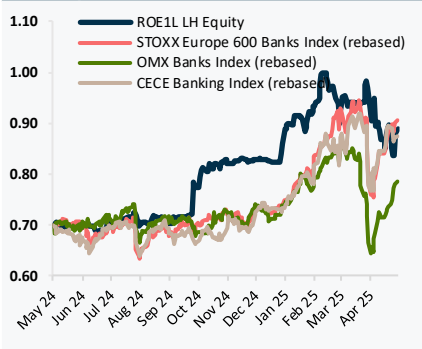


Artea Bank

Key share data

Sector	Financials
Reuters	ROE1L.VL
Bloomberg	ROE1L:LH
Market Cap (EURm)	590
Free float (EURm)	345
Issued shares, m	663
Avg. daily value traded 3M	353,409

Share price



Upcoming events

2Q25 report	July 30, 2025
3Q25 report	October 29, 2025

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

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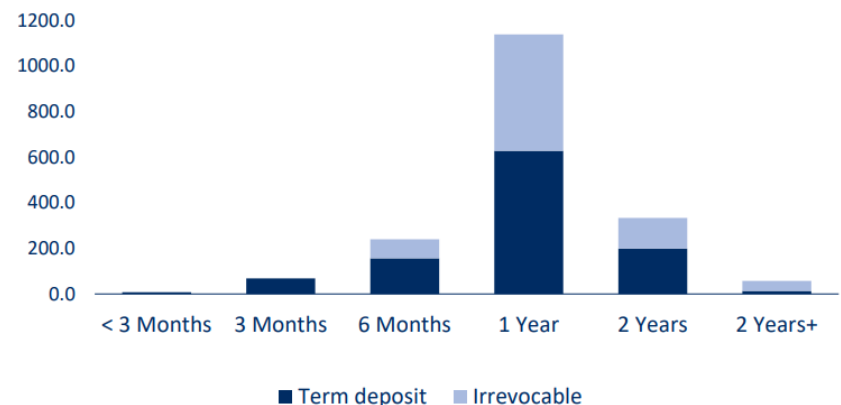
1Q model inputs trigger lowered earnings outlook

Artea Bank reported its 1Q25 results on April 29th. We believe the quarter was mixed, with headwinds on NII partly offset by better cost control and robust asset quality. Following the 1Q results, we updated our model to reflect inputs that materially deviated from previous assumptions. As a result, forward estimates were revised downward, primarily due to weaker NII projections. This has led to a notable deterioration in both earnings and valuation outlooks. Accordingly, we have lowered our valuation range to EUR 0.86–1.08/sh.

Artea Bank's 1Q25 results:

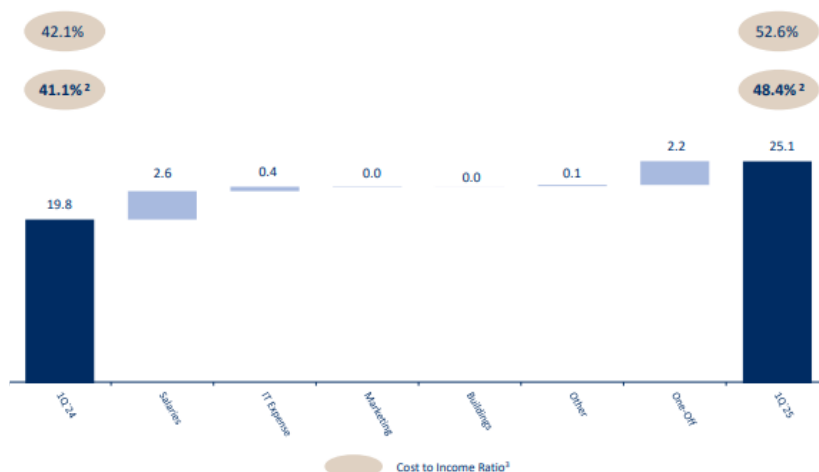
- NII was reported significantly below our estimate at EUR 34.4m, contracting ~12% QoQ due to a mismatch between the deposit funding profile and the repricing of asset yields. The majority of deposit funding is set to mature within 1 year, creating short-term headwinds as the ECB began cutting rates last summer. As a result, we expect some pressure to persist in 2Q before stabilizing in 2H

Term deposits by maturity 1Q25, EURm



- NIM declined by ~50bps QoQ to 2.70%. The bank guides that NIM should stabilise by the end of 2Q25
- Quarterly volume growth was subdued during the slow months of January and February, coming in below guidance at ~2% (flat QoQ in 4Q). Corporate loans grew by ~2.0% QoQ, while retail loans advanced ~2.3% QoQ
- Fee income increased by ~17% YoY, but ~5% below our estimate
- The bank also recorded a one-time gain of ~EUR 3.5m from the sale of a non-performing loan portfolio
- Excluding expenses related to insurance activities, total operating costs came in lower than we anticipated, with a ~11% deviation, and increased by ~27% YoY. Adjusted for EUR 2.2m in one-off items, total adj. costs were broadly in line with our estimate, rising ~15% YoY

Operating expenses development YoY, EURm

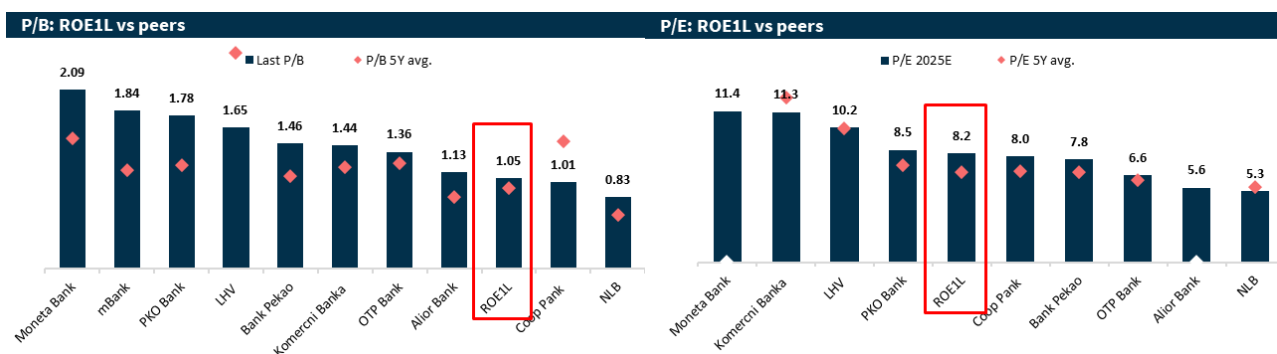


- Loan losses were recorded broadly in line with the 1Q24 figure at EUR 2.2m, albeit somewhat below our EUR 3.0m estimate
- Stage 3 exposure as a % of total exposure stood at 167bps, ~15bps down QoQ due to sale of NPL portfolio
- CET1 ratio was at 18.0%, ~1%p lower relative to our estimate and QoQ
- ROE came in at 12.4%, up from 10.8% in 4Q24, though down from 16.8% YoY. Adj. ROE was broadly in line with the 4Q24 figure but remained below our expectations.

1Q/25 results EURm	1Q/24	4Q/24	1Q/25 Reported	1Q/25e Norme	Deviation
Net interest income	39.6	39.2	34.4	37.9	-9.3%
Net commission income	6.5	8.1	7.6	7.9	-4.7%
Net insurance income incl. other income	-3.4	-1.3	5.4	0.2	>100%
Total costs	19.8	29.4	25.1	28.1	-10.7%
Adj. total costs	19.8	24.7	22.9	22.3	2.7%
Core earnings before loan losses	30.0	21.9	24.5	25.4	-3.5%
Write-downs on loans	2.2	4.0	2.2	3.0	-26.6%
Core earnings	27.8	17.9	22.3	22.4	-0.3%
EPS (EUR)	0.034	0.023	0.027	0.028	-5.7%
EPS adjusted (EUR)	0.034	0.029	0.029	0.031	-4.1%
CET1 ratio, %	18.6%	18.9%	18.0%	19.0%	-1.0%p
ROE (annualised)	16.8%	10.8%	12.4%	13.1%	-0.6%p
Adj. ROE (annualised)	16.8%	13.6%	13.6%	14.1%	-0.5%p

Potential triggers for the investment case

- Improving geopolitical landscape with prospects of ending the war in Ukraine would improve confidence in the CEE region and potentially reduce/remove discount to European peers
- Market leader position and scaling renovation initiative may lead to an increased commission
- Growing bank with an increasing market share: the bank has so far increased its market share in retail and corporate segments, implying a strong management ambition to focus on growth. The bank has set ambitious strategic targets to double its corporate and private customer segments by 2029
- Rebranding and changing its core system may make it a more attractive bank in the market, enhance client experiences and amplify cross-selling and upsell
- Current P/E and P/B suggest undemanding pricing relative to industry peers relative to ROE, implying the possibility of further re-ratings



Potential downsides for the investment case

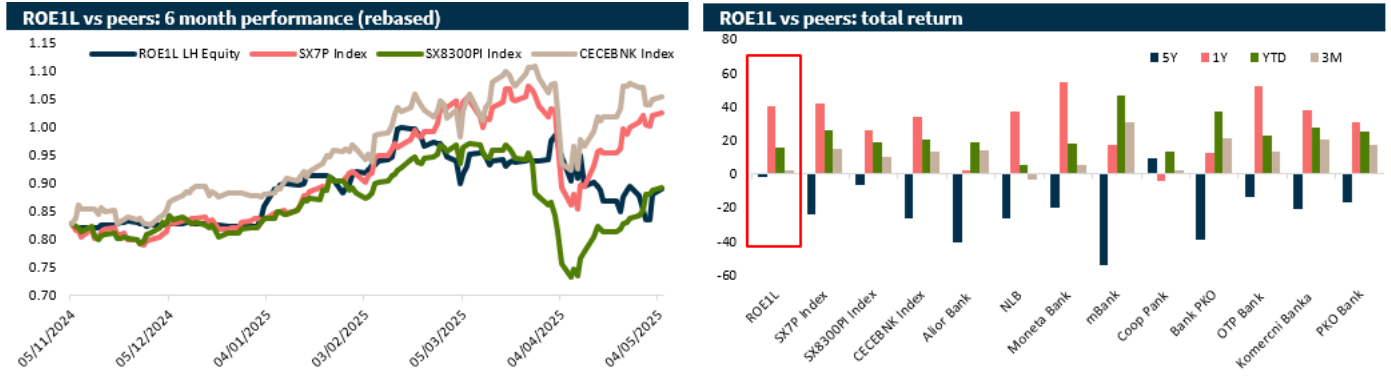
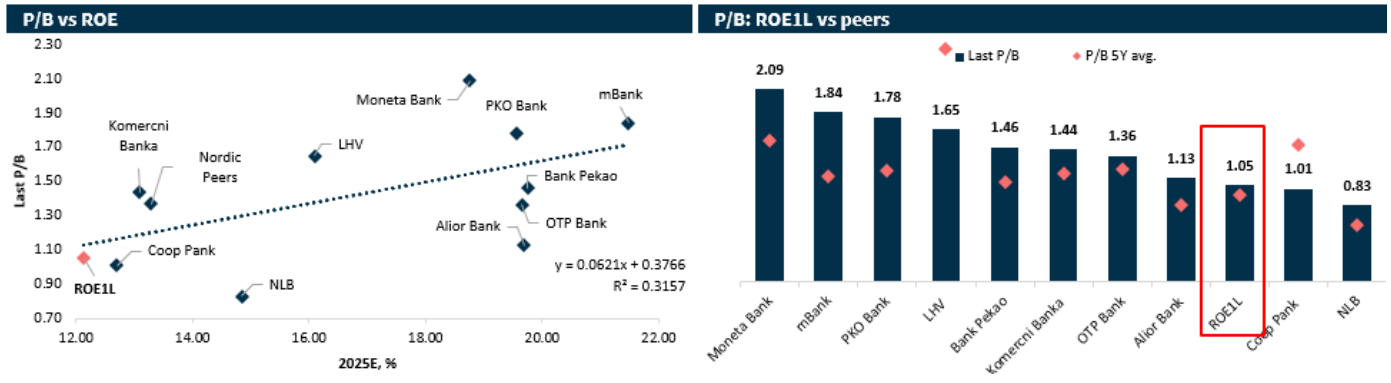
- Although the bank's targets are highly ambitious, aiming for an ROE exceeding 17%, we believe achieving this goal depends on several critical factors aligning simultaneously. These include sustained strong economic growth in Lithuania, stable asset quality without macroeconomic shocks, the successful implementation of its core banking system, an interest rate environment above zero, and continued profitable expansion alongside increasing market share. In reality, it is hardly ever that all elements occur or align in the right order. Therefore, we see a risk that the bank's long-term 2028-2029 targets are too ambitious, and there are several factors that the bank does not control, e.g. Lithuanian economy development, external shocks, interest rates cycle, etc.
- Economic downturn might lead to increased NPLs and deteriorating asset quality as well as lower credit demand and commission fees related products such as savings, insurance, etc.
- Capital risk. Failure to meet capital requirements, leading to a risk of equity issues or dividend reductions
- Interest rate risk. A sharp reduction in future interest rates could potentially have an impact on the bank's interest rate spread (i.e., lending-deposit spread) in turn having an adverse impact on the bank's core business results. Similarly, a sharp interest rate downturn could result in a steeper than anticipated decline in NIM in turn weakening than foreseen NII earnings outlook.
- Changes in regulatory requirements, particularly related to capital levels (e.g. countercyclical buffer, MREL requirements) and/or revision in Pillar 2 requirements
- Real estate market risk. The bank is exposed to the real estate and construction sectors, which may experience potential reductions in market prices and transaction volumes. This could adversely affect the bank's debtors and reduce the value and liquidity of the collateral, thereby having a negative effect on the bank's financial position.
- Geopolitical risk and political uncertainty might adversely affect the general economic situation and financial market conditions in Lithuania.

Estimate changes (EURm)	2Q/25e			2025E			2026E			2027E		
	New	Old	Change	New	Old	Change	New	Old	Change	New	Old	Change
Net interest income	35.6	39.5	-9.9%	146.3	161.8	-9.6%	162.3	178.6	-9.1%	182.2	193.1	-5.7%
Net commission income	8.1	8.8	-7.1%	32.8	35.3	-7.1%	35.9	37.9	-5.2%	38.7	40.6	-4.7%
Net insurance income incl. other incor	-1.0	3.3	-129.3%	1.9	14.6	-86.9%	-1.9	14.8	-112.9%	-3.2	14.9	-121.7%
Total costs	26.6	36.1	-26.5%	109.6	125.1	-12.4%	116.7	134.8	-13.4%	122.1	141.2	-13.6%
Write-downs on loans	2.0	3.7	-46.8%	12.3	14.6	-15.6%	14.0	15.4	-8.6%	15.6	17.0	-8.8%
Core earnings	18.7	16.3	14.7%	59.1	72.1	-17.9%	65.6	81.1	-19.2%	80.1	90.5	-11.5%
Pre tax profit	18.7	16.3	14.7%	75.8	72.8	4.1%	82.9	88.8	-6.7%	98.7	111.3	-11.3%
EPS (EUR)	0.02	0.02	10.6%	0.09	0.09	-2.5%	0.10	0.11	-8.5%	0.12	0.14	-13.0%
EPS adjusted (EUR)	0.03	0.03	-0.3%	0.11	0.12	-7.0%	0.11	0.13	-13.6%	0.12	0.15	-14.2%
CET1 ratio	17.6%	19.2%	-1.6%p	18.2%	21.1%	-2.9%p	18.9%	19.5%	-0.6%p	19.0%	19.4%	-0.3%p
Dividend per share (EUR)	-	-	-	0.05	0.05	-2.6%	0.05	0.06	-8.5%	0.06	0.07	-13.0%
Adj. ROE (annualised)	12.0%	11.9%	0.1%p	12.1%	12.9%	-0.8%p	12.1%	13.8%	-1.8%p	12.4%	14.1%	-1.7%p

Weaker valuation outlook following 1Q earnings

Following the 1Q results, we updated our model to reflect inputs that deviated materially from prior assumptions. As a result, forward estimates have been revised downward, primarily due to lower NII expectations. Given that NII accounts for ~70% of the bank's total operating income, this reduction has led to a notable deterioration in both the earnings and valuation outlook. We now present net insurance income separately to provide a more accurate representation of the bank's cost dynamics. Previously, insurance income and expenses were consolidated within operating income and cost estimates.

The bank's estimated adj. ROE for 2025e stands at 12.1%, lagging behind the peer average of 14.1%. However, based on our P/B vs. ROE regression, ROE1L plots below the trendline, with a current P/B of 1.05x, implying a ~16% discount to the peer average of 1.25x. Notably, the P/E multiple discount has narrowed following the broad price correction across CEE banking peers. We have revised our valuation range to EUR 0.86–1.08/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*	3.0%
Long term growth rate for RIV	3.0%
Long term ROE**	11.9%

*g - 2027 Lithuanian GDP growth (average of Ministry of Finance and Bank of Lithuania)

**Average of last explicit year ROE and cost of equity, assuming convergence to cost of equity

Dividend Discount Model (DDM)

Estimates (EURm)	2025E	2026E	2027E	2028E	Base year
Net profit	72	76	83	98	101
Dividends paid	31	34	41	49	50
Payout ratio (Group)	43%	45%	49%	50%	50%
Share buybacks	3.2	0.0			
PV of dividends	28	29	31	34	
Capital Adequacy ratio, %	22.4%	22.6%	22.4%	21.8%	
Capital Adequacy ratio target, %	17.8%	17.8%	17.8%	17.8%	
RWA	3,094	3,442	3,827	4,133	
Excess capital to shareholders	142	167	178	165	

Valuation (EURm)	Share
NPV of dividends paid, forecasted period	122 17%
NPV of excess capital to shareholders	126
NPV of share buybacks	3
NPV of dividends paid, TV	478 66%
Total NPV of dividends	729 82%
Number of shares (mill.)	663
Value per share (EUR)	1.10

Sensitivity (EUR/share)		Cost of equity				
		8.3%	9.3%	10.3%	11.3%	12.3%
Long term growth	0.5%	1.11	1.00	0.91	0.83	0.77
	1.5%	1.22	1.08	0.97	0.88	0.81
	2.5%	1.37	1.19	1.05	0.95	0.86
	3.5%	1.59	1.34	1.16	1.03	0.93

Residual Income Valuation (RIV)

Estimates (EURm)	2025E	2026E	2027E	2028E	Base year
Equity to shareholders (start of year)	615	653	700	757	820
ROE	12.1%	12.1%	12.4%	13.6%	11.9%
Cost of Equity	10.3%	10.3%	10.3%	10.3%	10.3%
Residual income	12	12	15	25	14
PV of residual income	11	10	11	17	

Valuation (EURm)	Share
Opening equity to shareholders	615 78%
PV of residual income, forecasted period	49 6%
PV of residual income, TV	129 16%
Total value to shareholders	794 100%
Number of shares (mill.)	663
Value per share (EUR)	1.20

Sensitivity (EUR/share)		Cost of equity				
		8.3%	9.3%	10.3%	11.3%	12.3%
Long term growth	0.5%	1.39	1.26	1.15	1.06	0.98
	1.5%	1.44	1.28	1.16	1.07	0.99
	2.5%	1.50	1.32	1.19	1.08	0.99
	3.5%	1.59	1.37	1.21	1.09	1.00

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	0.94	0.83	0.80	0.86
Base Case	1.10	1.20	0.85	1.05
High Case	1.23	1.08	0.94	1.08

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

**LowHigh assuming 5YR min. ROE of 11.9% vs guided ROE >17%

***LowHigh case assuming larger discount to peers/no discount

P/B multiple under target price				
	DDM	RIV	Peers-based	Average
Low Case	1.10	0.98	0.94	1.01
Base Case	1.30	1.41	1.00	1.24
High Case	1.45	1.27	1.11	1.28

Adj. P/E multiple under target price				
	DDM	RIV	Peers-based	Average
Low Case	8.65	7.69	7.38	7.91
Base Case	10.16	11.07	7.82	9.68
High Case	11.38	9.94	8.69	10.00

Our base case valuation range stands at EUR 0.85-1.20/sh. with a mid-point of EUR 1.05/sh., which values Artea Bank at P/B of 1.24x and adj. P/E of 9.68x for 2025E. As for the Low-High case, our blended approach implies a valuation range of EUR 0.86-1.08/sh., which suggests an upside potential to the current share price of 22% for the High case.

Lithuania's economy overview

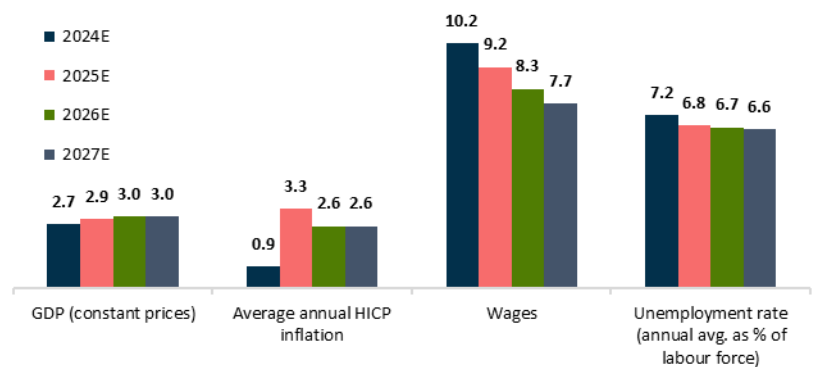
Global uncertainty remains elevated, driven by unpredictable trade policies, fiscal decisions, and geopolitical tensions, which continue to weigh on economic sentiment in both the US and the euro area. According to the Bank of Lithuania, Germany's ongoing structural challenges in its industrial sector are a key constraint on eurozone recovery, thereby limiting external demand for Lithuanian exports. Despite these global headwinds, Lithuania's economy demonstrates resilience. The Bank of Lithuania reports that household consumption is rebounding strongly, supported by solid wage growth and rising employment. While investment activity has moderated, the export of higher-value goods continues to expand. Labour market conditions remain robust, with employment reaching record highs and the unemployment rate falling below 7%. However, the Bank of Lithuania also points to increasing cost pressures, as a growing share of long-term unemployed and accelerating wage growth are eroding the competitiveness of less innovative firms.

Lithuania's GDP grew by 2.7% in 2024 and is projected to rise by 2.9% in 2025, supported by both domestic demand and external trade (Bank of Lithuania). Investment is expected to benefit from a more accommodative monetary policy and inflows of EU structural funds.

After a period of stability, inflation is again gaining momentum. According to Statistics Lithuania, the CPI rose to approximately 3.6% YoY in January–February 2025, up from 2.1% in December 2024. Annual inflation is projected to rise to 3.3% in 2025, up from 0.9% in 2024, before easing to 2.6% in 2026–2027 (Bank of Lithuania). The Bank of Lithuania highlights services inflation driven by rising wages as the primary inflationary force, with March forecasts indicating stronger-than-previously-expected wage growth in the coming years. On the flip side, the prolonged decline in the oil price might suggest less pressure on the inflation outlook.

Overall, we remain cognizant of significant risks, especially those arising from geopolitical developments, changes in trade policy, and domestic fiscal decisions, including defense spending and pension reform.

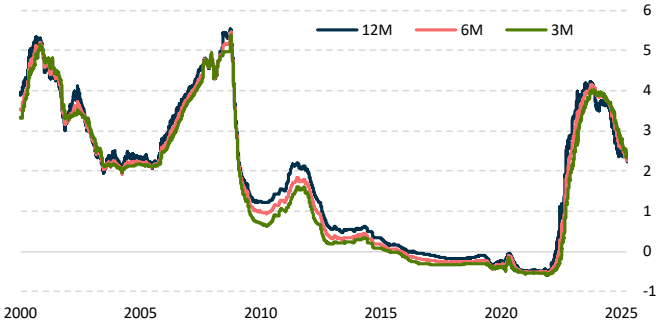
Lithuania's macroeconomic projections (annual % change)



Data source: Bank of Lithuania

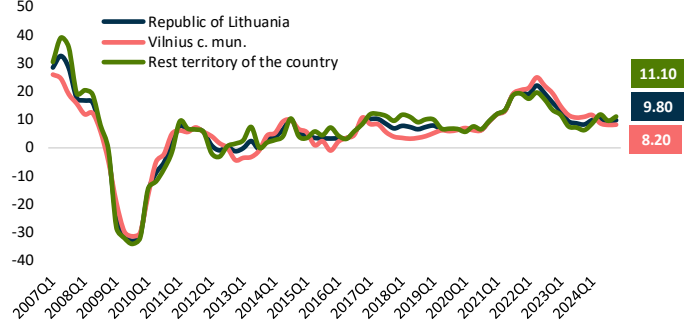
In March 2025, the ECB lowered its key interest rates by 25bps, as expected, reducing the deposit facility rate to 2.50%, the main refinancing rate to 2.65%, and the marginal lending rate to 2.90%. This marks the sixth rate cut since the easing cycle began in June 2024, aligning with the ECB's inflation outlook as price pressures subside. Further reductions are anticipated, with key interest rates projected to approach 2% by year-end. The heightened risk of a global recession driven by proposed trade tariffs could prompt the ECB to accelerate rate cuts, putting downward pressure on the bank's NIM.

Euribor benchmark 3m, 6m, 12m rates



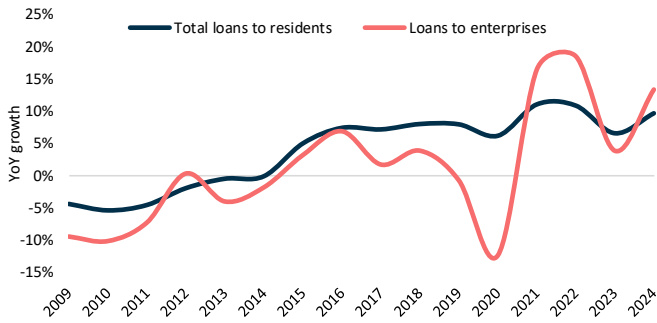
Source: Bloomberg

House price changes, YoY, %



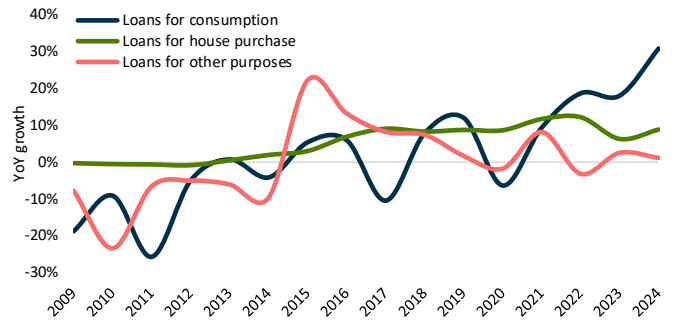
Data source: Statistics Lithuania

LT MFI loans to households and non-financial corporations (EOY)



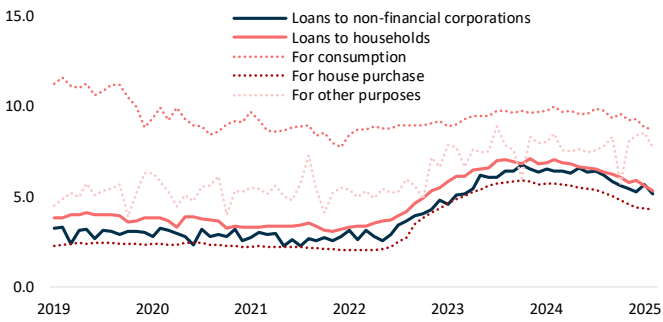
Data source: Bank of Lithuania

LT MFI loans to households and non-financial corporations (EOY)



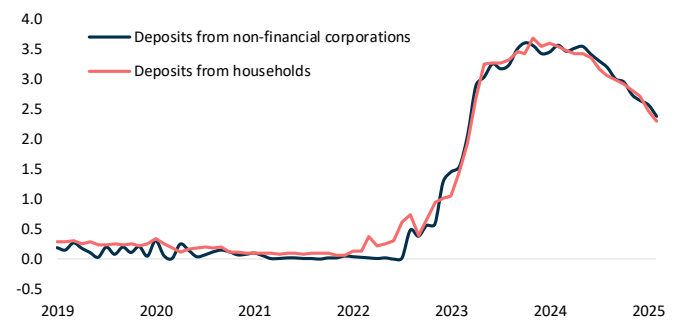
Data source: Bank of Lithuania

Lending rates, %



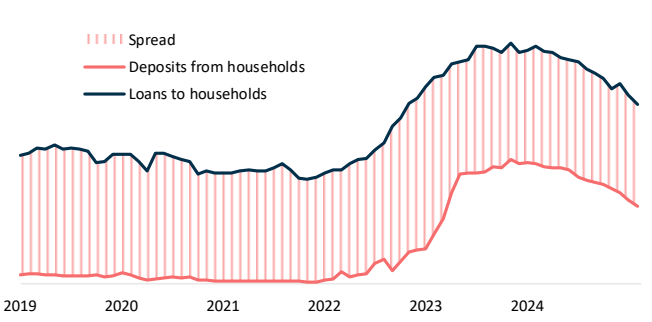
Data source: Bank of Lithuania

Deposit rates, %



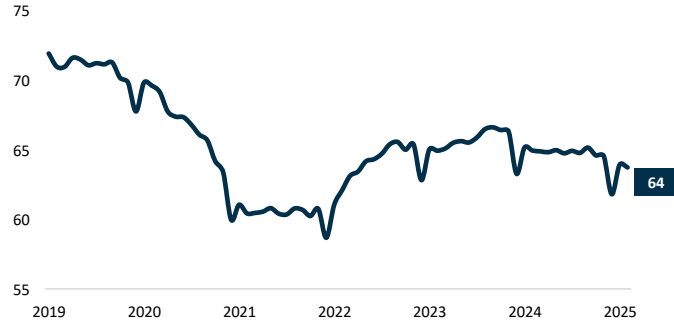
Data source: Bank of Lithuania

Lending - deposit rate spread, %



Data source: Bank of Lithuania

Households loan-to-deposit ratio, %



Data source: Bank of Lithuania

Financial guiding

2025

2026

2027

2028-29

		2025	2026	2027	2028-29
Growth	Loan Book	€4.1bn	€4.6bn	€5.3bn	CAGR: ~8%
	Deposits	€3.9bn	€4.4bn	€4.8bn	CAGR: ~10%
	Total Operating Income ¹	€222m	€256m	€288m	CAGR: ~10%
	NFCI	€30m	€33m	€37m	CAGR: ~25%
Efficiency	C/I Ratio	59.7%	54.4%	48.2%	Below 45%
	Adj. C/I Ratio ²	51.3%	48.3%	46.8%	
Profitability	RoE	11.1%	13.5%	16.0%	Above 17%
	Adj. RoE ²	13.7%	15.4%	16.5%	
	Net Profit	€65m	€86m	€112m	CAGR: ~15%
	Adj. Net Profit ²	€80m	€98m	€115m	
Shareholder Returns	Dividend Policy	Minimum 50% Pay-out			

Relative valuation

Peer comparison

EURm	Source	Market Cap.	P/B	P/E			Dividend Yield, %			ROE, %			ROE, %		P/E		P/B
				2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	5Y avg.	5Y avg.	5Y avg.		
ROE1L	Norne	590	1.05	8.2	7.8	7.1	5.2	5.8	6.9	12.1	12.1	12.4	15.0	6.8	0.94		
ROE1L	Consensus*	-	-	8.1	6.7	5.7	5.5	6.6	8.3	11.4	12.9	14.2	14.7	8.5	0.94		
Nordic Peers																	
DNB Bank ASA	Consensus*	33,477	1.50	9.6	9.8	9.5	6.6	6.8	7.0	15.1	13.9	13.7	13.3	9.8	1.28		
Svenska Handelsbanken AB	Consensus*	23,292	1.37	10.8	11.0	10.7	9.5	7.9	7.9	11.4	11.3	11.5	12.0	11.6	1.05		
Nordea Bank Abp	Consensus*	43,229	1.45	9.2	9.1	8.6	7.6	7.7	7.9	14.5	14.3	14.5	12.5	9.6	1.16		
Swedbank AB	Consensus*	25,232	1.37	9.5	9.5	9.1	7.7	8.3	8.6	13.2	13.1	13.1	14.0	10.2	1.14		
Skandinaviska Enskilda Banken AB	Consensus*	29,003	1.32	10.2	9.5	8.9	5.9	6.1	6.4	13.2	13.5	13.8	14.2	11.4	1.27		
Danske Bank A/S	Consensus*	27,293	1.20	9.3	9.2	8.7	7.5	7.6	7.5	12.3	12.1	12.3	6.7	9.1	0.74		
Average			1.37	9.8	9.7	9.3	7.5	7.4	7.6	13.3	13.0	13.2	12.1	10.3	1.10		
Median			1.37	9.5	9.5	9.0	7.5	7.7	7.7	13.2	13.3	13.4	12.9	10.0	1.15		
<i>Premium/discount</i>			-23%	-14%	-18%	-21%	-2.4%p	-1.9%p	-0.8%p	-1.1%p	-1.2%p	-1.1%p	2.1%p	-32%	-19%		
CEE Peers																	
Alior Bank SA	Consensus*	3,125	1.13	5.6	6.3	6.6	9.2	9.0	9.9	19.7	16.4	14.3	10.2	na	0.84		
LHV Group AS	Consensus*	1,152	1.65	10.2	8.5	7.1	2.5	3.1	3.7	16.1	17.0	17.6	21.7	10.1	2.52		
Nova Ljubljanska Banka dd	Consensus*	2,680	0.83	5.3	5.2	5.1	9.8	10.5	11.3	14.8	14.2	13.7	16.9	5.7	0.62		
Moneta Money Bank AS	Consensus*	2,796	2.09	11.4	10.6	10.3	7.6	7.8	8.2	18.8	19.4	19.7	15.2	na	1.53		
mBank SA	Consensus*	8,011	1.84	8.4	7.5	8.2	0.0	6.3	6.4	21.5	20.4	17.2	0.4	na	1.15		
Coop Pank AS	Consensus*	221	1.01	8.0	6.9	5.8	3.3	3.7	4.2	12.7	13.0	14.0	15.2	6.9	1.49		
Bank Polska Kasa Opieki SA	Consensus*	11,628	1.46	7.8	8.7	8.7	8.2	8.4	8.7	19.7	17.0	15.4	13.2	6.8	1.08		
OTP Bank Nyrt	Consensus*	18,534	1.36	6.6	6.3	5.8	4.1	4.6	5.4	19.7	17.7	17.3	16.1	6.2	1.23		
Komercni Banka AS	Consensus*	7,571	1.44	11.3	10.6	10.0	8.9	7.7	7.4	13.1	13.8	14.2	11.8	12.4	1.18		
Powszechna Kasa Oszczednosci Bai	Consensus*	21,899	1.78	8.5	8.0	8.0	7.7	8.3	8.7	19.6	19.9	19.0	7.2	7.3	1.21		
Erste Group Bank AG	Consensus*	26,252	1.16	8.8	8.3	7.7	5.2	5.6	6.1	13.7	13.5	13.5	11.2	9.2	0.81		
Average			1.43	8.4	7.9	7.6	6.1	6.8	7.3	17.2	16.6	16.0	12.6	8.1	1.24		
Median			1.44	8.4	8.0	7.7	7.6	7.7	7.4	18.8	17.0	15.4	13.2	7.1	1.18		
<i>Premium/discount</i>			-27%	-2%	-2%	-7%	-2.4%p	-1.9%p	-0.5%p	-6.6%p	-4.9%p	-3.0%p	1.7%p	-5%	-21%		
Western Europe Peers																	
Deutsche Bank AG	Consensus*	46,670	0.70	8.5	7.7	7.0	4.2	4.9	5.5	7.8	8.1	8.6	4.6	6.9	0.40		
Raiffeisen Bank International AG	Consensus*	7,993	0.46	4.5	4.7	4.7	6.1	6.8	7.2	9.9	9.2	8.6	12.2	4.9	0.43		
KBC Group NV	Consensus*	34,481	1.46	10.3	9.4	8.5	5.4	6.2	7.1	13.6	14.0	14.6	12.6	10.5	1.26		
Commerzbank AG	Consensus*	28,657	0.93	11.0	8.5	7.2	3.6	5.0	6.0	7.6	9.8	10.7	2.3	9.4	0.42		
Societe Generale SA	Consensus*	37,175	0.52	8.3	7.0	6.3	3.0	3.6	4.2	7.2	7.9	8.4	3.2	7.1	0.30		
Banco Santander SA	Consensus*	96,734	0.95	7.6	7.0	6.2	3.6	4.1	4.7	12.0	12.0	12.2	7.2	7.8	0.59		
ING Groep NV	Consensus*	57,125	1.12	9.4	8.1	7.1	5.7	6.4	7.2	11.4	12.6	13.3	9.5	9.1	0.81		
Average			0.88	8.5	7.5	6.7	4.5	5.3	6.0	9.9	10.5	10.9	7.4	8.0	0.60		
Median			0.93	8.5	7.7	7.0	4.2	5.0	6.0	9.9	9.8	10.7	7.2	7.8	0.43		
<i>Premium/discount</i>			13%	-3%	1%	2%	1.0%p	0.8%p	0.9%p	2.2%p	2.3%p	1.7%p	7.8%p	-13%	115%		
Average all peers			1.25	8.8	8.2	7.7	6.0	6.5	7.0	14.1	13.9	13.8	11.0	8.7	1.02		
Median all peers			1.34	9.0	8.4	7.9	6.0	6.6	7.1	13.4	13.6	13.8	12.1	9.1	1.11		
<i>Premium/discount</i>			-22%	-9%	-7%	-9%	-0.8%p	-0.8%p	-0.2%p	-1.3%p	-1.6%p	-1.4%p	2.9%p	-26%	-16%		

* Bloomberg

Annual financial data

Profit & Loss (EURm)	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Net interest income	76	81	107	157	160	146	162	182	203	222
Net commission income	16	17	19	20	29	33	36	39	41	44
Net insurance income incl. other income	3	5	12	-8	-6	2	-2	-3	-4	-8
Total income	95	103	137	169	183	181	196	218	240	258
Salaries and related expenses	23	27	31	36	50	59	64	69	72	76
Depreciation and amortization expenses	4	4	5	5	8	9	9	9	9	9
Other costs	15	17	22	31	38	42	44	44	45	45
Total costs	43	49	57	73	96	110	117	122	126	130
Core earnings before loan losses	52	55	80	96	87	71	80	96	114	128
Write-downs on loans	12	4	5	15	11	12	14	16	16	17
Core earnings	40	51	75	81	76	59	66	80	99	112
Dividends/associated companies	-	-	-	-	-	-	-	-	-	-
Net return on financial investments	13	17	5	14	20	17	17	19	20	24
One-offs	-	-	-	7	7	13	9	2	-	-
Pre tax profit	53	67	80	96	96	76	83	99	119	135
Taxes	-10	-12	-13	-20	-18	-14	-14	-17	-21	-24
Minority interest	-	-	-	-	-	-	-	-	-	-
Net profit	43	55	67	75	79	61	68	81	98	112
Adj. profit after taxes	43	55	67	81	85	72	76	83	98	112
EPS	0.07	0.09	0.11	0.12	0.12	0.09	0.10	0.12	0.15	0.17
EPS (adj.)	0.07	0.09	0.11	0.13	0.13	0.11	0.11	0.12	0.15	0.17
Profitability										
ROE (adj.)	12.7%	14.3%	16.1%	16.7%	15.0%	12.1%	12.1%	12.4%	13.6%	15.2%
ROE (reported)	12.7%	14.3%	16.1%	15.5%	14.0%	10.4%	10.9%	12.2%	13.6%	15.2%
ROA	1.4%	1.4%	1.6%	1.6%	1.6%	1.1%	1.1%	1.3%	1.4%	1.5%
RORWA	2.2%	2.6%	2.8%	3.1%	2.9%	2.0%	2.0%	2.1%	2.4%	2.5%
Core earnings ROE	11.3%	12.4%	17.0%	15.0%	13.1%	9.6%	10.0%	11.4%	13.1%	13.6%
Core earnings in % of RWA	2.1%	2.4%	3.1%	3.3%	2.8%	1.9%	1.9%	2.1%	2.4%	2.5%
Cost/Income ratio	45.0%	47.0%	41.5%	43.1%	52.3%	60.5%	59.5%	56.1%	52.4%	50.3%
Adjusted Cost/Income ratio	45.0%	47.0%	41.5%	39.2%	48.5%	53.5%	54.8%	55.3%	52.4%	50.3%
Costs in % of total assets	1.4%	1.2%	1.4%	1.5%	1.9%	2.0%	2.0%	1.9%	1.8%	1.7%
Tax rate	18.7%	17.9%	16.1%	21.3%	18.3%	19.1%	17.5%	17.5%	17.5%	17.5%
Loss ratio	0.75%	0.21%	0.21%	0.58%	0.35%	0.33%	0.33%	0.32%	0.30%	0.30%
Net interest margin	3.00%	2.99%	3.21%	4.05%	3.70%	2.81%	2.83%	2.92%	3.01%	3.04%
Operating margin	3.1%	2.6%	3.3%	3.5%	3.7%	3.3%	3.3%	3.4%	3.4%	3.4%
Pretax margin	1.7%	1.7%	1.9%	2.0%	2.0%	1.4%	1.4%	1.5%	1.7%	1.8%
Growth rates (YoY)										
Core earnings	-5%	26%	49%	8%	-6%	-23%	11%	22%	24%	13%
EPS (adj.)	-16%	28%	22%	18%	-4%	-15%	6%	9%	18%	14%

Balance sheet (EURm)	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Cash and receivables	590	1,162	630	1,041	715	501	262	59	54	52
Net lending to customers	1,606	1,909	2,392	2,645	3,118	3,713	4,254	4,788	5,182	5,609
Total securities	781	839	1,118	1,034	1,007	1,196	1,375	1,549	1,676	1,815
Associated companies	-	-	0.1	0.1	0.3	0.3	0.3	0.3	0.3	0.3
Tangible assets	16	15	16	16	15	14	14	14	14	14
Other assets	36	38	26	74	67	75	75	76	76	76
Total assets	3,029	3,962	4,183	4,809	4,923	5,500	5,980	6,485	7,003	7,567
Total equity	355	406	443	543	585	615	653	700	757	820
Minority interest	-	-	-	-	-	-	-	-	-	-
Total deposits	2,575	3,377	3,470	3,733	3,604	3,890	4,218	4,573	4,960	5,379
Debt securities in issue	20	95	171	276	448	686	800	900	974	1,054
Other liabilities	79	84	98	257	285	309	310	311	313	314
Equity and liabilities	3,029	3,962	4,183	4,809	4,923	5,500	5,980	6,485	7,003	7,567
Growth of loans	6.0%	18.9%	25.3%	10.6%	17.9%	19.1%	14.5%	12.6%	8.2%	8.2%
Growth of deposits	22.2%	31.1%	2.8%	7.6%	-3.5%	7.9%	8.4%	8.4%	8.4%	8.5%
Equity ratio	11.7%	10.3%	10.6%	11.3%	11.9%	11.2%	10.9%	10.8%	10.8%	10.8%
CET1 ratio	19.6%	19.5%	18.1%	19.9%	18.9%	18.2%	18.9%	19.0%	18.6%	19.0%
Core capital (EURm)	377	410	439	485	562	614	700	780	821	906
Tier 1 ratio	19.6%	19.5%	18.1%	19.9%	20.8%	19.8%	20.3%	20.4%	19.9%	20.1%
Capital base (EURm)	397	430	459	547	660	693	779	859	901	985
Capital adequacy	20.7%	20.4%	19.0%	22.4%	24.4%	22.4%	22.6%	22.4%	21.8%	21.9%
RWA	1917	2106	2421	2439	2707	3094	3442	3827	4133	4502

Share data	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Shares outstanding, year end (mill.)	601	601	601	663	663	663	663	663	663	663
Share price, year end (EUR)	0.50	0.76	0.69	0.69	0.82	0.89	0.89	0.89	0.89	0.89
Market cap (EURm)	299	457	412	459	546	590	590	590	590	590
EPS	0.07	0.09	0.11	0.12	0.12	0.09	0.10	0.12	0.15	0.17
EPS (adj.)	0.07	0.09	0.11	0.13	0.13	0.11	0.11	0.12	0.15	0.17
Book value per share (EUR)	0.59	0.68	0.74	0.82	0.88	0.93	0.98	1.06	1.14	1.24
Dividends per share (EUR)	0.005	0.034	0.027	0.049	0.059	0.046	0.052	0.061	0.074	0.084
Share buybacks (EUR)	-	-	-	-	0.013	0.005	-	-	-	-
Dividend payout ratio (Group)	8%	37%	24%	43%	50%	50%	50%	50%	50%	50%
Total Dividend payout ratio (incl. buybacks)	8%	37%	24%	43%	61%	55%	50%	50%	50%	50%

Valuation	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
P/E	7.0	8.3	6.1	5.6	6.9	9.6	8.6	7.2	6.0	5.3
P/E (adj.)	7.0	8.3	6.1	5.2	6.5	8.2	7.8	7.1	6.0	5.3
P/B (excl. goodwill)	0.84	1.12	0.93	0.85	0.93	0.96	0.90	0.84	0.78	0.72
Dividend yield	1.1%	4.5%	3.9%	7.0%	7.2%	5.2%	5.8%	6.9%	8.3%	9.5%

Growth (YoY)	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Growth of loans	6.0%	18.9%	25.3%	10.6%	17.9%	19.1%	14.5%	12.6%	8.2%	8.2%
Growth of deposits	22.2%	31.1%	2.8%	7.6%	-3.5%	7.9%	8.4%	8.4%	8.4%	8.5%
EPS (adj.)	-16.5%	28.3%	22.1%	18.2%	-3.9%	-15.2%	5.9%	8.9%	18.2%	14.0%

Capital ratios	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Equity ratio	11.7%	10.3%	10.6%	11.3%	11.9%	11.2%	10.9%	10.8%	10.8%	10.8%
CET1 ratio	19.6%	19.5%	18.1%	19.9%	18.9%	18.2%	18.9%	19.0%	18.6%	19.0%
Tier 1 ratio	19.6%	19.5%	18.1%	19.9%	20.8%	19.8%	20.3%	20.4%	19.9%	20.1%
Capital adequacy	20.7%	20.4%	19.0%	22.4%	24.4%	22.4%	22.6%	22.4%	21.8%	21.9%

Profitability	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
ROE (adj.)	12.7%	14.3%	16.1%	16.7%	15.0%	12.1%	12.1%	12.4%	13.6%	15.2%
ROE (reported)	12.7%	14.3%	16.1%	15.5%	14.0%	10.4%	10.9%	12.2%	13.6%	15.2%
ROA	1.4%	1.4%	1.6%	1.6%	1.6%	1.1%	1.1%	1.3%	1.4%	1.5%
Costs/Income ratio	45.0%	47.0%	41.5%	43.1%	52.3%	60.5%	59.5%	56.1%	52.4%	50.3%
Adjusted Costs/Income ratio	45.0%	47.0%	41.5%	39.2%	48.5%	53.5%	54.8%	55.3%	52.4%	50.3%
Costs in % of total assets	1.4%	1.2%	1.4%	1.5%	1.9%	2.0%	2.0%	1.9%	1.8%	1.7%
Loss ratio	0.75%	0.21%	0.21%	0.58%	0.35%	0.33%	0.33%	0.32%	0.30%	0.30%
Net interest margin	3.00%	2.99%	3.21%	4.05%	3.70%	2.81%	2.83%	2.92%	3.01%	3.04%

Valuation, risk and sources

Valuation range

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

Date	Valuation range (EUR/share)
23/07/2024	0.88-1.08
02/08/2024	0.91-1.11
24/10/2024	0.95-1.16
07/11/2024	0.96-1.20
21/02/2025	1.03-1.28
06/03/2025	1.03-1.28
17/04/2025	0.96-1.20
06/05/2025	0.86-1.08

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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