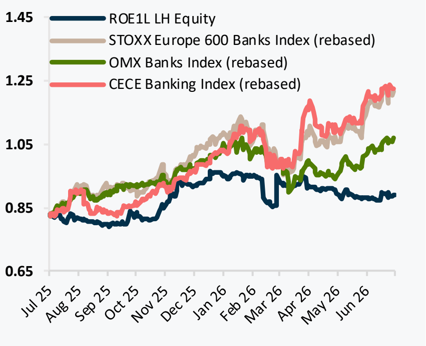
Artea Bank

Key share data

Sector	Financials
Reuters	ROE1L.VL
Bloomberg	ROE1L:LH
Market Cap (EURm)	577
Free float (EURm)	358
Issued shares, m	652
Avg. daily value traded 3M	188 814

Share price



Upcoming events

2Q26 report	July 29, 2026
3Q26 report	October 28, 2026

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

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Stable earnings, but upside remains constrained

Lithuania entered 2026 with resilient but moderating growth, while weaker external demand, higher energy prices and tighter financial conditions create a more challenging operating backdrop. Higher policy rates should support asset yields and NII, although softer credit demand, deposit competition and funding pressures are likely to limit earnings upside and near-term multiple expansion. The share has materially underperformed European and CEE banking indices, which we attribute to lower expected profitability, limited share liquidity and a lack of near-term catalysts, and it continues to trade at a substantial peer discount. We maintain our valuation range at EUR 0.86–1.08/sh. Artea Bank will report 2Q earnings on July 29th after market close.

Artea Bank's 2Q26 results:

- NII is projected at EUR 35.2m, down ~2% QoQ but up ~4% YoY, mainly supported by continued loan growth. The 25bps rate hike on 11th June is expected to have had only a limited impact in 2Q26, with a more material contribution likely from 3Q26 onwards
- NFCI is forecasted at EUR 8.0m, corresponding to growth of ~5% YoY despite a relatively demanding comparison base in 2Q25
- Total costs are projected at EUR 28.0m, ~9% higher QoQ but broadly unchanged YoY. On an adjusted basis, costs are seen at EUR 24.6m, ~4% higher YoY
- Loan write-downs are estimated at EUR 1.0m, versus EUR 0.5m in 1Q26 and EUR 1.6m in 2Q25, suggesting that asset quality remains sound
- Core earnings are forecasted at EUR 18.0m, down ~7% QoQ but up ~7% YoY, supported by stronger pre-provision earnings and lower credit losses than in 2Q25
- The CET1 ratio is expected to remain broadly stable QoQ at 18.1%
- Adjusted ROE is projected at 11.8%, unchanged from 1Q26 but somewhat below 12.3% in 2Q25.

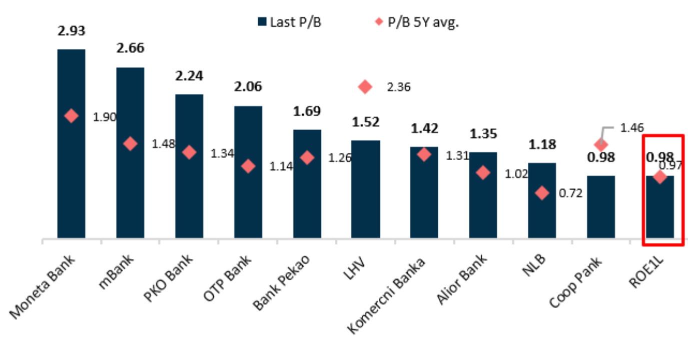
2Q/26 results EURm	2Q/25	1Q/26	2Q/26e Norne
Net interest income	**34.0**	**35.8**	**35.2**
Net commission income	7.6	7.4	8.0
Total costs	27.8	25.6	28.0
Adj. total costs	23.7	23.1	24.6
Core earnings before loan losses	**18.4**	**19.9**	**19.0**
Write-downs on loans	1.6	0.5	1.0
Core earnings	**16.9**	**19.4**	**18.0**
EPS (EUR)	**0.021**	**0.024**	**0.023**
EPS adjusted (EUR)	0.027	0.027	0.027
CET1 ratio, %	**17.7%**	**18.0%**	**18.1%**
ROE (annualised)	**9.9%**	**10.5%**	**10.0%**
Adj. ROE (annualised)	**12.3%**	**11.8%**	**11.8%**

Investment Case of Artea Bank

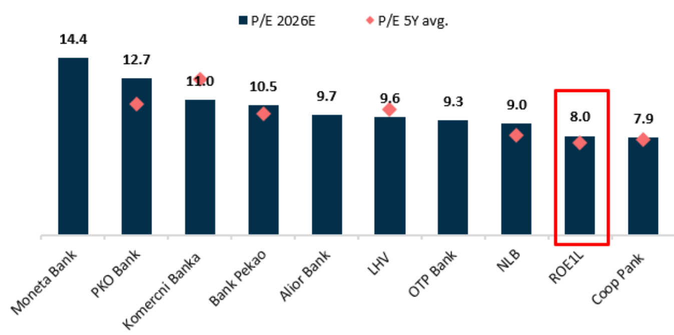
Potential triggers for the investment case

- 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

P/B: ROE1L vs peers



P/E: ROE1L vs peers



Potential downsides for the investment case

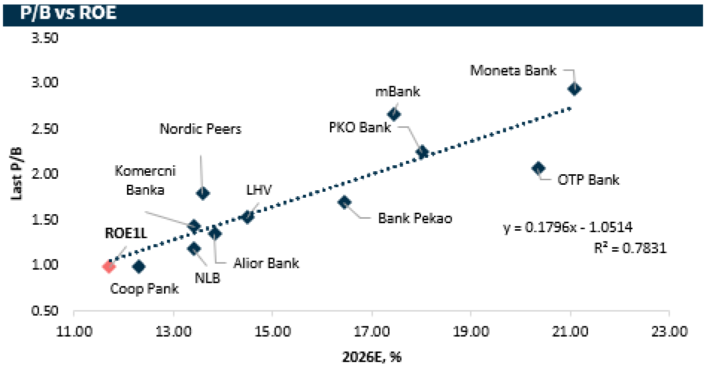
- Although the bank's targets are highly ambitious, aiming for an ROE exceeding 17%, we believe achieving this goal depends on several critical factors aligning simultaneously. These include sustained strong economic growth in Lithuania, stable asset quality without macroeconomic shocks, the successful 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/26e			2026E			2027E			2028E		
	New	Old	Change	New	Old	Change	New	Old	Change	New	Old	Change
Net interest income	**35.2**	**35.6**	**-1.2%**	**146.7**	**147.1**	**-0.2%**	**157.8**	**155.5**	**1.5%**	**168.5**	**165.5**	**1.9%**
Net commission income	8.0	7.6	6.5%	32.3	31.9	1.4%	34.5	34.1	1.2%	37.6	37.2	1.0%
Net insurance income incl. other incor	-4.1	-4.1	0.0%	-5.5	-5.5	0.0%	-9.6	-9.6	0.0%	-11.2	-11.2	0.0%
Total costs	28.0	26.9	4.0%	116.2	112.3	3.5%	115.7	114.9	0.7%	119.6	119.6	0.1%
Write-downs on loans	1.0	1.0	0.0%	4.5	4.5	0.0%	7.3	7.3	0.0%	8.0	8.0	0.0%
Core earnings	**18.0**	**19.0**	**-5.3%**	**52.9**	**56.7**	**-6.7%**	**59.7**	**57.8**	**3.3%**	**67.2**	**63.8**	**5.3%**
Pre tax profit	18.0	19.0	-5.3%	73.2	77.0	-5.0%	85.7	83.8	2.2%	94.9	91.5	3.7%
EPS (EUR)	**0.02**	**0.02**	**-5.3%**	**0.09**	**0.10**	**-5.0%**	**0.11**	**0.11**	**2.2%**	**0.12**	**0.12**	**3.7%**
EPS adjusted (EUR)	0.03	0.03	-4.5%	0.11	0.11	-1.2%	0.12	0.11	7.8%	0.12	0.12	4.4%
CET1 ratio	18.1%	18.1%	0.0%p	18.5%	18.6%	-0.1%p	18.6%	18.6%	0.0%p	18.4%	18.4%	0.0%p
Dividend per share (EUR)	-	-	-	0.05	0.05	-5.0%	0.05	0.05	2.2%	0.06	0.06	3.7%
Adj. ROE (annualised)	**11.8%**	**12.4%**	**-0.6%p**	**11.7%**	**11.8%**	**-0.1%p**	**11.8%**	**10.9%**	**0.9%p**	**11.4%**	**10.9%**	**0.5%p**

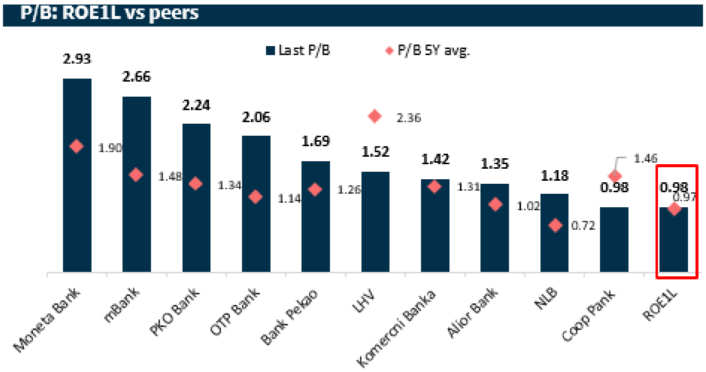
We see limited scope for a material near-term change in valuation multiples

Ahead of 2Q26, we have modestly reduced our 2026E earnings estimates, while upgrading 2027E and 2028E on stronger revenue growth. Nevertheless, we remain cautious about the scope for further NII upside. The ECB's June rate hike should support asset yields, with a more visible contribution likely from 3Q26, although softer credit demand, persistent deposit competition and continued pressure on lending margins may limit the upside. Lithuania's economy remains supported by domestic demand and public spending, but weaker external growth, elevated inflation and tighter financial conditions create a less supportive operating backdrop. The share has materially underperformed European and CEE banking indices, which we attribute to lower expected profitability, limited share liquidity and a lack of near-term catalysts. The stock therefore continues to trade at a substantial peer discount, at 0.98x 2026e P/B for an adj. 2026e ROE of 11.7%, versus peer averages of 1.66x and 14.2%, respectively. On earnings, the stock trades at 8.0x adj. 2026e P/E, compared with a peer average of 11.3x. The stock also offers a 5.2% 2026e dividend yield, against a peer average of 4.9%. Our valuation range is kept at EUR 0.86–1.08/sh. For more information on valuation calculations, please see the next pages in the report.

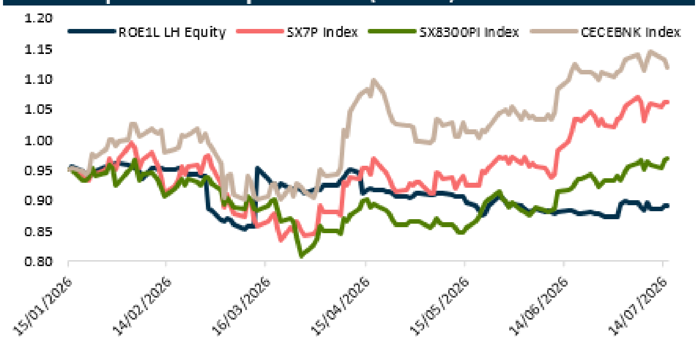
P/B vs ROE



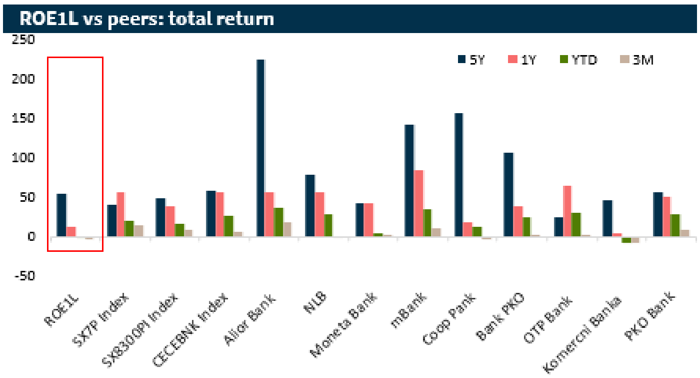
P/B: ROE1L vs peers



ROE1L vs peers: 6 month performance (rebased)



ROE1L vs peers: total return



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**	10.9%

*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)	2026E	2027E	2028E	2029E	Base year
Net profit	72	77	79	81	83
Dividends paid	30	35	39	41	42
Payout ratio (Group)	42%	46%	50%	50%	50%
Share buybacks	2.2	0.0	0.0	0.0	
PV of dividends	**28**	**30**	**30**	**28**	
Capital Adequacy ratio, %	22.9%	22.6%	22.1%	21.9%	
Capital Adequacy ratio target, %	18.3%	18.3%	18.3%	18.3%	
RWA	3 017	3 257	3 538	3 773	
Excess capital to shareholders	139	141	136	138	

Valuation (EURm)		*Share*
NPV of dividends paid, forecasted period	116	*20%*
NPV of excess capital to shareholders	105	
NPV of share buybacks	2	
NPV of dividends paid, TV	362	*62%*
Total NPV of dividends	**584**	*82%*
Number of shares (mill.)	652	
Value per share (EUR)	**0.90**	

Sensitivity (EUR/share)		Cost of equity				
		8.3%	**9.3%**	**10.3%**	**11.3%**	**12.3%**
	0.5%	0.96	0.86	0.79	0.72	0.67
Long term growth	**1.5%**	1.05	0.93	0.84	0.77	0.71
	2.5%	1.18	1.03	0.91	0.82	0.75
	3.5%	1.36	1.15	1.00	0.89	0.80

Residual Income Valuation (RIV)

Estimates (EURm)	2026E	2027E	2028E	2029E	Base year
Equity to shareholders (start of year)	637	678	720	763	763
ROE	11.7%	11.8%	11.4%	11.6%	10.9%
Cost of Equity	10.3%	10.3%	10.3%	10.3%	10.3%
Residual income	9.3	10.4	8.2	10.0	5.0
PV of residual income	8.7	8.8	6.2	6.9	

Valuation (EURm)		*Share*
Opening equity to shareholders	637	*90%*
PV of residual income, forecasted period	31	*4%*
PV of residual income, TV	44	*6%*
Total value to shareholders	**711**	*100%*
Number of shares (mill.)	652	
Value per share (EUR)	**1.09**	

Sensitivity (EUR/share)		Cost of equity				
		8.3%	**9.3%**	**10.3%**	**11.3%**	**12.3%**
	0.5%	1.28	1.17	1.08	1.00	0.93
Long term growth	**1.5%**	1.31	1.18	1.08	1.00	0.93
	2.5%	1.35	1.20	1.09	1.00	0.93
	3.5%	1.40	1.23	1.10	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	**0.81**	**0.95**	**0.80**	**0.86**
Base Case	**0.90**	**1.09**	**0.85**	**0.95**
High Case	**1.06**	**1.25**	**0.95**	**1.08**

**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	**0.90**	**1.06**	**0.90**	**0.95**
Base Case	**1.00**	**1.21**	**0.95**	**1.05**
High Case	**1.18**	**1.39**	**1.05**	**1.21**

Adj. P/E multiple under target price	DDM	RIV	Peers-based	Average
Low Case	**7.35**	**8.62**	**7.30**	**7.75**
Base Case	**8.12**	**9.88**	**7.73**	**8.58**
High Case	**9.61**	**11.32**	**8.59**	**9.84**

Our base case valuation range stands at EUR 0.85-1.09/sh. with a mid-point of EUR 0.95/sh., which values Artea Bank at P/B of 1.05x and adj. P/E of 8.58x for 2026E. 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 23%.

Lithuania's economy overview

Lithuania's growth moderated at the start of 2026, while the external backdrop weakened due to the Middle East conflict. Real GDP grew 2.6% YoY in 1Q26, slightly below the 2.9% recorded in 2025 (BoL). The slowdown was broad-based, reflecting weaker construction and real estate activity after an unusually cold winter, softer manufacturing and exports as last year's stockpiling effect faded, and higher transport costs. Business sentiment recovered in April-May after a sharp March decline, supported by inventory rebuilding, solid domestic demand and expected spending from second-pillar pension withdrawals, although weaker global indicators suggest this resilience may prove temporary.

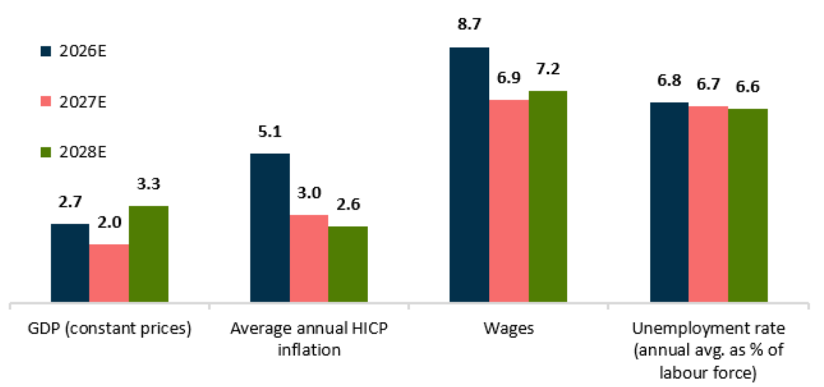
The labour market remains tight, keeping wage growth elevated. Wages rose 9.3% YoY in 1Q26, supported by skilled labour shortages, strong labour demand and an 11% increase in the minimum monthly wage (BoL). Unemployment increased by 0.5pp YoY to 7.4%, but BoL attributes this mainly to a larger working-age population and higher labour force participation rather than job losses. The increase was concentrated among young and low-skilled workers.

BoL expects real GDP growth of 2.7% in 2026, slowing to 2.0% in 2027 before recovering to 3.3% in 2028. Domestic demand should remain the main near-term driver, supported by pension withdrawals and higher public spending, particularly defence investment. External demand is expected to weigh on growth as the stockpiling impulse fades and Lithuania's trading partners face higher energy prices, supply chain risks, tighter financing conditions and geopolitical uncertainty. Growth should slow in 2027 as the pension-related consumption boost fades, before normalising in 2028.

Inflation has re-accelerated sharply, mainly due to energy. Annual inflation rose from 2.8% at the start of the year to 5.1% in May, driven by higher oil and fuel prices, which also lifted passenger transport costs (BoL). Underlying pressures appear more contained, as producer and imported consumer goods prices remain below year-earlier levels. BoL forecasts average inflation of 5.1% in 2026, easing to 3.0% in 2027 and 2.6% in 2028. Higher indirect taxes and stronger demand from pension withdrawals should also add to inflation, with the latter estimated to contribute around 0.2pp.

The main risk is the duration and intensity of the Middle East conflict. BoL's baseline assumes an average oil price of USD 85/bbl over 2026-2028. A milder scenario would reduce cumulative inflation by 0.8pp and lift GDP growth by 0.2pp, while an adverse scenario would raise inflation by 1.7pp and lower growth by 0.2pp. In a severe scenario, with oil at USD 129/bbl, inflation would be 4.3pp higher and GDP growth 0.9pp lower than in the baseline.

Lithuania's macroeconomic projections (annual % change)



Data source: Bank of Lithuania

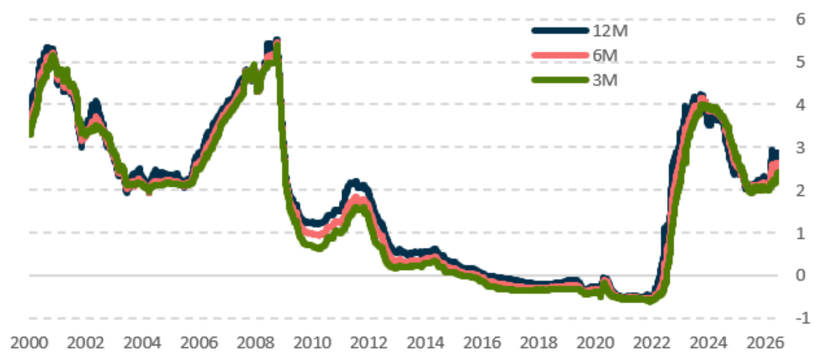
On 11 June 2026, the ECB's Governing Council raised all three key policy rates by 25bps, lifting the deposit facility rate to 2.25%, the main refinancing rate to 2.40% and the marginal lending facility to 2.65%, effective 17 June (ECB). The move marked a clear shift from the March pause, as the Middle East war intensified inflation pressures through higher energy prices and broader pass-through risks. Eurosystem staff now forecast headline inflation of 3.0% in 2026, 2.3% in 2027 and 2.0% in 2028, while core inflation is projected at 2.5% in 2026-2027 before easing to 2.2% in 2028. The 2026-2027 inflation outlook was revised higher mainly due to higher energy prices and indirect spillovers. The growth outlook has weakened further. Euro area GDP is now projected to grow only 0.8% in 2026, 1.2% in 2027 and 1.5% in 2028, with the 2026-2027 forecasts revised down as the war weighs on commodity markets, real incomes and confidence (ECB). The outlook therefore points to a more stagflationary mix, with inflation remaining above target for longer and growth weakening. While the ECB remains data-dependent and has not committed to a specific rate path, the June hike shows it is prepared to act if the inflation shock threatens the medium-term target.

Market pricing has adjusted accordingly. The July meeting remains priced as a near-certain hold, while the OIS-implied path points to ~40bps of cumulative tightening by end-2026, equivalent to ~1.6 hikes. The first 25bps increase is almost fully priced by September, with the implied rate rising to ~2.4%, while a second hike is increasingly priced by year-end, taking the rate to ~2.6%. The implied rate reaches ~2.7% by June 2027, suggesting markets expect a moderate but persistent tightening cycle despite the weaker growth backdrop.

Region: Eurozone »		Instrument: Overnight Index Swaps »	
Target Rate	2.2500	Pricing Date	07/15/2026
Effective Rate	2.1840	Cur. Imp. O/N Rate	2.185

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
07/23/2026	+0.066	+6.6%	+0.017	2.201	0.250
09/10/2026	+0.934	+86.8%	+0.233	2.418	0.250
10/29/2026	+1.238	+30.5%	+0.310	2.494	0.250
12/17/2026	+1.624	+38.5%	+0.406	2.591	0.250
02/04/2027	+1.780	+15.7%	+0.445	2.630	0.250
03/18/2027	+1.989	+20.8%	+0.497	2.682	0.250
04/29/2027	+2.085	+9.6%	+0.521	2.706	0.250
06/10/2027	+2.101	+1.6%	+0.525	2.710	0.250

Euribor benchmark 3m, 6m, 12m rates



Source: Bloomberg

For Lithuania, the June ECB update implies restrictive financial conditions will persist for longer. The 25bps hike and higher euro area inflation path make near-term rate relief unlikely despite weaker growth (ECB). For Lithuanian banks, this should keep loan yields elevated and support net interest income, although the benefit will be increasingly offset by softer credit demand, deposit competition and limited scope for further margin expansion. A key risk is a further slowdown in lending. Higher financing costs, weaker euro area activity and geopolitical uncertainty are likely to weigh on mortgages and rate-sensitive corporate lending, particularly in sectors exposed to external demand and energy prices. Funding costs are also unlikely to fall materially, keeping deposit pricing competitive.

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	P/B	P/E			Dividend Yield, %			ROE, %			ROE, %	P/E	P/B
		Cap.		2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	5Y avg.	5Y avg.	5Y avg.
ROE1L	**Norne**	**577**	**0.98**	**8.0**	**7.5**	**7.3**	**5.2**	**6.1**	**6.8**	**11.7**	**11.8**	**11.4**	**14.9**	**7.4**	**0.97**
ROE1L	Consensus*	-	-	8.3	6.9	5.6	5.6	7.5	9.3	10.7	12.7	14.3	14.9	7.0	0.95
Nordic Peers															
DNB Bank ASA	Consensus*	38 675	1.67	11.1	10.6	10.1	6.2	6.4	6.6	14.1	14.4	14.4	14.7	11.4	1.36
Svenska Handelsbanken AB	Consensus*	25 215	1.49	12.2	11.7	11.2	7.4	7.0	7.3	11.7	12.2	12.5	12.4	12.9	1.12
Nordea Bank Abp	Consensus*	57 609	1.84	11.8	11.0	10.3	5.7	6.0	6.3	15.0	15.8	16.1	14.1	11.4	1.33
Swedbank AB	Consensus*	37 677	2.07	13.5	12.3	11.6	6.4	6.6	6.9	13.6	15.0	15.3	15.1	12.9	1.25
Skandinaviska Enskilda Banken AB	Consensus*	38 776	1.86	13.5	12.1	11.2	4.6	4.9	5.3	13.6	14.5	14.8	14.9	11.8	1.39
Danske Bank A/S	Consensus*	40 248	1.79	12.5	11.6	10.8	6.9	6.5	6.9	13.4	14.1	14.6	8.8	11.0	0.92
Average			**1.79**	**12.4**	**11.5**	**10.9**	**6.2**	**6.3**	**6.5**	**13.6**	**14.3**	**14.6**	**13.3**	**11.9**	**1.23**
Median			**1.82**	**12.3**	**11.6**	**11.0**	**6.3**	**6.5**	**6.7**	**13.6**	**14.5**	**14.7**	**14.4**	**11.6**	**1.29**
Premium/discount			*-46%*	*-35%*	*-35%*	*-34%*	*-1.1%p*	*-0.3%p*	*0.1%p*	*-1.9%p*	*-2.7%p*	*-3.3%p*	*0.5%p*	*-36%*	*-25%*
CEE Peers															
Alior Bank SA	Consensus*	4 087	1.35	9.7	8.6	8.1	6.5	7.6	8.2	13.8	14.6	14.6	17.8	na	1.02
LHV Group AS	Consensus*	1 098	1.52	9.6	7.5	6.2	3.7	4.6	5.7	14.5	16.7	17.8	21.4	10.2	2.36
Nova Ljubljanska Banka dd	Consensus*	4 580	1.18	9.0	8.1	7.3	6.2	7.0	7.4	13.4	14.1	14.6	16.8	8.1	0.72
Moneta Money Bank AS	Consensus*	3 970	2.93	14.4	13.3	12.1	7.0	7.5	7.8	21.1	21.8	23.8	17.3	na	1.90
mBank SA	Consensus*	13 721	2.66	13.9	11.8	10.6	1.9	3.2	5.6	17.4	18.8	18.3	3.9	na	1.48
Coop Pank AS	Consensus*	240	0.98	7.9	6.4	5.2	3.0	3.9	4.3	12.3	13.7	14.7	16.2	7.8	1.46
Bank Polska Kasa Opieki SA	Consensus*	14 037	1.69	10.5	9.2	8.6	7.1	7.4	7.9	16.5	17.9	18.1	16.5	9.9	1.26
OTP Bank Nyrt	Consensus*	34 867	2.06	9.3	8.5	7.6	2.9	3.4	3.6	20.4	19.3	18.7	19.2	na	1.14
Komercni Banka AS	Consensus*	7 743	1.42	11.0	10.3	9.8	8.4	7.2	7.3	13.4	14.1	14.2	13.1	12.6	1.31
Powszechna Kasa Oszczednosci Ba	Consensus*	31 025	2.24	12.7	10.4	9.4	5.7	6.6	7.0	18.0	19.8	20.4	13.6	10.6	1.34
Average			**1.80**	**10.8**	**9.4**	**8.5**	**5.2**	**5.8**	**6.5**	**16.1**	**17.1**	**17.5**	**15.6**	**9.9**	**1.40**
Median			**1.61**	**10.1**	**8.9**	**8.3**	**5.9**	**6.8**	**7.2**	**15.5**	**17.3**	**17.9**	**16.7**	**10.0**	**1.32**
Premium/discount			*-39%*	*-21%*	*-16%*	*-12%*	*-0.7%p*	*-0.7%p*	*-0.4%p*	*-3.8%p*	*-5.5%p*	*-6.6%p*	*-1.8%p*	*-26%*	*-27%*
Western Europe Peers															
Deutsche Bank AG	Consensus*	60 451	0.90	9.6	8.3	7.3	3.8	4.3	4.7	9.6	10.3	11.1	6.4	8.6	0.52
Raiffeisen Bank International AG	Consensus*	17 927	0.90	9.5	8.6	7.8	3.2	4.1	4.9	10.6	10.2	10.1	12.4	6.9	0.47
Erste Group Bank AG	Consensus*	46 799	1.94	11.4	10.4	9.3	3.7	4.4	4.9	16.3	16.2	16.5	11.1	10.1	1.12
KBC Group NV	Consensus*	50 475	1.87	12.4	11.0	10.0	5.1	5.9	6.6	15.0	15.8	16.5	14.1	11.5	1.37
Commerzbank AG	Consensus*	40 824	1.34	12.2	10.0	8.3	4.0	5.0	6.0	10.9	12.3	14.2	6.0	11.4	0.62
Societe Generale SA	Consensus*	56 224	0.79	9.8	8.5	7.4	2.6	3.0	3.4	8.9	9.4	10.1	5.8	9.3	0.47
Banco Santander SA	Consensus*	174 245	1.61	11.6	9.8	8.5	2.3	3.5	4.4	13.4	14.8	15.7	11.4	10.6	0.77
ING Groep NV	Consensus*	82 234	1.62	11.9	10.3	9.0	4.4	5.0	5.7	13.6	15.0	15.8	11.4	10.5	1.02
Average			**1.37**	**11.1**	**9.6**	**8.5**	**3.6**	**4.4**	**5.1**	**12.3**	**13.0**	**13.8**	**9.8**	**9.9**	**0.79**
Median			**1.47**	**11.5**	**9.9**	**8.4**	**3.7**	**4.4**	**4.9**	**12.1**	**13.6**	**15.0**	**11.2**	**10.3**	**0.70**
Premium/discount			*-33%*	*-30%*	*-24%*	*-13%*	*1.5%p*	*1.8%p*	*1.9%p*	*-0.4%p*	*-1.8%p*	*-3.6%p*	*3.7%p*	*-28%*	*40%*
Average all peers			**1.66**	**11.3**	**10.0**	**9.1**	**4.9**	**5.5**	**6.0**	**14.2**	**15.0**	**15.5**	**13.1**	**10.5**	**1.15**
Median all peers			**1.64**	**11.5**	**10.3**	**9.2**	**4.9**	**5.5**	**6.2**	**13.6**	**14.7**	**15.1**	**13.8**	**10.6**	**1.20**
Premium/discount			*-40%*	*-30%*	*-27%*	*-20%*	*0.3%p*	*0.7%p*	*0.6%p*	*-1.9%p*	*-2.9%p*	*-3.7%p*	*1.1%p*	*-30%*	*-19%*

** Bloomberg*

Annual financial data

Profit & Loss (EURm)	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Net interest income	76	81	107	157	160	138	147	158	169
Net commission income	16	17	19	20	29	31	32	35	38
Net insurance income incl. other income	3	5	12	-8	-6	0	-5	-10	-11
Total income	**95**	**103**	**137**	**169**	**183**	**170**	**174**	**183**	**195**
Salaries and related expenses	23	27	31	36	50	55	58	62	67
Depreciation and amortization expenses	4	4	5	5	8	8	7	7	7
Other costs	15	17	22	31	38	49	52	47	46
Total costs	**43**	**49**	**57**	**73**	**96**	**112**	**116**	**116**	**120**
Core earnings before loan losses	52	55	80	96	87	58	57	67	75
Write-downs on loans	12	4	5	15	11	4	4	7	8
Core earnings	**40**	**51**	**75**	**81**	**76**	**54**	**53**	**60**	**67**
Dividends/associated companies	-	-	-	-	-	-	-0	-	-
Net return on financial investments	13	17	5	14	20	20	20	26	28
One-offs	-	-	-	7	7	15	15	7	0.6
Pre tax profit	**53**	**67**	**80**	**96**	**96**	**74**	**73**	**86**	**95**
Taxes	-10	-12	-13	-20	-18	-14	-13	-15	-17
Minority interest	-	-	-	-	-	-	-	-	-
Net profit	**43**	**55**	**67**	**75**	**79**	**61**	**60**	**71**	**78**
Adj. profit after taxes	43	55	67	81	85	73	72	77	79
EPS	**0.07**	**0.09**	**0.11**	**0.12**	**0.12**	**0.09**	**0.09**	**0.11**	**0.12**
EPS (adj.)	**0.07**	**0.09**	**0.11**	**0.13**	**0.13**	**0.11**	**0.11**	**0.12**	**0.12**
Profitability									
ROE (adj.)	**12.7%**	**14.3%**	**16.1%**	**16.7%**	**15.0%**	**12.4%**	**11.7%**	**11.8%**	**11.4%**
ROE (reported)	**12.7%**	**14.3%**	**16.1%**	**15.5%**	**14.0%**	**10.3%**	**9.7%**	**10.9%**	**11.3%**
ROA	1.4%	1.4%	1.6%	1.6%	1.6%	1.0%	1.0%	1.0%	1.0%
RORWA	2.2%	2.6%	2.8%	3.1%	2.9%	2.1%	2.0%	2.2%	2.2%
Core earnings ROE	11.3%	12.4%	17.0%	15.0%	13.1%	9.0%	8.3%	8.8%	9.3%
Core earnings in % of RWA	2.1%	2.4%	3.1%	3.3%	2.8%	1.9%	1.8%	1.8%	1.9%
Cost/Income ratio	45.0%	47.0%	41.5%	43.1%	52.3%	65.9%	67.0%	63.3%	61.4%
Adjusted Cost/Income ratio	**45.0%**	**47.0%**	**41.5%**	**39.2%**	**48.5%**	**57.1%**	**58.4%**	**59.3%**	**61.1%**
Costs in % of total assets	1.4%	1.2%	1.4%	1.5%	1.9%	1.8%	1.8%	1.7%	1.6%
Tax rate	18.7%	17.9%	16.1%	21.3%	18.3%	18.3%	18.3%	17.5%	17.5%
Loss ratio	0.75%	0.21%	0.21%	0.58%	0.35%	0.10%	0.11%	0.17%	0.17%
Net interest margin	**3.00%**	**2.99%**	**3.21%**	**4.05%**	**3.70%**	**2.58%**	**2.37%**	**2.39%**	**2.30%**
Operating margin	3.1%	2.6%	3.3%	3.5%	3.7%	2.8%	2.8%	2.6%	2.5%
Pretax margin	1.7%	1.7%	1.9%	2.0%	2.0%	1.2%	1.2%	1.2%	1.2%
Growth rates (YoY)									
Core earnings	-5%	26%	49%	8%	-6%	-29%	-2%	13%	13%
EPS (adj.)	-16%	28%	22%	18%	-4%	-13%	0%	7%	2%

Share data	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Shares outstanding, year end (mill.)	601	601	601	663	663	652	652	652	652
Share price, year end (EUR)	0.50	0.76	0.69	0.69	0.82	0.94	0.89	0.89	0.89
Market cap (EURm)	299	457	412	459	546	615	577	577	577
EPS	0.07	0.09	0.11	0.12	0.12	0.09	0.09	0.11	0.12
EPS (adj.)	**0.07**	**0.09**	**0.11**	**0.13**	**0.13**	**0.11**	**0.11**	**0.12**	**0.12**
Book value per share (EUR)	0.59	0.68	0.74	0.82	0.88	0.92	0.98	1.04	1.10
Dividends per share (EUR)	0.005	0.034	0.027	0.049	0.059	0.047	0.046	0.054	0.060
Share buybacks per share	-	-	-	-	0.013	0.008	0.003	-	-
Share buybacks (EURm)	-	-	-	-	8.4	5.0	2.2	-	-
Dividend payout ratio (Group)	8%	37%	24%	43%	50%	50%	50%	50%	50%
Total Dividend payout ratio (incl. buybacks)	8%	37%	24%	43%	61%	58%	54%	50%	50%

Valuation	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
P/E	7.0	8.3	6.1	5.6	6.9	10.2	9.7	8.2	7.4
P/E (adj.)	7.0	8.3	6.1	5.2	6.5	8.5	8.0	7.5	7.3
P/B (excl. goodwill)	0.84	1.12	0.93	0.85	0.93	1.02	0.91	0.85	0.80
Dividend yield	1.1%	4.5%	3.9%	7.0%	7.2%	4.9%	5.2%	6.1%	6.8%

Growth (YoY)	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Growth of loans	6.0%	18.9%	25.3%	10.6%	17.9%	19.1%	7.0%	10.2%	10.3%
Growth of deposits	22.2%	31.1%	2.8%	7.6%	-3.5%	15.4%	2.8%	12.4%	12.4%
EPS (adj.)	-16.5%	28.3%	22.1%	18.2%	-3.9%	-13.1%	-0.5%	6.8%	2.5%

Capital ratios	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Equity ratio	11.7%	10.3%	10.6%	11.3%	11.9%	9.9%	10.1%	9.8%	9.4%
CET1 ratio	**19.6%**	**19.5%**	**18.1%**	**19.9%**	**18.9%**	**18.9%**	**18.5%**	**18.6%**	**18.4%**
Tier 1 ratio	19.6%	19.5%	18.1%	19.9%	20.8%	20.7%	20.2%	20.2%	19.9%
Capital adequacy	20.7%	20.4%	19.0%	22.4%	24.4%	23.4%	22.9%	22.6%	22.1%

Profitability	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
ROE (adj.)	**12.7%**	**14.3%**	**16.1%**	**16.7%**	**15.0%**	**12.4%**	**11.7%**	**11.8%**	**11.4%**
ROE (reported)	**12.7%**	**14.3%**	**16.1%**	**15.5%**	**14.0%**	**10.3%**	**9.7%**	**10.9%**	**11.3%**
ROA	1.4%	1.4%	1.6%	1.6%	1.6%	1.0%	1.0%	1.0%	1.0%
Costs/Income ratio	45.0%	47.0%	41.5%	43.1%	52.3%	65.9%	67.0%	63.3%	61.4%
Adjusted Costs/Income ratio	45.0%	47.0%	41.5%	39.2%	48.5%	57.1%	58.4%	59.3%	61.1%
Costs in % of total assets	1.4%	1.2%	1.4%	1.5%	1.9%	1.8%	1.8%	1.7%	1.6%
Loss ratio	0.75%	0.21%	0.21%	0.58%	0.35%	0.10%	0.11%	0.17%	0.17%
Net interest margin	**3.00%**	**2.99%**	**3.21%**	**4.05%**	**3.70%**	**2.58%**	**2.37%**	**2.39%**	**2.30%**

Valuation, risk and sources

Valuation range

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

Date	Valuation range (EUR/share)
17/07/2026	0.86-1.08
28/04/2026	0.86-1.08
20/04/2026	0.78-1.00
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

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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