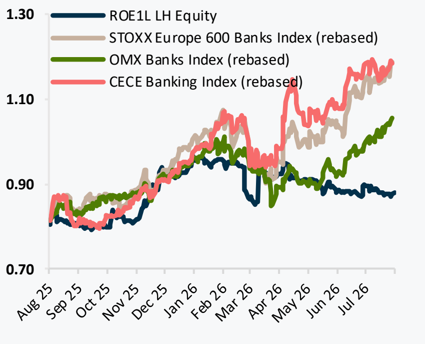
Artea Bank

Key share data

Sector	Financials
Reuters	ROE1L.VL
Bloomberg	ROE1L:LH
Market Cap (EURm)	575
Free float (EURm)	354
Issued shares, m	652
Avg. daily value traded 3M	201 933

Share price



Upcoming events

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

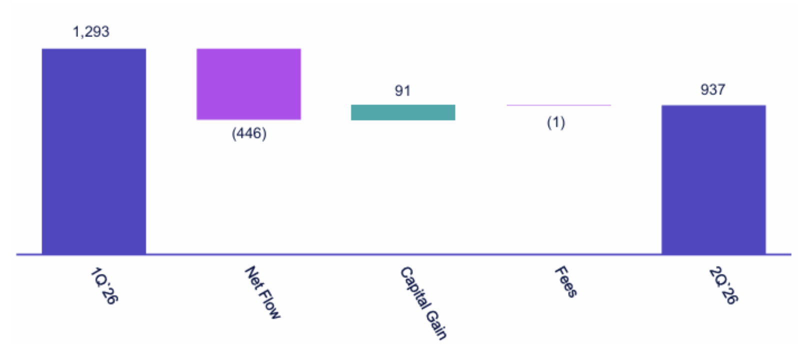
Pillar II outflows past their peak, but pressure expected to linger

Artea Bank's 2Q26 results were mixed, with stronger-than-expected income and well-controlled costs offset by a sizeable Pillar II-related impairment charge. Reported profitability therefore fell short of our expectations, while strong loan growth weighed on capital ratios. Underlying asset quality nevertheless remained robust. We expect Pillar II headwinds to ease from 3Q26, although some fee pressure and volatility are likely to persist through 2027. Part of the withdrawn funds may remain as bank deposits or support spending, partly offsetting the impact through higher liquidity and card income. As the post-2Q26 estimate revisions broadly offset each other, the valuation impact is negligible, and we maintain our valuation range at EUR 0.86–1.08/sh.

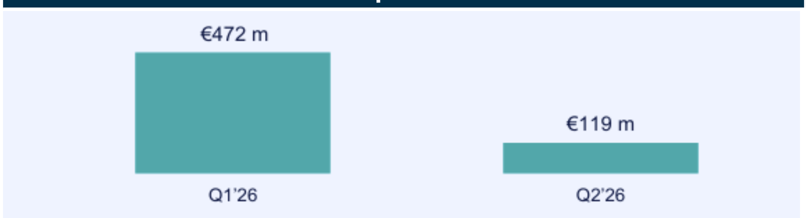
Artea Bank's 2Q26 results:

- NII increased by ~3% QoQ and ~8% YoY to EUR 36.7m, coming in 4.5% above our estimate. NIM improved by ~5bps QoQ to ~2.4%, mainly reflecting a similar decline in funding costs
- The loan book expanded by ~6% QoQ after remaining broadly flat in 1Q26. Corporate lending grew by ~7.8% QoQ, while retail volumes increased by ~2.6%. The bank noted that consumer lending was affected by elevated early repayments following the release of Pillar II pension funds
- NFCI increased by ~13% YoY and exceeded our estimate by ~7%, driven mainly by capital markets and daily banking. Pension and investment fund management income declined by ~5% YoY and ~16% QoQ, as reform-related withdrawals weighed on AuM and the broader asset management business despite solid fund performance

Asset Management Pillar 2 AuM Development, EURm



Artea Pillar 2 AuM Withdrawal Requests 1H26



Source: Artea Bank

- Total costs were broadly flat YoY and in line with our estimate, while adjusted costs increased by ~2% YoY, also matching our expectations
- The bank recognised a gross non-cash impairment charge of around EUR 10.0m related to the Pillar II reform. A tax benefit of approximately EUR 1.7m reduced the net after-tax impact to EUR 8.2m
- Excluding the Pillar II impairment, the bank recorded net loan loss reversals of EUR 0.2m, compared with charges of EUR 0.5m in 1Q26 and EUR 1.6m in 2Q25, and our EUR 1.0m estimate
- Stage 3 exposure declined by around 24bps QoQ to 1.89% of total exposure, indicating that underlying asset quality remained resilient in 2Q26
- The consolidated CET1 ratio declined by 70bps QoQ to 17.3%, likely reflecting strong loan book growth
- Adjusted for one-off costs and the Pillar II impairment, annualised ROE reached 12.7%, around 90bps above our estimate and up from 12.3% in 2Q25.

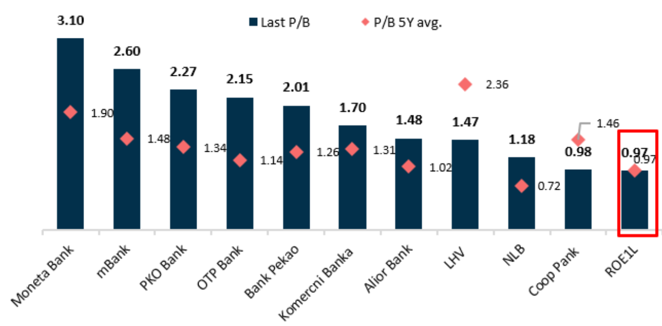
2Q/26 results EURm	2Q/25	1Q/26	2Q/26 Reported	2Q/26e Norne	Deviation
Net interest income	**34.0**	**35.8**	**36.7**	**35.2**	**4.5%**
Net commission income	7.6	7.4	8.6	8.0	7.1%
Total costs	27.8	25.6	27.7	28.0	-0.9%
Adj. total costs	23.7	23.1	24.1	24.6	-2.0%
Core earnings before loan losses	**18.4**	**19.9**	**20.6**	**19.0**	**8.0%**
Write-downs on loans*	1.6	0.5	-0.2	1.0	nm
Core earnings	**16.9**	**19.4**	**10.7**	**18.0**	**-40.5%**
EPS (EUR)	**0.021**	**0.024**	**0.012**	**0.023**	**-47.8%**
EPS adjusted (EUR)	0.027	0.027	0.029	0.027	6.7%
CET1 ratio, %	**17.7%**	**18.0%**	**17.3%**	**18.1%**	**-0.7%p**
ROE (annualised)	**9.9%**	**10.5%**	**5.2%**	**10.0%**	**-4.7%p**
Adj. ROE (annualised)	**12.3%**	**11.8%**	**12.7%**	**11.8%**	**0.9%p**

**Adjusted for Pillar 2 impairment charge*

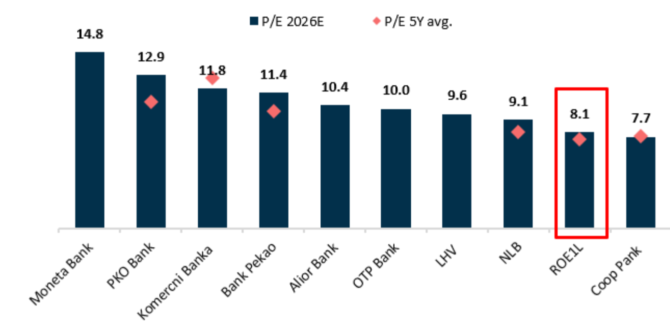
Potential triggers for the investment case

- Profitable loan growth above the market could support further market-share gains and strengthen the bank's earnings base
- Successful implementation of the new core banking platform could enhance customer experience, improve operating efficiency and strengthen cross-selling opportunities, although the benefits may take time to materialise
- The establishment and scaling of a new renovation financing initiative could support fee income
- Tesonet Global's plan to raise its stake in Artea Bank from 9.86% to up to 31.68%, with future purchases priced at 1.2x book value and a potential path toward control, signals confidence in the bank's valuation and could accelerate its digital transformation and long-term strategic development
- An improving geopolitical backdrop could strengthen investor confidence in the CEE region and support a narrowing of valuation discount to European peers

P/B: ROE1L vs peers



P/E: ROE1L vs peers



Potential downsides for the investment case

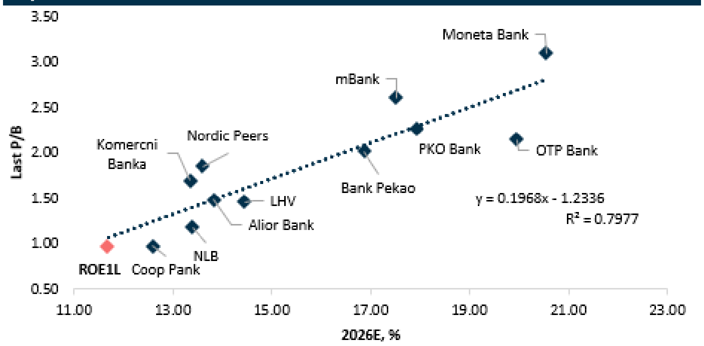
- An adverse geopolitical or political backdrop could weigh on economic activity, investor sentiment and financial-market conditions in Lithuania
- An economic downturn could weaken credit demand, increase NPLs and credit losses, and reduce transaction activity and demand for fee-generating investment and insurance products
- A downturn in the real estate and construction markets could weaken borrowers' financial positions, reduce transaction volumes and lower the value and liquidity of collateral
- A sharper-than-expected decline in interest rates could compress lending–deposit spreads if asset yields reprice faster than funding costs, weighing on NIM and the NII outlook
- Tighter capital, countercyclical buffer or Pillar 2 requirements could constrain lending growth and shareholder distributions, while higher MREL requirements could increase funding needs and costs. Insufficient capital buffers could ultimately require greater earnings retention or additional capital
- Management transition, delays or cost overruns related to the core banking system migration could increase execution and operational risk
- Achieving the bank's long-term ROE target of above 17% depends on several factors aligning, including sustained economic growth, stable asset quality, successful implementation of the new core banking platform, supportive interest-rate conditions and profitable market-share gains. As several of these factors are beyond management's control, the target may prove difficult to achieve

Estimate changes (EURm)	3Q/26e			2026E			2027E			2028E		
	New	Old	Change	New	Old	Change	New	Old	Change	New	Old	Change
Net interest income	**38.8**	**37.4**	**3.7%**	**151.0**	**146.7**	**2.9%**	**163.9**	**157.8**	**3.9%**	**173.2**	**168.5**	**2.8%**
Net commission income	8.1	8.2	-0.1%	32.1	32.3	-0.7%	33.4	34.5	-3.2%	35.3	37.6	-6.1%
Net insurance income incl. other incon	-2.7	-3.2	nm	1.4	-5.5	nm	-6.6	-9.6	nm	-7.4	-11.2	nm
Total costs	29.7	29.5	0.6%	116.3	116.2	0.1%	117.5	115.7	1.5%	121.4	119.6	1.5%
Write-downs on loans	1.3	0.8	65.6%	16.9	4.5	278.6%	7.7	7.3	5.5%	8.3	8.0	3.7%
Core earnings	**19.9**	**19.2**	**3.5%**	**51.3**	**52.9**	**-3.1%**	**65.5**	**59.7**	**9.7%**	**71.4**	**67.2**	**6.2%**
Pre tax profit	19.9	19.2	3.5%	63.7	73.2	-12.9%	88.8	85.7	3.5%	95.4	94.9	0.5%
EPS (EUR)	**0.03**	**0.02**	**3.5%**	**0.08**	**0.09**	**-14.9%**	**0.11**	**0.11**	**3.5%**	**0.12**	**0.12**	**0.5%**
EPS adjusted (EUR)	0.03	0.03	1.7%	0.11	0.11	-1.3%	0.12	0.12	3.2%	0.12	0.12	0.5%
CET1 ratio	17.2%	18.2%	-1.0%p	17.5%	18.5%	-1.1%p	17.6%	18.6%	-1.0%p	17.6%	18.4%	-0.8%p
Dividend per share (EUR)	-	-	-	0.04	0.05	-14.9%	0.06	0.05	3.5%	0.06	0.06	0.5%
Adj. ROE (annualised)	**13.1%**	**12.8%**	**0.3%p**	**11.7%**	**11.7%**	**0.0%p**	**12.2%**	**11.8%**	**0.4%p**	**11.5%**	**11.4%**	**0.1%p**

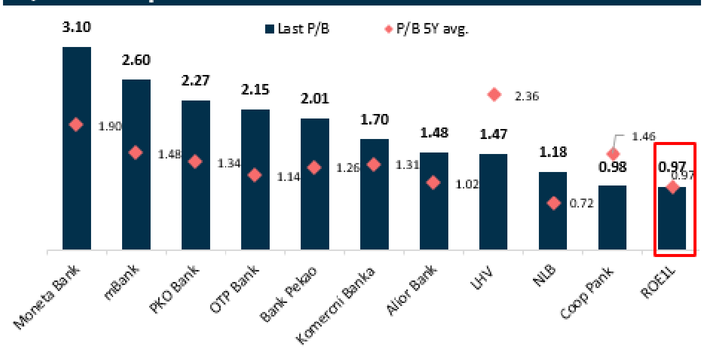
Cost and margin optimisation in focus as Pillar II headwinds recede through 2027

Following 2Q26, we raised our NII forecasts for 2026–2028, primarily reflecting stronger loan growth, slightly lower funding costs and the bank's continued optimisation of its funding structure, which should support better-than-expected margin development. We trimmed our commission income assumptions, as the Pillar II reform has reduced pension AuM and the related fee base, although the most significant withdrawal effects should fade over the coming quarters. The withdrawal wave was heavily front-loaded, with standard exit applications falling to 104.5k participants, or 7.2% of the opening participant base, from 35.6% in 1Q26 (LIPFA). As applications submitted in 2Q26 were paid in July, the impact should remain visible but materially smaller in 3Q26 before easing further from 4Q26. Some withdrawn funds may remain as bank deposits or support spending, partly offsetting lower pension AuM through deposit and card income. Residual volatility is nevertheless likely through 2027, as unrestricted exits remain available until year-end (SADM). 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 0.97x 2026e P/B for an adj. 2026e ROE of 11.7%, versus peer averages of 1.76x and 14.2%, respectively. On earnings, the stock trades at 8.1x adj. 2026e P/E, compared with a peer average of 11.7x. The stock also offers a 4.4% 2026e dividend yield, against a peer average of 4.8%. 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.

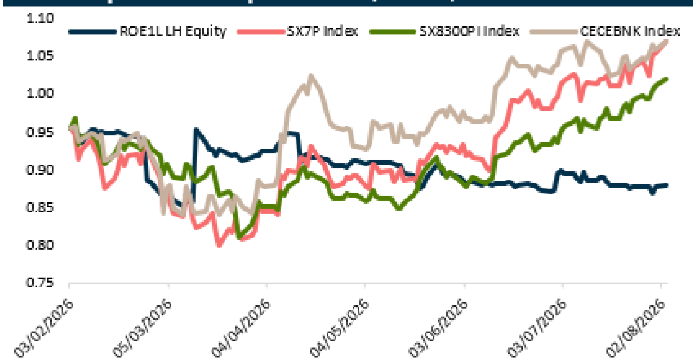
P/B vs ROE



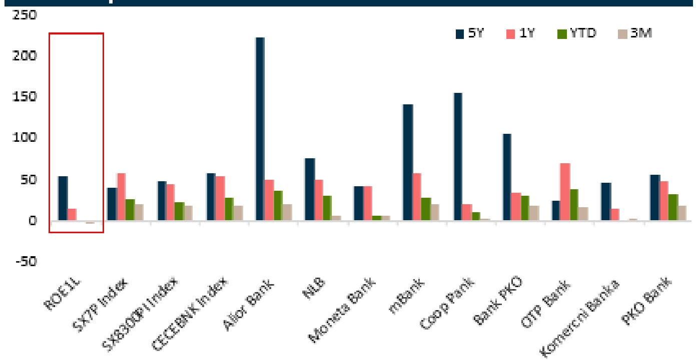
P/B: ROE1L vs peers



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**	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)	2026E	2027E	2028E	2029E	Base year
Net profit	71	79	79	83	85
Dividends paid	25	37	39	41	42
Payout ratio (Group)	36%	46%	50%	50%	50%
Share buybacks	2.2	0.0	0.0	0.0	
PV of dividends	**24**	**32**	**31**	**29**	
Capital Adequacy ratio, %	21.4%	21.3%	21.0%	20.4%	
Capital Adequacy ratio target, %	18.3%	18.3%	18.3%	18.3%	
RWA	3 157	3 440	3 703	4 027	
Excess capital to shareholders	100	104	101	87	

Valuation (EURm)		*Share*
NPV of dividends paid, forecasted period	116	*21%*
NPV of excess capital to shareholders	68	
NPV of share buybacks	2	
NPV of dividends paid, TV	378	*67%*
Total NPV of dividends	**564**	*88%*
Number of shares (mill.)	652	
Value per share (EUR)	**0.86**	

Sensitivity (EUR/share)		Cost of equity				
		8.3%	**9.3%**	**10.3%**	**11.3%**	**12.3%**
	0.5%	0.92	0.82	0.75	0.69	0.64
Long term	**1.5%**	1.02	0.90	0.81	0.73	0.67
growth	**2.5%**	1.15	1.00	0.88	0.79	0.72
	3.5%	1.34	1.13	0.97	0.86	0.77

Residual Income Valuation (RIV)

Estimates (EURm)	2026E	2027E	2028E	2029E	Base year
Equity to shareholders (start of year)	628	676	718	761	761
ROE	11.7%	12.2%	11.5%	11.8%	11.0%
Cost of Equity	10.3%	10.3%	10.3%	10.3%	10.3%
Residual income	9.0	13.2	8.9	12.0	6.0
PV of residual income	8.6	11.4	7.0	8.5	

Valuation (EURm)		*Share*
Opening equity to shareholders	628	*88%*
PV of residual income, forecasted period	36	*5%*
PV of residual income, TV	53	*7%*
Total value to shareholders	**717**	*100%*
Number of shares (mill.)	652	
Value per share (EUR)	**1.10**	

Sensitivity (EUR/share)		Cost of equity				
		8.3%	**9.3%**	**10.3%**	**11.3%**	**12.3%**
	0.5%	1.29	1.18	1.08	1.00	0.93
Long term	**1.5%**	1.32	1.20	1.09	1.01	0.93
growth	**2.5%**	1.37	1.22	1.10	1.01	0.93
	3.5%	1.42	1.24	1.11	1.01	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	0.78	0.96	0.83	0.86
Base Case	0.86	1.10	0.86	0.94
High Case	1.03	1.26	0.96	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	0.85	1.05	0.91	0.94
Base Case	0.95	1.20	0.94	1.03
High Case	1.13	1.38	1.05	1.19

Adj. P/E multiple under target price	DDM	RIV	Peers-based	Average
Low Case	7.14	8.84	7.66	7.88
Base Case	7.94	10.10	7.91	8.65
High Case	9.49	11.61	8.79	9.96

Our base case valuation range stands at EUR 0.86-1.1/sh. with a mid-point of EUR 0.94/sh., which values Artea Bank at P/B of 1.03x and adj. P/E of 8.65x 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.

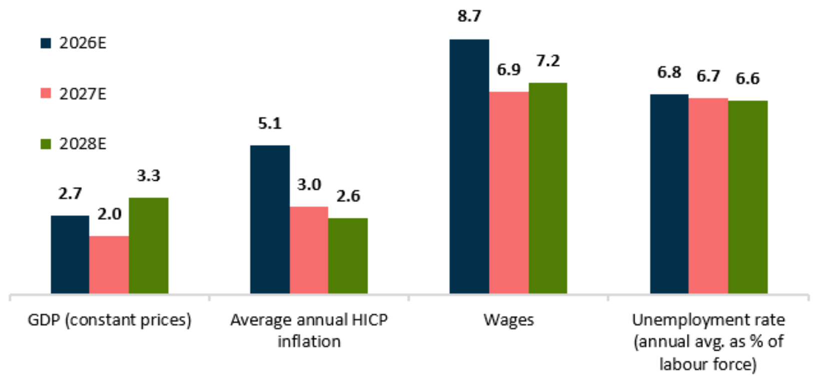
The labour market remains tight, keeping wage growth elevated. Wages rose 9.3% YoY in 1Q26, supported by skilled labour shortages, strong labour demand and an 11% increase in the minimum monthly wage (BoL). Unemployment increased by 0.5pp YoY to 7.4%, but BoL attributes this mainly to a larger working-age 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

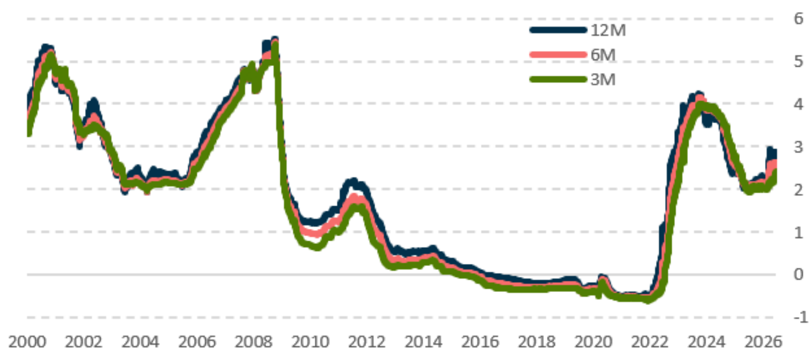
At its 23 July 2026 meeting, the ECB kept all three key policy rates unchanged following the 25bps hike in June. The deposit facility rate remains at 2.25%, the main refinancing rate at 2.40% and the marginal lending facility rate at 2.65%. The ECB stressed that energy prices remain elevated and volatile, while the full inflationary impact of the shock may still be ahead. Policy remains data-dependent, with no predetermined rate path. The June Eurosystem projections remain the latest official baseline. Headline inflation is forecasted at 3.0% in 2026, 2.3% in 2027 and 2.0% in 2028, while core inflation is forecasted at 2.5% in 2026–2027 and 2.2% in 2028. Euro-area GDP growth is forecasted at 0.8% in 2026, 1.2% in 2027 and 1.5% in 2028. The latest Survey of Professional Forecasters is more cautious, projecting 2026 GDP growth of 0.6% and inflation of 2.7%. Overall, the outlook remains stagflationary, with elevated inflation limiting the ECB's ability to support weaker growth.

Based on the OIS curve as of 5 August 2026, markets price a 75.3% probability of a 25bps hike in September. Around one full hike is priced by October and roughly 37bps of cumulative tightening by December, taking the implied rate to 2.554%. The curve points to close to two hikes by spring 2027, although the 3.050% implied rate for July 2027 appears inconsistent with surrounding maturities and should be treated cautiously.

Region: Eurozone »			Instrument: Overnight Index Swaps »		
Target Rate	2.2500		Pricing Date		08/05/2026
Effective Rate	2.1850		Cur. Imp. O/N Rate		2.187

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
09/10/2026	+0.753	+75.3%	+0.188	2.375	0.250
10/29/2026	+1.080	+32.7%	+0.270	2.457	0.250
12/17/2026	+1.468	+38.8%	+0.367	2.554	0.250
02/04/2027	+1.516	+4.8%	+0.379	2.566	0.250
03/18/2027	+1.679	+16.3%	+0.420	2.606	0.250
04/29/2027	+1.884	+20.5%	+0.471	2.658	0.250
06/10/2027	+1.772	-11.2%	+0.443	2.630	0.250
07/22/2027	+3.452	+168.0%	+0.863	3.050	0.250

Euribor benchmark 3m, 6m, 12m rates



Source: Bloomberg

For Lithuania, this implies restrictive financial conditions will persist for longer. Elevated rates should continue to support bank loan yields and net interest income, but the benefit may be increasingly offset by deposit competition, higher funding costs and weaker credit demand. The key risk is slower lending growth, particularly in mortgages and rate-sensitive corporate segments exposed to weaker external demand and higher energy costs.

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**	**575**	**0.97**	**8.1**	**7.3**	**7.3**	**4.4**	**6.4**	**6.8**	**11.7**	**12.2**	**11.5**	**14.9**	**7.4**	**0.97**
ROE1L	Consensus*	-	-	8.6	6.7	5.6	5.3	7.5	9.4	10.5	13.0	14.4	14.9	7.0	0.95
Nordic Peers															
DNB Bank ASA	Consensus*	40 239	1.73	11.4	11.0	10.5	6.0	6.2	6.3	14.1	14.4	14.4	14.7	11.4	1.36
Svenska Handelsbanken AB	Consensus*	26 818	1.58	13.0	12.4	11.9	7.2	6.6	6.9	11.6	12.0	12.4	12.4	12.9	1.12
Nordea Bank Abp	Consensus*	60 247	1.93	12.3	11.4	10.7	5.5	5.8	6.1	15.0	15.8	16.2	14.1	11.4	1.33
Swedbank AB	Consensus*	39 854	2.10	14.1	12.9	12.2	6.1	6.5	6.6	13.7	14.9	15.4	15.1	12.9	1.25
Skandinaviska Enskilda Banken AB	Consensus*	40 955	1.96	14.0	12.5	11.6	4.4	4.7	5.1	13.6	14.4	14.7	14.9	11.8	1.39
Danske Bank A/S	Consensus*	41 187	1.82	12.6	11.8	11.0	6.6	6.5	6.8	13.6	14.3	14.8	8.8	11.0	0.92
Average			**1.85**	**12.9**	**12.0**	**11.3**	**6.0**	**6.0**	**6.3**	**13.6**	**14.3**	**14.6**	**13.3**	**11.9**	**1.23**
Median			**1.88**	**12.8**	**12.1**	**11.3**	**6.1**	**6.3**	**6.5**	**13.6**	**14.4**	**14.8**	**14.4**	**11.6**	**1.29**
Premium/discount			*-49%*	*-37%*	*-40%*	*-36%*	*-1.6%p*	*0.1%p*	*0.4%p*	*-1.9%p*	*-2.1%p*	*-3.3%p*	*0.5%p*	*-36%*	*-25%*
CEE Peers															
Alior Bank SA	Consensus*	4 317	1.48	10.4	9.1	8.5	6.2	7.2	7.8	13.8	14.8	14.8	17.8	na	1.02
LHV Group AS	Consensus*	1 102	1.47	9.6	7.6	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*	4 600	1.18	9.1	8.1	7.3	6.2	7.0	7.8	13.4	14.1	14.7	16.8	8.1	0.72
Moneta Money Bank AS	Consensus*	4 135	3.10	14.8	13.8	12.8	6.6	7.1	7.3	20.6	21.5	23.2	17.3	na	1.90
mBank SA	Consensus*	14 139	2.60	14.5	12.3	10.9	1.9	2.9	5.2	17.5	18.5	18.1	3.9	na	1.48
Coop Pank AS	Consensus*	240	0.98	7.7	6.1	5.0	3.0	3.9	4.8	12.6	14.3	15.3	16.2	7.8	1.46
Bank Polska Kasa Opieki SA	Consensus*	15 389	2.01	11.4	10.1	9.3	6.7	6.7	7.4	16.9	18.1	18.2	16.5	9.9	1.26
OTP Bank Nyrt	Consensus*	36 249	2.15	10.0	8.9	8.0	2.7	3.3	3.4	20.0	19.4	18.9	19.2	na	1.14
Komercni Banka AS	Consensus*	8 295	1.70	11.8	11.0	10.5	8.0	6.8	6.9	13.3	14.1	14.2	13.1	12.6	1.31
Powszechna Kasa Oszczednosci Ba	Consensus*	31 587	2.27	12.9	10.5	9.5	5.6	6.5	7.0	17.9	19.7	20.4	13.6	10.6	1.34
Average			**1.89**	**11.2**	**9.7**	**8.8**	**5.1**	**5.6**	**6.3**	**16.0**	**17.1**	**17.5**	**15.6**	**9.9**	**1.40**
Median			**1.86**	**10.9**	**9.6**	**8.9**	**5.9**	**6.6**	**7.0**	**15.7**	**17.4**	**17.9**	**16.7**	**10.0**	**1.32**
Premium/discount			*-48%*	*-26%*	*-24%*	*-19%*	*-1.5%p*	*-0.2%p*	*-0.1%p*	*-4.0%p*	*-5.2%p*	*-6.4%p*	*-1.8%p*	*-26%*	*-27%*
Western Europe Peers															
Deutsche Bank AG	Consensus*	62 132	0.92	9.9	8.5	7.5	3.7	4.2	4.7	9.7	10.5	11.3	6.4	8.6	0.52
Raiffeisen Bank International AG	Consensus*	20 361	na	9.8	9.2	8.5	2.8	3.6	4.4	10.9	11.4	11.1	12.4	6.9	0.47
Erste Group Bank AG	Consensus*	47 948	1.87	11.7	10.4	9.5	3.5	4.4	4.9	16.4	16.4	16.7	11.1	10.1	1.12
KBC Group NV	Consensus*	52 939	1.96	13.2	11.5	10.5	4.8	5.6	6.3	15.0	15.8	16.5	14.1	11.5	1.37
Commerzbank AG	Consensus*	42 175	1.38	12.6	10.4	8.6	3.9	4.8	5.8	10.8	12.2	14.1	6.0	11.4	0.62
Societe Generale SA	Consensus*	61 626	0.85	10.4	9.1	8.0	2.4	2.8	3.2	9.0	9.5	10.1	5.8	9.3	0.47
Banco Santander SA	Consensus*	185 350	1.65	12.2	10.2	8.8	2.3	3.5	4.3	13.8	15.1	16.2	11.4	10.6	0.77
ING Groep NV	Consensus*	87 823	1.74	12.4	10.7	9.4	4.2	4.8	5.5	13.8	15.3	16.3	11.4	10.5	1.02
Average			**1.48**	**11.5**	**10.0**	**8.8**	**3.5**	**4.2**	**4.9**	**12.4**	**13.3**	**14.0**	**9.8**	**9.9**	**0.79**
Median			**1.65**	**12.0**	**10.3**	**8.7**	**3.6**	**4.3**	**4.8**	**12.3**	**13.7**	**15.2**	**11.2**	**10.3**	**0.70**
Premium/discount			*-42%*	*-32%*	*-29%*	*-16%*	*0.8%p*	*2.0%p*	*2.0%p*	*-0.6%p*	*-1.4%p*	*-3.7%p*	*3.7%p*	*-28%*	*40%*
Average all peers			**1.76**	**11.7**	**10.4**	**9.4**	**4.8**	**5.2**	**5.8**	**14.2**	**15.1**	**15.7**	**13.1**	**10.5**	**1.15**
Median all peers			**1.74**	**12.0**	**10.5**	**9.4**	**4.6**	**5.2**	**6.0**	**13.8**	**14.9**	**15.3**	**13.8**	**10.6**	**1.20**
Premium/discount			*-44%*	*-32%*	*-31%*	*-23%*	*-0.2%p*	*1.1%p*	*0.9%p*	*-2.1%p*	*-2.6%p*	*-3.8%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	151	164	173
Net commission income	16	17	19	20	29	31	32	33	35
Net insurance income incl. other income	3	5	12	-8	-6	0	1	-7	-7
Total income	**95**	**103**	**137**	**169**	**183**	**170**	**185**	**191**	**201**
Salaries and related expenses	23	27	31	36	50	55	58	62	67
Depreciation and amortization expenses	4	4	5	5	8	8	10	11	11
Other costs	15	17	22	31	38	49	49	44	44
Total costs	**43**	**49**	**57**	**73**	**96**	**112**	**116**	**117**	**121**
Core earnings before loan losses	52	55	80	96	87	58	68	73	80
Write-downs on loans	12	4	5	15	11	4	17	8	8
Core earnings	**40**	**51**	**75**	**81**	**76**	**54**	**51**	**66**	**71**
Dividends/associated companies	-	-	-	-	-	-	-0	-	-
Net return on financial investments	13	17	5	14	20	20	12	23	24
One-offs	-	-	-	7	7	15	15	7	0.6
Pre tax profit	**53**	**67**	**80**	**96**	**96**	**74**	**64**	**89**	**95**
Taxes	-10	-12	-13	-20	-18	-14	-13	-16	-17
Minority interest	-	-	-	-	-	-	-	-	-
Net profit	**43**	**55**	**67**	**75**	**79**	**61**	**51**	**73**	**79**
Adj. profit after taxes	43	55	67	81	85	73	71	79	79
EPS	**0.07**	**0.09**	**0.11**	**0.12**	**0.12**	**0.09**	**0.08**	**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%**	**12.2%**	**11.5%**
ROE (reported)	**12.7%**	**14.3%**	**16.1%**	**15.5%**	**14.0%**	**10.3%**	**8.4%**	**11.3%**	**11.4%**
ROA	1.4%	1.4%	1.6%	1.6%	1.6%	1.0%	0.8%	1.0%	1.0%
RORWA	2.2%	2.6%	2.8%	3.1%	2.9%	2.1%	1.6%	2.1%	2.1%
Core earnings ROE	11.3%	12.4%	17.0%	15.0%	13.1%	9.0%	8.2%	9.7%	9.9%
Core earnings in % of RWA	2.1%	2.4%	3.1%	3.3%	2.8%	1.9%	1.6%	1.9%	1.9%
Cost/Income ratio	45.0%	47.0%	41.5%	43.1%	52.3%	65.9%	63.0%	61.6%	60.4%
Adjusted Cost/Income ratio	**45.0%**	**47.0%**	**41.5%**	**39.2%**	**48.5%**	**57.1%**	**55.1%**	**57.8%**	**60.1%**
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%	20.1%	17.5%	17.5%
Loss ratio	0.75%	0.21%	0.21%	0.58%	0.35%	0.10%	0.41%	0.17%	0.17%
Net interest margin	**3.00%**	**2.99%**	**3.21%**	**4.05%**	**3.70%**	**2.58%**	**2.40%**	**2.42%**	**2.36%**
Operating margin	3.1%	2.6%	3.3%	3.5%	3.7%	2.8%	2.8%	2.7%	2.6%
Pretax margin	1.7%	1.7%	1.9%	2.0%	2.0%	1.2%	1.0%	1.3%	1.3%
Growth rates (YoY)									
Core earnings	-5%	26%	49%	8%	-6%	-29%	-5%	28%	9%
EPS (adj.)	-16%	28%	22%	18%	-4%	-13%	-2%	12%	0%

Balance sheet (EURm)	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Cash and receivables	590	1 162	630	1 041	715	399	383	348	342
Net lending to customers	1 606	1 909	2 392	2 645	3 118	3 714	4 168	4 598	4 977
Total securities	781	839	1 118	1 034	1 007	1 873	1 836	2 026	2 193
Associated companies	-	-	0.1	0.1	0.3	0.3	0.2	0.2	0.2
Tangible assets	16	15	16	16	15	15	37	37	37
Other assets	36	38	26	74	67	74	60	61	61
Total assets	**3 029**	**3 962**	**4 183**	**4 809**	**4 923**	**6 075**	**6 485**	**7 070**	**7 610**
Total equity	355	406	443	543	585	603	628	676	718
Minority interest	-	-	-	-	-	-	-	-	-
Total deposits	2 575	3 377	3 470	3 733	3 604	4 158	4 411	4 844	5 244
Debt securities in issue	20	95	171	276	448	1 034	1 121	1 223	1 321
Other liabilities	79	84	98	257	285	280	325	326	328
Equity and liabilities	**3 029**	**3 962**	**4 183**	**4 809**	**4 923**	**6 075**	**6 485**	**7 070**	**7 610**
Growth of loans	6.0%	18.9%	25.3%	10.6%	17.9%	19.1%	12.2%	10.3%	8.2%
Growth of deposits	22.2%	31.1%	2.8%	7.6%	-3.5%	15.4%	6.1%	9.8%	8.2%
Equity ratio	**11.7%**	**10.3%**	**10.6%**	**11.3%**	**11.9%**	**9.9%**	**9.7%**	**9.6%**	**9.4%**
CET1 ratio	**19.6%**	**19.5%**	**18.1%**	**19.9%**	**18.9%**	**18.9%**	**17.5%**	**17.6%**	**17.6%**
Core capital (EURm)	377	410	439	485	562	586	601	657	702
Tier 1 ratio	**19.6%**	**19.5%**	**18.1%**	**19.9%**	**20.8%**	**20.7%**	**19.0%**	**19.1%**	**19.0%**
Capital base (EURm)	397	430	459	547	660	664	677	732	777
Capital adequacy	20.7%	20.4%	19.0%	22.4%	24.4%	23.4%	21.4%	21.3%	21.0%
RWA	1917	2106	2421	2439	2707	2835	3157	3440	3703

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	0.88	0.88	0.88
Market cap (EURm)	299	457	412	459	546	615	575	575	575
EPS	0.07	0.09	0.11	0.12	0.12	0.09	0.08	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	0.96	1.04	1.10
Dividends per share (EUR)	0.005	0.034	0.027	0.049	0.059	0.047	0.039	0.056	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	11.3	7.9	7.3
P/E (adj.)	7.0	8.3	6.1	5.2	6.5	8.5	8.1	7.3	7.3
P/B (excl. goodwill)	0.84	1.12	0.93	0.85	0.93	1.02	0.92	0.85	0.80
Dividend yield	1.1%	4.5%	3.9%	7.0%	7.2%	4.9%	4.4%	6.4%	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%	12.2%	10.3%	8.2%
Growth of deposits	22.2%	31.1%	2.8%	7.6%	-3.5%	15.4%	6.1%	9.8%	8.2%
EPS (adj.)	-16.5%	28.3%	22.1%	18.2%	-3.9%	-13.1%	-1.8%	11.7%	-0.1%

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%	9.7%	9.6%	9.4%
CET1 ratio	**19.6%**	**19.5%**	**18.1%**	**19.9%**	**18.9%**	**18.9%**	**17.5%**	**17.6%**	**17.6%**
Tier 1 ratio	19.6%	19.5%	18.1%	19.9%	20.8%	20.7%	19.0%	19.1%	19.0%
Capital adequacy	20.7%	20.4%	19.0%	22.4%	24.4%	23.4%	21.4%	21.3%	21.0%

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%**	**12.2%**	**11.5%**
ROE (reported)	**12.7%**	**14.3%**	**16.1%**	**15.5%**	**14.0%**	**10.3%**	**8.4%**	**11.3%**	**11.4%**
ROA	1.4%	1.4%	1.6%	1.6%	1.6%	1.0%	0.8%	1.0%	1.0%
Costs/Income ratio	45.0%	47.0%	41.5%	43.1%	52.3%	65.9%	63.0%	61.6%	60.4%
Adjusted Costs/Income ratio	45.0%	47.0%	41.5%	39.2%	48.5%	57.1%	55.1%	57.8%	60.1%
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%	0.41%	0.17%	0.17%
Net interest margin	**3.00%**	**2.99%**	**3.21%**	**4.05%**	**3.70%**	**2.58%**	**2.40%**	**2.42%**	**2.36%**

Valuation, risk and sources

Valuation range

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

Date	Valuation range (EUR/share)
05/08/2026	0.86-1.08
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

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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