35%	0.10%	0.18%	0.20%	0.20%	0.20%
Net interest margin	3.00%	2.99%	3.21%	4.05%	3.70%	2.58%	2.29%	2.34%	2.31%	2.29%
Operating margin	3.1%	2.6%	3.3%	3.5%	3.7%	2.8%	2.6%	2.6%	2.6%	2.5%
Pretax margin	1.7%	1.7%	1.9%	2.0%	2.0%	1.2%	1.1%	1.1%	1.2%	1.2%
Growth rates (YoY)										
Core earnings	-5%	26%	49%	8%	-6%	-29%	-22%	15%	19%	0%
EPS (adj.)	-16%	28%	22%	18%	-4%	-13%	-7%	-3%	11%	7%

Balance sheet (EURm)	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E
Cash and receivables	590	1 162	630	1 041	715	399	21	-46	-102	-122
Net lending to customers	1 606	1 909	2 392	2 645	3 118	3 714	4 126	4 554	5 027	5 335
Total securities	781	839	1 118	1 034	1 007	1 873	2 081	2 297	2 535	2 690
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	15	16	16	16	16
Other assets	36	38	26	74	67	74	74	75	75	75
Total assets	3 029	3 962	4 183	4 809	4 923	6 075	6 318	6 895	7 551	7 995
Total equity	355	406	443	543	585	603	634	669	711	752
Minority interest	-	-	-	-	-	-	-	-	-	-
Total deposits	2 575	3 377	3 470	3 733	3 604	4 158	4 370	4 824	5 325	5 651
Debt securities in issue	20	95	171	276	448	1 034	1 032	1 119	1 233	1 308
Other liabilities	79	84	98	257	285	280	281	282	283	284
Equity and liabilities	3 029	3 962	4 183	4 809	4 923	6 075	6 318	6 895	7 551	7 995
Growth of loans	6.0%	18.9%	25.3%	10.6%	17.9%	19.1%	11.1%	10.4%	10.4%	6.1%
Growth of deposits	22.2%	31.1%	2.8%	7.6%	-3.5%	15.4%	5.1%	10.4%	10.4%	6.1%
Equity ratio	11.7%	10.3%	10.6%	11.3%	11.9%	9.9%	10.0%	9.7%	9.4%	9.4%
CET1 ratio	19.6%	19.5%	18.1%	19.9%	18.9%	16.6%	17.2%	17.1%	16.9%	17.0%
Core capital (EURm)	377	410	439	485	562	521	579	621	669	717
Tier 1 ratio	19.6%	19.5%	18.1%	19.9%	20.8%	18.4%	18.8%	18.6%	18.3%	18.3%
Capital base (EURm)	397	430	459	547	660	600	657	700	748	796
Capital adequacy	20.7%	20.4%	19.0%	22.4%	24.4%	21.2%	21.4%	20.9%	20.5%	20.2%
RWA	1917	2106	2421	2439	2707	2835	3074	3341	3654	3931

Share data	2020	2021	2022	2023	2024	2025	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	0.94	0.86	0.86	0.86	0.86
Market cap (EURm)	299	457	412	459	546	615	560	560	560	560
EPS	0.07	0.09	0.11	0.12	0.12	0.09	0.09	0.10	0.11	0.12
EPS (adj.)	0.07	0.09	0.11	0.13	0.13	0.11	0.10	0.10	0.11	0.12
Book value per share (EUR)	0.59	0.68	0.74	0.82	0.88	0.92	0.97	1.03	1.09	1.15
Dividends per share (EUR)	0.005	0.034	0.027	0.049	0.059	0.047	0.044	0.049	0.056	0.060
Share buybacks per share	-	-	-	-	0.013	0.008	0.003	-	-	-
Share buybacks (EURm)	-	-	-	-	8.4	5.0	2.1	-	-	-
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%	58%	54%	50%	50%	50%

Valuation	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E
P/E	7.0	8.3	6.1	5.6	6.9	10.2	9.9	8.8	7.7	7.2
P/E (adj.)	7.0	8.3	6.1	5.2	6.5	8.5	8.3	8.5	7.7	7.2
P/B (excl. goodwill)	0.84	1.12	0.93	0.85	0.93	1.02	0.88	0.84	0.79	0.74
Dividend yield	1.1%	4.5%	3.9%	7.0%	7.2%	4.9%	5.1%	5.7%	6.5%	6.9%

Growth (YoY)	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E
Growth of loans	6.0%	18.9%	25.3%	10.6%	17.9%	19.1%	11.1%	10.4%	10.4%	6.1%
Growth of deposits	22.2%	31.1%	2.8%	7.6%	-3.5%	15.4%	5.1%	10.4%	10.4%	6.1%
EPS (adj.)	-16.5%	28.3%	22.1%	18.2%	-3.9%	-13.1%	-6.6%	-2.9%	11.1%	6.6%

Capital ratios	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E
Equity ratio	11.7%	10.3%	10.6%	11.3%	11.9%	9.9%	10.0%	9.7%	9.4%	9.4%
CET1 ratio	19.6%	19.5%	18.1%	19.9%	18.9%	16.6%	17.2%	17.1%	16.9%	17.0%
Tier 1 ratio	19.6%	19.5%	18.1%	19.9%	20.8%	18.4%	18.8%	18.6%	18.3%	18.3%
Capital adequacy	20.7%	20.4%	19.0%	22.4%	24.4%	21.2%	21.4%	20.9%	20.5%	20.2%

Profitability	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E
ROE (adj.)	12.7%	14.3%	16.1%	16.7%	15.0%	12.4%	11.0%	10.1%	10.7%	11.2%
ROE (reported)	12.7%	14.3%	16.1%	15.5%	14.0%	10.3%	9.3%	9.8%	10.7%	11.2%
ROA	1.4%	1.4%	1.6%	1.6%	1.6%	1.0%	0.9%	0.9%	1.0%	1.0%
Costs/Income ratio	45.0%	47.0%	41.5%	43.1%	52.3%	65.9%	70.0%	67.7%	65.0%	65.9%
Adjusted Costs/Income ratio	45.0%	47.0%	41.5%	39.2%	48.5%	57.1%	62.1%	66.3%	65.0%	65.9%
Costs in % of total assets	1.4%	1.2%	1.4%	1.5%	1.9%	1.8%	1.8%	1.7%	1.7%	1.6%
Loss ratio	0.75%	0.21%	0.21%	0.58%	0.35%	0.10%	0.18%	0.20%	0.20%	0.20%
Net interest margin	3.00%	2.99%	3.21%	4.05%	3.70%	2.58%	2.29%	2.34%	2.31%	2.29%

Valuation, risk and sources

Valuation range

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

Date	Valuation range (EUR/share)
12/03/2026	0.78-1.00
20/02/2026	0.94-1.17
07/11/2025	0.90-1.13
20/10/2025	0.84-1.06
05/08/2025	0.86-1.08
18/07/2025	0.86-1.08
06/05/2025	0.86-1.08
17/04/2025	0.96-1.20

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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