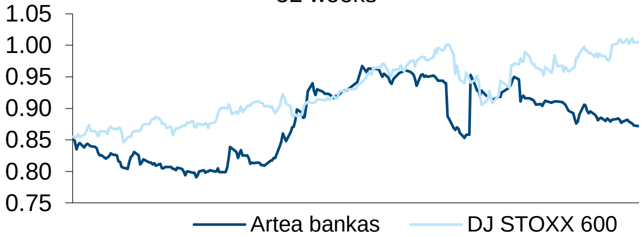
COMPANY REPORT

Artea bankas

from Accumulate to Buy

EUR mn	2024	2025	2026e	2027e
Net interest Income	160.2	138.3	154.6	176.8
Net fee/com. inc.	29.1	31.0	31.5	33.5
Total Income	203.0	189.8	208.1	233.7
EBT	96.4	74.3	76.7	109.6
Net result after min.	78.8	60.7	62.2	88.8
EPS (EUR)	0.12	0.09	0.10	0.14
BVPS (EUR)	0.90	0.93	0.98	1.07
Tang. BVPS (EUR)	0.90	0.92	0.97	1.06
Div./share (EUR)	0.06	0.05	0.05	0.07
ROE (%)	13.97	10.21	10.12	13.71
P/E (x)	6.9	10.3	9.0	6.2
P/BV(x)	0.9	1.0	0.9	0.8
Dividend Yield	7.4%	5.0%	5.7%	8.5%

52 weeks



Performance	12M	6M	3M	1M
in EUR	3.0%	-7.2%	-4.5%	-2.6%

Share price (EUR) close as of 29/06/2026	0.8720
Number of shares (mn)	652.7
Market capitalization (EUR mn)	569.1
Enterprise value (EUR mn)	

Reuters	ROE1L.VL	Free float	45.8%
Bloomberg	ROE1L LV	Shareholders	Invalda INVL (19.9%)
Div. Ex-date	14/04/26		Tesonet (9.9%)
Target price	**1.15**	Homepage:	www.artea.lt

Analyst:
Thomas Unger, CFA
+43 (0)5 0100 - 17344
thomas.unger@erstegroup.com

Strategic optionality, attractive valuation, earnings recovery

We raise our recommendation for Artea Bank shares to Buy (from Accumulate) and increase our target price to EUR 1.15 per share (from EUR 0.96). The higher target price is supported by upgrades to our mid- and long-term earnings and dividend forecasts. We thus see significant upside from current levels, even under a conservative valuation framework.

We see a compelling opportunity for investors, supported by strategic optionality, an undemanding valuation, and a recovery in earnings power. **The ongoing strategic stake-building by Tesonet provides a strong valuation anchor**. Tesonet has secured agreements to increase its ownership from 9.9% to 31.7%, with these transactions structured around a valuation of 1.2x book value – broadly in line with our target price and materially above the current P/BV multiple of 0.9x.

Peer group analysis further supports our positive view, showing Artea trading at a significant discount to peers. Nordic peers currently trade at 1.6x 2026e book value. While Artea's ROE remains below peer levels, its earnings trajectory points to a clear improvement path, suggesting that the valuation gap is excessive and offering substantial re-rating potential.

In our view, **Artea's earnings are at a mid-term trough.** We expect NIM trends to improve amid more supportive rate expectations, while efficiency measures begin to translate into tangible cost savings. In our updated forecasts, profitability accelerates beyond 2026, driven by positive operating leverage.

Finally, the group's **strong capital position provides significant scope for enhanced shareholder returns**. We expect recurring share buybacks alongside growing dividends to support an attractive shareholder distribution profile.

Erste Group Research – Company Report finalized and released July 1, 2026, 07:30, CET, reviewed by Henning Eßkuchen (supervising analyst)

Tesonet entry reshaping ownership and strategy

Tesonet emerges as strategic investor with control ambitions

Following its rebranding and ongoing transformation, Artea Bank has entered a period of shareholder transition triggered by the entry of Tesonet Global, a Lithuanian technology group acting as a business accelerator and investor, which has founded and scaled several global technology platforms across cybersecurity and web intelligence, including Nord Security and Surfshark, as well as Oxylabs and Cyber Care. Tesonet's investment is explicitly strategic in nature, with a clear ambition to build a controlling position and leverage its technological expertise to support the bank's next phase of development.

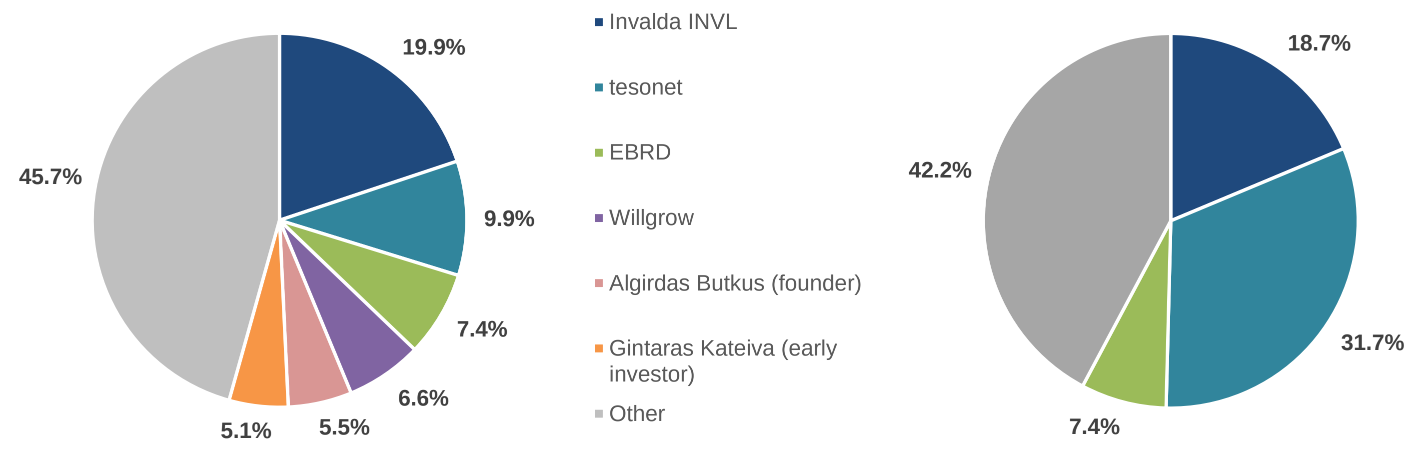
Structured stake build-up anchored at 1.2x book value

The process was initiated on March 12, 2026, when Tesonet acquired a 2.52% stake at EUR 1.1012 per share, increasing its holding to 9.86%, and simultaneously signed conditional agreements with a number of existing shareholders that will allow Tesonet to increase its stake to up to 31.68%. The agreed transactions are structured around a valuation of 1.2x latest reported book value per share, implying a premium valuation and effectively linking final pricing to the bank's evolving capital base. Completion remains subject to regulatory approvals, in particular from the ECB, and is expected to take place in stages through to 1Q27.

Clear path toward potential control, subject to approvals

The targeted stake should likely be viewed as an intermediate step rather than an end-state. Tesonet has explicitly communicated its intention to ultimately acquire a controlling interest, including an application for ECB approval, which has been submitted, according to Artea. The current structure appears deliberately calibrated below the 33% mandatory takeover threshold in Lithuania, suggesting a phased approach to ownership build-up. In our view, subject to regulatory clearance, a further increase in ownership, potentially including a takeover offer, remains a realistic medium-term outcome.

Ownership structure (as of March 2026)



Shareholder base in transition as exits begin

The shareholder base is already in transition. Several smaller shareholders have agreed to exit, while partial disposals by larger investors (including Invalda INVL) indicate a degree of willingness to realize value at a premium valuation. At the same time, key shareholders remain in place, implying that ownership will remain relatively fragmented in the near term, despite Tesonet's increasing stake. The direction of travel is nonetheless clear, with a shift toward a more concentrated ownership structure anchored by a strategic investor.

CEO departure and strengthening of technology leadership

Management changes are evolving in parallel with the ownership shift. The departure of the long-standing CEO likely marks an inflection point, with the CFO currently acting as interim CEO. At the same time, the bank has strengthened its technology leadership through the introduction of a CTO role, combining IT and product development functions, and thereby aligning the organizational structure more closely with its digital agenda. The appointment of a senior Tesonet executive to lead organizational transformation indicates that operational involvement is already increasing ahead of any formal change of control.

Technology-driven model to gain further importance

While no formal strategy update has been communicated, the direction of travel is becoming clearer, centered on accelerating Artea's technological transformation, enhancing infrastructure and digital capabilities, and improving customer experience. In this context, we expect a continued shift toward a more scalable, technology-driven banking model, with increasing emphasis on digital distribution and retail lending, while Lithuania remains the core market in the near term.

Valuation support from transaction levels; potential takeover optionality

Overall, we see the developments as supportive for the investment story. The entry of a strategically motivated investor at a premium to market valuation provides a clear signal on perceived intrinsic value, while the ongoing ownership build-up, combined with management changes, suggests that influence is already being exerted ahead of formal control. The key near-term uncertainty remains regulatory approval, which will determine the timing and extent of Tesonet's ability to transition from a large minority position to full control and shape the bank's longer-term strategic trajectory. Against this backdrop, in our view, the current situation may also create an attractive event-driven opportunity for investors, as the implied transaction valuation (1.2x book value) provides a strong reference point above current market levels. With Tesonet's stated ambition to ultimately secure control, we see increasing potential for valuation convergence toward transaction levels and view a takeover offer in the 2027-28 timeframe as a realistic scenario.

1Q results solid, NIM bottoming

Earnings solid, despite NII pressure

Recent financial results show a stabilizing trend for earnings, with net profit of EUR 15.4mn in 1Q26 (-13% y/y). For the full year 2025, net income fell 23% y/y to EUR 60.7mn, primarily driven by top line pressure (-6% y/y), itself largely attributable to a 14% contraction in net interest income to EUR 138mn amid a less supportive rate environment. Despite this, underlying business momentum remains intact, as evidenced by solid loan growth (1Q26: +1% q/q, +7% y/y). Capitalization continues to provide a strong buffer, supporting both Artea's growth ambitions and capital returns, with the total payout ratio reaching a record-high 70% in 2025. On costs, efficiency measures introduced in 2025 have begun to materialize, partially offsetting revenue headwinds. Meanwhile, risk costs remain low, reflecting both Artea's solid asset quality and a supportive macro backdrop in Lithuania.

Financial results by quarter

Consolidated, IFRS

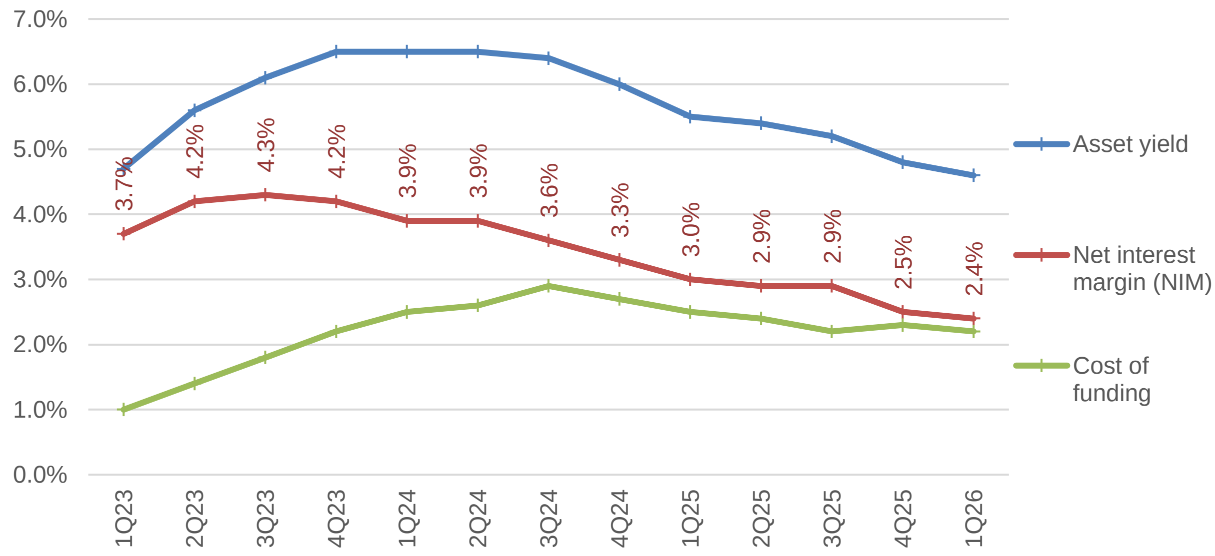
(EUR, mn)	1Q26	2025	4Q25	3Q25	2Q25	1Q25	2024	4Q24	3Q24
Net interest income	35.8	138.3	34.0	35.9	34.0	34.4	160.2	39.2	40.4
Net fee & commission inc.	7.4	31.0	8.2	7.6	7.6	7.6	29.1	8.1	7.3
Net insurance result	1.1	7.2				1.7	5.5		
Trading result, result of asset disposals	1.3	13.3	5.2	7.1	4.4	5.8	8.2	6.0	3.6
Operating income (excl. insurance)	45.7	189.8	47.7	50.8	45.9	49.6	203.0	53.3	51.8
Operating expenses (excl. insurance)	-25.6	-111.7	-31.1	-27.7	-27.8	-25.1	-95.6	-29.4	-22.2
Operating profit	**20.1**	**78.1**	**15.5**	**19.7**	**22.1**	**24.5**	**107.3**	**21.9**	**28.4**
Risk costs	-0.5	-3.9	-0.7	0.6	-1.6	-2.2	-10.9	-4.0	-3.0
Pre-tax profit	**19.4**	**74.3**	**14.8**	**20.3**	**20.5**	**22.3**	**96.4**	**17.9**	**25.4**
Net profit	**15.4**	**60.7**	**12.3**	**16.5**	**17.9**	**17.7**	**78.8**	**15.2**	**20.6**
Net interest margin (on TA, %)	2.34%	2.38%	2.24%	2.61%	2.60%	2.72%	3.25%	3.18%	3.21%
Net fee margin (on TA, %)	0.49%	0.53%	0.54%	0.55%	0.58%	0.60%	0.59%	0.66%	0.58%
Cost / income ratio (%)	56.0%	60.9%	70.3%	63.7%	58.6%	50.7%	52.0%	61.4%	48.0%
ROE (%)	10.5%	10.8%	8.2%	11.1%	12.4%	12.6%	13.6%	10.4%	14.3%
Risk costs (on avg. loans, %)	0.05%	0.11%	0.07%	-0.07%	0.19%	0.28%	0.35%	0.51%	0.40%
CET1 ratio (transitional)	18.0%	18.9%	16.6%	17.0%	17.6%	18.0%	18.9%	18.9%	17.7%
Total capital ratio (transitional)	19.8%	23.4%	21.2%	21.5%	22.2%	22.8%	24.4%	24.4%	21.2%
Loan / deposit ratio (%; net)	94%	94%	94%	90%	94%	89%	88%	88%	91%
Customer loans (net)	3,756	3,714	3,714	3,368	3,330	3,184	3,118	3,118	3,100
Customer deposits (net)	3,991	3,961	3,961	3,756	3,530	3,593	3,538	3,538	3,407
Shareholders' equity	587	603	603	592	575	561	585	585	577
Total assets	6,092	6,075	6,075	5,541	5,277	5,286	4,923	4,923	4,944

Source: Artea Bank, Erste Group Research

NIM expected to improve

Among the key developments in the 1Q26 results was the increase in net interest income by 5% q/q to EUR 35.8mn. This was supported mainly by growth in the asset base, while funding costs also started to become more supportive. While the net interest margin (NIM) still declined slightly sequentially, from 2.5% in 4Q25 to 2.4% in 1Q26, management indicated that NIM likely bottomed out in 1Q26 and should improve going forward as base rate dynamics and deposit repricing trends become more favorable. In 1Q26, asset yields remained under pressure, as excess liquidity was deployed into lower-yielding securities. More broadly, 2025 was a challenging year for Artea's margins, as the ECB's rate cuts weighed on the predominantly variable-rate loan book, while improving funding costs only partly offset the pressure on the asset side.

Net interest margin, asset yield and funding costs development



Source: Artea Bank, Erste Group Research

Fee income softened in 1Q26 after strong 2025

Net fee and commission income declined by 2% y/y to EUR 7.4mn in 1Q26, reflecting lower bond origination activity in the Baltics. In 2025, NFCI was one of the bright spots, rising by 6% y/y, driven primarily by asset management, renovation and strong capital markets activity. Looking ahead, NFCI growth is likely to remain subdued over the coming quarters, as Pillar 2 pension reform-related outflows begin to weigh on AUM and fee generation from 2Q26 onwards (see Pillar 2 reform discussion further down).

Costs under control, despite ongoing transformation spending

Operating costs were well-contained in 1Q26, with tight control and early benefits from optimization measures fully offsetting inflationary pressures. Total operating expenses increased a modest 2% y/y to EUR 25.6mn, including EUR 2.5mn of one-off costs (1Q25: EUR 2.2mn), mainly related to the ongoing core banking system upgrade. The program remains the key transient cost driver, but execution appears firmly on track, with management indicating progress within budget and testing currently underway, while the timeline for full rollout remains unchanged at 2H26.

Benign risk environment supports asset quality

Asset quality remained strong in 1Q26, with impairment charges at very low levels and no signs of underlying deterioration. Risk costs were EUR -0.5mn, translating into a cost of risk of just 0.06%. The favorable macroeconomic backdrop supported further improvement in asset quality, with the NPL (Stage 3) ratio declining to 2.7% in 1Q26, from 2.8% at end-2025. Risk costs totaled EUR -3.9mn last year, corresponding to a cost of risk of 0.13%. Management remains comfortable with the current NPL position and does not anticipate material changes in the near term.

Loan growth regains momentum in 1Q26

Loan growth recovered in 1Q26, increasing by 1% q/q and 7% y/y to above EUR 3.7bn, supported by EUR 0.4bn of new loan agreements signed during the quarter, up 36% vs. 4Q25. Importantly, management highlighted a particularly strong pickup in lending activity toward the end of 1Q26 and therefore remains confident that loan growth will accelerate to double digits in 2026 (guidance: +11%). The main near-term growth drivers remain mortgages and corporate lending, in line with Artea’s portfolio structure, where corporate loans account for 52% of the book and mortgages for 30%.

Improved funding profile supports 2026 lending ambitions

In 2025, loan growth fell short of initial expectations, with the loan book expanding by 8% y/y. Growth was especially subdued in 4Q25 and throughout 2H25, as the bank deliberately prioritized improving the loan-to-deposit ratio and strengthening balance sheet resilience. This strategy proved effective: deposits increased by 6% q/q in 4Q25 and by 12% in 2H25, bringing the loan/deposit ratio down to 94%, from levels of up to 105% in previous quarters. Management views a loan-to-deposit ratio in the mid-90s as a comfortable level. Given the stronger deposit base built at the end of 2025, a significant portion of the expected loan growth in 2026 is essentially pre-funded, which is also reflected in Artea’s guidance for slower deposit growth this year (+5% y/y).

Outlook and revision of estimates

Profitability to step up sharply post-2026

Artea outlined its key financial targets for 2026-28 alongside the preliminary FY25 results in February 2026, with these targets most recently reaffirmed in the 1Q26 release. For 2026, management guides for broadly stable net profit y/y at around EUR 61mn, implying an ROE of 10.0%. From 2027 onwards, the earnings trajectory is expected to accelerate meaningfully. Net profit is projected to increase to EUR 87mn in 2027 and further to EUR 122mn by 2028, corresponding to an ROE of 16.9%. Over the longer term, Artea maintains its commitment to delivering an ROE above 17%.

The anticipated improvement in profitability is primarily driven by sustained double-digit revenue growth (10-19% for 2026-28) and a marked reduction in the cost/income ratio, as upfront investments related to the core banking system upgrade roll off.

Key financial targets

	2025	2026	2027	2028
Loan book growth	EUR 3.71bn	11%	13%	13%
Deposits growth	EUR 3.96bn	5%	13%	12%
Total revenue growth	EUR 190mn	10%	14%	19%
Net fee & commission income growth	EUR 31mn	4%	8%	15%
Cost / Income ratio	58.8%	60.7%	50.1%	42.2%
Return on Equity (ROE)	10.4%	10.0%	13.5%	16.9%
Adjusted ROE	*12.4%*	*12.0%*	*13.8%*	*16.9%*
Net profit	EUR 60.7mn	61	87	122
Adjusted net profit	*EUR 72.5mn*	*73*	*89*	*122*

Source: Artea Bank, Erste Group Research

Delivering high returns to shareholders remains a priority for Artea. From 2025 earnings, management plans a record-high total payout ratio of 70% (up from 55% from 2024 earnings) with 51% already paid out in the EUR 0.047 dividend and another ~20% to come from share buybacks (to be approved by the ECB). The total yield would thus reach ~7%, based on the current share price. The bank's capital position remains very solid with a year-end 2025 CET1 ratio of 18.91%, perfectly stable y/y. The tier 1 and total capital ratio were 20.7% and 23.4%, respectively, at the end of last year. The stable development y/y was supported by a lower RWA density, which decreased to 47% of total assets in 2025.

Earnings estimates trajectory now steeper, from lower starting point

Earnings forecasts trimmed near-term; longer-term outlook improved

In our updated forecasts for Artea, we have lowered our earnings estimates for 2026 and 2027. For 2026, we now project net profit of EUR 62mn, representing an 11% reduction vs. our previous forecast. For 2027, we expect net income to rise to EUR 89mn, albeit still 6% below our prior estimate. Beyond the near term, however, we have upgraded our outlook, reflecting a stable risk environment and the anticipated benefits of operating leverage. We now forecast net profit to increase from EUR 116mn in 2028 to EUR 157mn by 2030, indicating stronger earnings momentum in the outer years.

Change in estimates

Consolidated, IFRS (EUR, mn)	2026e new	2026e old	+/-	2027e new	2027e old	+/-	2028e new	2028e old	+/-
Net interest income	155	169	-8%	177	192	-8%	207	213	-3%
Net fee & commission inc.	32	34	-7%	34	37	-10%	37	40	-7%
Operating income	208	220	-6%	234	248	-6%	269	272	-1%
Operating expenses	-123	-121	1%	-113	-114	-1%	-113	-117	-3%
Risk provisions	-8	-14	-39%	-11	-18	-39%	-12	-21	-41%
Pre-tax profit	77	85	-10%	110	116	-5%	144	134	7%
Net profit	62	69	-11%	89	94	-6%	116	109	6%
EPS (EUR)	0.097	0.108	-10%	0.140	0.147	-5%	0.187	0.171	10%
DPS (EUR)	0.050	0.059	-16%	0.074	0.081	-8%	0.099	0.094	6%
BVPS (EUR)	0.98	1.01	-2%	1.07	1.09	-2%	1.18	1.18	0%

Source: Erste Group Research

Lower NII assumptions drive estimate cuts

The reduction in our profit forecasts for 2026 and 2027 is primarily driven by lower revenue assumptions, reflecting downward revisions to net interest income. While we continue to expect solid loan growth, we have reduced our net interest margin forecasts to account for stronger-than-anticipated pressure observed in 2H25 and 1Q26. The resulting impact on operating income is partially mitigated by an improved outlook for risk costs in 2026, as asset quality has so far shown no signs of material deterioration.

Main assumptions

(EUR, mn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Net interest income	157	160	138	155	177	207	233	258
Net fee & commission inc.	20	29	31	32	34	37	40	43
Net result from insurance activity		5	7	8	9	10	11	12
Trading result, other income	14	8	13	14	15	15	16	17
Operating expenses	-73	-96	-112	-123	-113	-113	-116	-120
Risk costs	-15	-11	-4	-8	-11	-12	-14	-15
Pre-tax profit	96	96	74	77	110	144	169	194
Net profit after minorities	**75**	**79**	**61**	**62**	**89**	**116**	**137**	**157**
EPS (EUR)	0.13	0.12	0.09	0.10	0.14	0.19	0.22	0.26
DPS (EUR)	0.049	0.061	0.047	0.050	0.074	0.099	0.119	0.139
BVPS (EUR)	0.82	0.90	0.93	0.98	1.07	1.18	1.31	1.45
Tangible BVPS (EUR)	0.75	0.83	0.87	0.91	1.00	1.10	1.22	1.36
Customer loans (net)	2,645	3,118	3,714	4,122	4,658	5,264	5,843	6,427
Growth	*10.6%*	*17.9%*	*19.1%*	*11.0%*	*13.0%*	*13.0%*	*11.0%*	*10.0%*
Net interest margin (on avg. total assets)	3.49%	3.29%	2.52%	2.44%	2.55%	2.69%	2.75%	2.80%
Cost / income ratio	-41.2%	-47.1%	-58.8%	-59.1%	-48.4%	-42.0%	-38.9%	-36.5%
Cost of risk (on avg. net loans)	-0.60%	-0.38%	-0.11%	-0.21%	-0.25%	-0.25%	-0.25%	-0.25%
ROE (on avg. equity)	15.3%	14.0%	10.2%	10.1%	13.7%	16.6%	18.0%	19.1%
ROTE (on avg. tangible common equity)	16.2%	15.2%	11.0%	10.9%	14.8%	17.9%	19.3%	20.4%
NPL ratio (on gross loans)	2.9%	2.5%	2.8%	2.8%	2.7%	2.6%	2.5%	2.4%
Loan / deposit ratio (net loans)	84%	92%	94%	98%	98%	98%	99%	99%
CET1 ratio (group, transitional)	19.9%	18.9%	18.9%	18.3%	17.9%	17.6%	17.8%	18.2%
Total capital ratio (group, transitional)	22.4%	24.4%	23.4%	22.6%	21.8%	21.2%	21.1%	21.4%

Source: Artea Bank, Erste Group Research

ROE trajectory steepens

In our updated forecasts, ROE is projected to increase from 10.1% in 2026 to 16.6% by 2028 and further to 19.1% in 2030. Although our previous estimates assumed a somewhat higher starting level in 2026, the improvement was clearly less steep, with ROE reaching 15% by 2029.

Higher shareholder returns with capital strength intact

The steeper ROE trajectory is not only driven by revised earnings projections, but also reflects our updated assumptions on shareholder returns, now incorporating regular share buybacks on an annual basis. We highlight the group's strong capital position, with a CET1 ratio of 18.9% (stable y/y) and a total capital ratio of 23.4% at FY25, providing ample capacity to support increased capital distribution while maintaining robust buffers across the forecast horizon. Dividend estimates have been broadly adjusted in line with earnings, resulting in slightly lower payouts in 2026 and 2027, followed by stronger growth in the outer years. We forecast a dividend of EUR 0.050 per share from 2026 earnings, increasing to EUR 0.074 and EUR 0.099 for 2027 and 2028 earnings, respectively.

Moody's upgrade supports improving profitability and transformation

The group's strong capitalization and improving profitability profile were further reflected in Moody's upgrade of AB Artea bankas' long-term deposit rating to A3 (from Baa1) in April 2026, with the outlook revised to positive, signaling confidence in the bank's ongoing transformation and earnings trajectory. Moody's also revised the outlook on the bank's senior unsecured debt rating to positive, from stable, while affirming the Baa1 rating.

Lithuania's Pillar II pension reform

Pillar II reform reshapes savings flows

Lithuania's Pillar II pension reform is a meaningful reshaping of the country's long-term savings architecture. By abolishing automatic enrollment, opening a two-year exit window from January 1, 2026, to December 31, 2027, and allowing participants greater flexibility to withdraw from the system, the reform releases a large pool of previously locked retirement savings back to households. In the near term, this is liquidity-positive for the banking system and may support deposits and consumption, although both the Bank of Lithuania and the European Commission have warned that the longer-term trade-off is weaker pension adequacy and a shallower domestic capital market.

Artea faces mixed impact

For Artea, the impact is expected to be mixed. The main negative is lower Pillar II assets under management and thus pressure on asset management fees. However, the near-term banking impact could be positive, as the released liquidity supports balances within the banking system. Artea disclosed that around 40% of Pillar II assets were withdrawn in 1Q26, but also said it showed the strongest resilience in the market, grew Pillar III contracts by nearly 7% q/q and saw higher current account balances after the reform. Management now expects cumulative withdrawals to ultimately reach ~50%, with upside risk beyond that level. This would imply further fee pressure ahead, although the extent to which released liquidity remains within the bank should help soften the overall earnings impact.

Valuation

Upgrade to Buy, with target price of EUR 1.15, on higher profit, dividend estimates

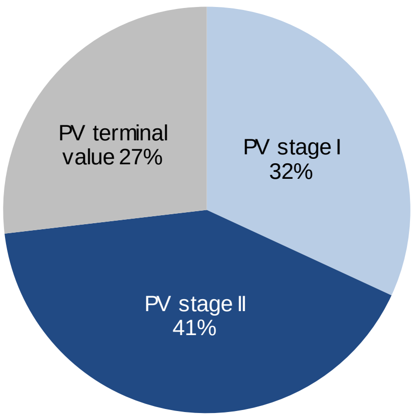
We raise our recommendation for Artea Bank to Buy, from Accumulate, and increase our target price to EUR 1.15 per share (from EUR 0.96). The higher valuation is primarily driven by upward revisions to our mid- to long-term earnings and dividend forecasts. Discount rates remain broadly unchanged, with the cost of equity maintained at 13.6% over the detailed forecast period and 12.0% for the terminal value, reflecting a continued conservative stance. The valuation also benefits from the inclusion of higher shareholder returns, with regular share buybacks now incorporated into our estimates.

Tesonet's stake increase at 1.2x P/B anchors valuation upside

Tesonet's agreements with other large shareholders to increase its stake significantly at a price to book value multiple of 1.2x anchor valuation upside and provide a strong reference point for Artea's valuation, in our view. The last reported book value per share in 1Q26 was EUR 0.90 and we expect this to increase to EUR 0.98 by the end of the year. Our target price thus is closely aligned with this 1.2x book value benchmark, based on our estimates.

Dividend Discount Model			Stage I			Stage II	TV
in EUR	2026e	2027e	2028e	2029e	2030e	2031e-2040e	2041ff
ROE	12.7%	13.2%	13.9%	18.0%	19.0%	13.5%	12.0%
BVPS	**0.98**	**1.07**	**1.18**	**1.31**	**1.45**		
EPS	**0.10**	**0.14**	**0.19**	**0.22**	**0.26**		
EPS growth	5.5%	45.3%	33.3%	19.7%	16.9%	1.9%	3.5%
Payout ratio	51.7%	53.0%	53.0%	53.0%	53.0%	53.8%	50.0%
DPS	**0.05**	**0.07**	**0.10**	**0.12**	**0.14**		
Cost of equity	13.6%	13.6%	13.6%	13.6%	13.6%	13.4%	12.0%
PV stage I					**0.32**		
PV stage II						**0.42**	
PV terminal value							**0.27**
Equity value - DDM	**1.01**						
Equity value - DDM (12m)	**1.15**						

Equity value breakdown



Source: Erste Group Research

Sensitivity of equity value (12m)

Cost of equity \ Terminal value ROE	10.0%	11.0%	12.0%	13.0%	14.0%
11.0%	1.07	1.13	1.19	1.26	1.34
11.5%	1.05	1.11	1.17	1.24	1.31
12.0%	1.03	1.09	**1.15**	1.21	1.28
12.5%	1.02	1.07	1.13	1.19	1.26
13.0%	1.00	1.06	1.12	1.17	1.24

Cost of equity \ Terminal value growth	2.5%	3.0%	3.5%	4.0%	4.5%
11.0%	1.15	1.17	1.19	1.22	1.25
11.5%	1.13	1.15	1.17	1.19	1.22
12.0%	1.12	1.13	**1.15**	1.17	1.19
12.5%	1.10	1.12	1.13	1.15	1.17
13.0%	1.09	1.10	1.12	1.13	1.15

Peer group

Peer comparison highlights valuation gap

The peer group comparison supports our positive stance on Artea and underpins the stock's upside potential. It also validates the 1.2x P/B transaction multiple as a reference point, which captures part – but not the full extent – of Artea's mid-term earnings potential. Nordic peers currently trade at 1.6x 2026e book value, while Artea stands at 0.9x based on our updated estimates.

Expected earnings improvement supports re-rating

While Artea's ROE remains at the lower end of the peer group, justifying a valuation discount, we view the current gap as excessive. In our view, the bank is positioned at a cyclical low in its earnings trajectory, with a clear improvement path ahead. Our 2027e ROE forecast of 13.7% broadly aligns with the Nordic peer average, with further upside thereafter as profitability continues to improve. Consequently, we see the 1.2x P/B as justified, with scope for further re-rating as earnings delivery becomes more visible.

Undemanding P/E and attractive dividend yield

On P/E, Artea also trades at a discount with a ratio of 9-10x on 2025-26e earnings. With profits expected to increase in the outer years, the forward multiple declines materially. The dividend profile is also supportive, with a

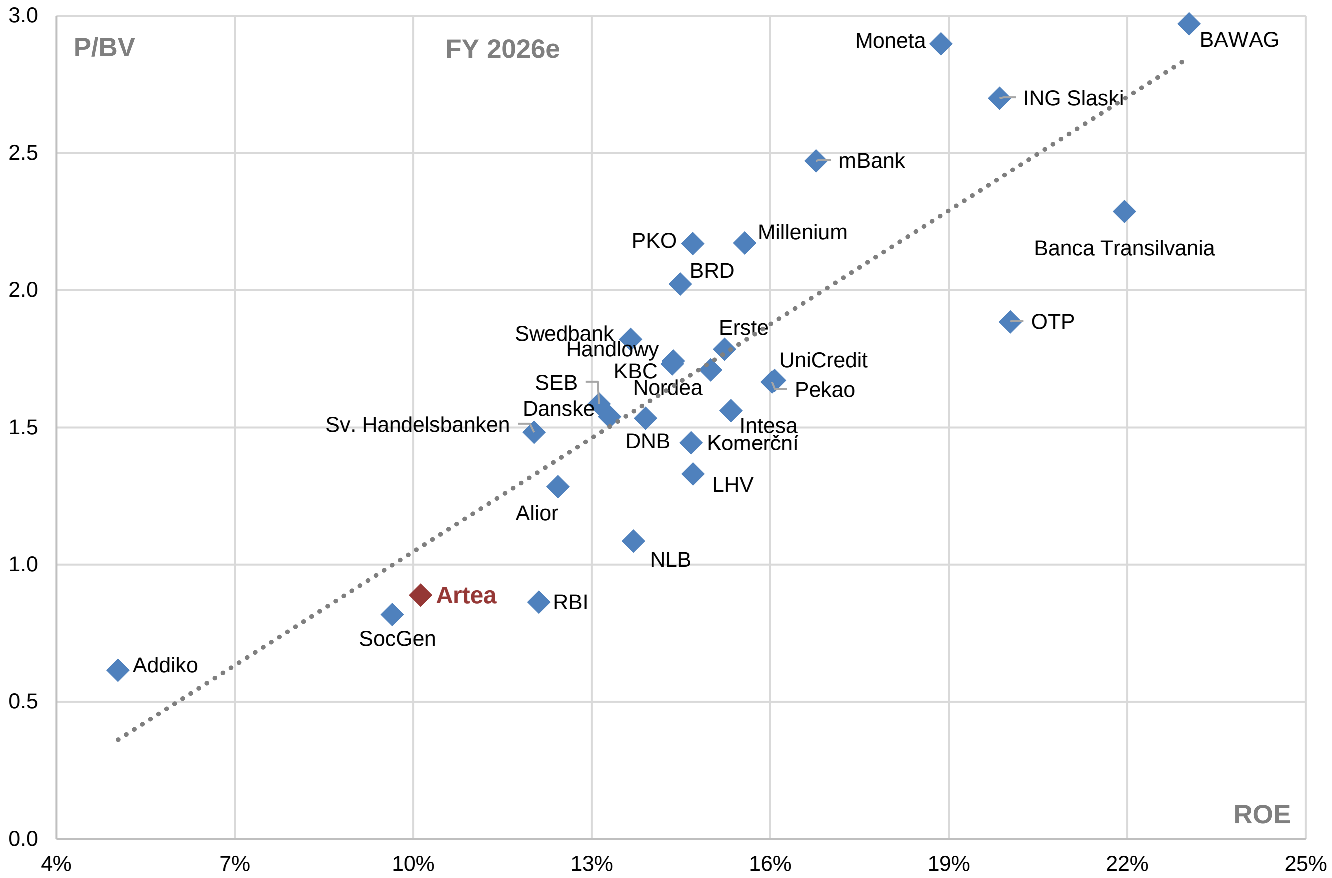
2026e yield of ~6%, broadly in line with peers, and rising thereafter on the back of improving earnings and dividend capacity, in our view.

Peer group comparison

Bank | Region	Market capitalization EUR mn	Price / Book Value			Price / Earnings			Dividend yield			Return on Equity		
		2025	2026e	2027e	2025	2026e	2027e	2025	2026e	2027e	2025	2026e	2027e
Central & South East European banks													
OTP	33,472.4	1.6	1.9	1.7	8.0	10.0	9.0	3.2%	2.4%	2.5%	21.3%	20.0%	20.1%
RBI	17,985.9	0.6	0.9	0.8	9.2	7.4	7.6	4.2%	3.2%	3.7%	7.5%	12.1%	10.9%
BAWAG	13,232.0	2.4	3.0	2.8	9.0	13.3	11.4	4.8%	4.2%	4.9%	27.0%	23.0%	25.4%
Komercni banka	7,624.0	1.7	1.4	1.4	12.2	9.9	9.4	8.2%	7.1%	7.4%	14.2%	14.7%	15.0%
Banca Transilvania	6,694.5	1.7	2.3	2.4	7.3	10.4	11.7	6.4%	3.3%	3.0%	24.5%	22.0%	21.1%
Nova Ljubljanska Banka	4,380.0	1.0	1.1	1.0	7.3	8.2	7.4	7.6%	6.7%	7.5%	14.4%	13.7%	14.2%
Moneta	4,005.7	3.2	2.9	2.8	15.2	15.9	15.3	5.9%	5.5%	5.7%	20.6%	18.9%	18.7%
BRD Groupe SG	4,552.7	1.8	2.0	1.8	12.1	14.7	13.5	4.0%	4.0%	5.1%	15.5%	14.5%	14.3%
Addiko Bank	536.3	0.5	0.6	0.6	10.0	12.0	11.2	0.0%	5.0%	5.3%	5.1%	5.0%	5.4%
Mean		**1.6**	**1.8**	**1.7**	**10.0**	**11.3**	**10.7**	**4.9%**	**4.6%**	**5.0%**	**16.7%**	**16.0%**	**16.1%**
Polish banks													
PKO BP	30,100.6	1.8	2.2	1.9	10.0	14.9	9.7	6.4%	5.9%	4.9%	19.3%	14.7%	21.1%
Bank Pekao	13,919.6	1.5	1.7	1.6	7.7	10.5	9.7	9.0%	8.7%	7.2%	20.9%	16.0%	16.8%
ING Bank Slaski	13,556.6	2.1	2.7	2.4	9.6	13.7	12.2	7.4%	6.0%	5.5%	24.1%	19.9%	20.7%
mBank	13,422.6	2.3	2.5	2.2	12.7	15.9	12.9	0.0%	0.0%	1.9%	18.8%	16.8%	17.9%
Bank Millennium	5,486.2	2.2	2.2	1.9	15.3	15.0	11.1	0.0%	0.0%	2.3%	15.4%	15.6%	18.3%
Alior Bank	4,023.3	1.1	1.3	1.2	6.1	10.5	9.4	8.3%	6.8%	7.1%	19.6%	12.4%	13.4%
Bank Handlow y	3,740.3	1.4	1.7	1.8	8.7	11.7	14.0	13.0%	12.6%	8.5%	16.1%	14.4%	12.6%
Mean		**1.7**	**2.0**	**1.8**	**9.9**	**12.7**	**10.9**	**6.4%**	**5.9%**	**5.7%**	**19.1%**	**16.1%**	**17.6%**
Banks with material CSEE exposure													
UniCredit	119,087.0	1.7	1.7	1.6	11.1	10.4	9.3	4.1%	5.1%	5.6%	15.4%	16.1%	16.8%
Intesa Sanpaolo	69,911.0	1.6	1.6	1.5	11.2	10.2	9.4	6.4%	7.5%	8.2%	14.8%	15.3%	16.1%
Societe Generale	55,503.9	0.9	0.8	0.7	9.9	8.5	7.4	2.5%	2.9%	3.3%	8.9%	9.6%	10.2%
Erste Group	49,384.0	2.1	1.8	1.6	13.9	11.7	10.4	0.7%	3.7%	4.3%	14.8%	15.2%	15.7%
KBC Group	42,129.5	1.8	1.7	1.6	13.5	12.1	10.7	4.3%	5.3%	6.1%	13.6%	14.4%	15.4%
Mean		**1.6**	**1.5**	**1.4**	**11.9**	**10.6**	**9.4**	**3.6%**	**4.9%**	**5.5%**	**13.5%**	**14.1%**	**14.8%**
Nordic banks													
Artea bankas	**569.1**	**1.0**	**0.9**	**0.8**	**10.3**	**9.0**	**6.2**	**5.0%**	**5.7%**	**8.5%**	**10.2%**	**10.1%**	**13.7%**
LHV Group	1,094.5	1.5	1.3	1.2	10.2	9.4	7.6	4.8%	5.1%	6.0%	16.0%	14.7%	16.6%
Danske Bank		1.6	1.5	1.5	12.4	11.6	10.7	6.6%	7.3%	7.2%	12.6%	13.3%	14.1%
DNB A		1.6	1.5	1.5	10.3	11.0	10.5	6.1%	6.3%	6.5%	15.2%	13.9%	13.9%
Nordea Bank		1.7	1.7	1.6	11.8	11.4	10.5	5.9%	6.0%	6.2%	14.7%	15.0%	15.5%
Skandinaviska Enskilda Banl		1.6	1.6	1.5	12.4	12.1	10.8	5.8%	5.1%	5.4%	13.3%	13.1%	13.9%
Svenska Handelsbanken		1.5	1.5	1.5	12.5	12.3	11.8	11.5%	7.5%	7.2%	12.0%	12.0%	12.4%
Sw edbank		1.8	1.8	1.8	12.4	13.3	12.0	8.3%	6.7%	6.9%	14.4%	13.7%	14.7%
Mean		**1.6**	**1.6**	**1.6**	**11.9**	**12.0**	**11.1**	**7.5%**	**6.3%**	**6.4%**	**13.9%**	**13.5%**	**14.1%**
Mean CSEE & Poland		1.7	1.9	1.8	10.0	12.0	10.8	5.6%	5.2%	5.3%	17.8%	16.0%	16.8%
Mean CSEE exposure banks & Nordic:		**1.6**	**1.5**	**1.4**	**11.7**	**11.0**	**9.8**	**5.5%**	**5.7%**	**6.3%**	**13.5%**	**13.6%**	**14.5%**
Mean - total		**1.6**	**1.7**	**1.6**	**10.7**	**11.5**	**10.4**	**5.6%**	**5.4%**	**5.7%**	**15.9%**	**15.0%**	**15.8%**

Source: FactSet, Erste Group Research
Prices as of 29/06/26

P/BV, ROE regression



Source: FactSet, Erste Group Research
Prices as of 29/06/26

Income Statement (IFRS, EUR mn, 31/12)	2022 31/12/2022	2023 31/12/2023	2024 31/12/2024	2025 31/12/2025	2026e 31/12/2026	2027e 31/12/2027
Net interest Income	106.8	156.9	160.2	138.3	154.6	176.8
Risk provisions for loans and advances	-4.9	-15.2	-10.9	-3.9	-8.4	-11.0
Net interest Income (after risk prov.)	101.8	141.6	149.3	134.5	146.2	165.8
Net fees & commission income	18.7	20.3	29.1	31.0	31.5	33.5
Dividend income	0.0	0.0	0.0	0.0	0.0	0.0
Trading result	12.7	13.6	20.6	8.8	9.2	9.6
Result on financial instruments	0.0	0.0	0.0	3.8	3.9	4.1
Other income	1.7	0.0	0.8	0.8	0.8	0.9
Total Income	**142.3**	**183.9**	**203.0**	**189.8**	**208.1**	**233.7**
Personnel expenses	-30.7	-36.2	-49.5	-55.1	-56.8	-58.5
Other administrative expenses	-21.6	-31.2	-38.1	-48.9	-58.7	-46.9
Depreciation and amortizaton	-4.6	-5.5	-8.0	-7.7	-7.5	-7.8
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Other expenses	0.0	0.0	0.0	0.0	0.0	0.0
Total expenses	**-57.0**	**-73.0**	**-95.6**	**-111.7**	**-123.0**	**-113.2**
Operating profit	**80.4**	**95.7**	**96.4**	**74.3**	**76.7**	**109.6**
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
Profit / loss before taxes	**80.4**	**95.7**	**96.4**	**74.3**	**76.7**	**109.6**
Income taxes	-12.9	-20.4	-17.7	-13.6	-14.6	-20.8
Profit / loss after taxes	**67.5**	**75.4**	**78.8**	**60.7**	**62.2**	**88.8**
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net result after minorities	**67.5**	**75.4**	**78.8**	**60.7**	**62.2**	**88.8**
Adjusted profit/loss before taxes						
Adjusted net profit/loss						

Balance sheet (IFRS, EUR mn, 31/12)	2022	2023	2024	2025	2026e	2027e
Cash and balances with central banks	384.8	751.5	395.1	390.1	361.6	354.3
Loans and advances to banks (net)	387.5	754.5	398.3	399.1	371.0	364.3
Loans and advances to customers (net)	2,387.5	2,638.7	3,105.4	3,707.5	4,122.2	4,658.1
Interest-earning financial assets	1,117.6	1,033.4	1,005.9	1,872.6	1,993.3	2,151.1
Interest-earning assets	**3,892.6**	**4,426.6**	**4,509.6**	**5,979.2**	**6,486.6**	**7,173.5**
Non-interest earning assets	0.0	0.0	0.0	0.0	0.0	0.0
Equity holdings	0.1	0.1	0.3	0.3	0.3	0.3
Intangible assets	8.3	45.1	43.6	40.6	44.6	46.8
Tangible assets	18.0	16.8	15.3	15.5	16.3	17.1
Other assets	263.7	320.7	353.9	40.0	44.1	46.3
TOTAL ASSETS	**4,182.7**	**4,809.3**	**4,922.6**	**6,075.5**	**6,591.9**	**7,284.0**
Deposits from banks	685.1	570.0	65.9	197.2	411.1	465.6
Deposits from customers	2,785.0	3,162.7	3,538.0	3,961.2	4,198.9	4,744.7
Debt securities issued	185.4	292.2	471.2	1,034.5	1,055.2	1,076.3
Trading liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Interest -bearning liabilities	**3,655.5**	**4,024.8**	**4,075.0**	**5,192.9**	**5,665.2**	**6,286.5**
LT provisions	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	84.3	241.3	262.4	279.5	301.9	327.0
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	**3,739.8**	**4,266.2**	**4,337.4**	**5,472.4**	**5,967.1**	**6,613.6**
Shareholders'equity	**442.9**	**543.1**	**585.2**	**603.1**	**624.8**	**670.4**
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid capital						
Other reserves/equity						
TOTAL LIAB. , EQUITY	**4,182.7**	**4,809.3**	**4,922.6**	**6,075.5**	**6,591.9**	**7,284.0**

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Other figures						
Tangible shareholders' equity	441.6	537.5	585.2	598.0	619.8	665.4
Off-balance sheet items	490.9	476.3	393.3	431.4	453.0	475.7
Year-end no. of shares outstanding (mn)	600.73	660.72	652.65	646.68	635.99	625.29
Average no. of shares outstanding (mn)	599.84	602.69	662.32	662.32	643.12	632.42
Fully diluted no. of shares outstanding (mn)	599.84	602.69	662.32	662.32	643.12	632.42
No. of employees (FTE)						
No. of branches						
Payout ratio	23.6%	38.8%	51.3%	51.3%	51.7%	53.0%

Margins & Ratios	2022	2023	2024	2025	2026e	2027e
(IFRS, EUR mn, 31/12)						
Profitability						
Int. income/avg. int.-bearing assets (Asset Yield)	2.5%	3.3%	3.0%	2.2%	0.0%	0.0%
Int. expenses/avg. int.-bearing liab. (Cost of funds)	0.3%	0.6%	0.7%	0.5%	0.0%	0.0%
Yield on assets - cost of funds (Interest spread)	2.8%	3.8%	3.6%	2.7%	0.0%	0.0%
Net. int. income/avg. assets (Net interest margin)	2.6%	3.5%	3.3%	2.5%	2.4%	2.5%
Net fee and commission margin (avg. total assets)	0.5%	0.5%	0.6%	0.6%	0.5%	0.5%
ROE	15.9%	15.3%	14.0%	10.2%	10.1%	13.7%
ROA	1.7%	1.7%	1.6%	1.1%	1.0%	1.3%
Operating margin	2.0%	2.1%	2.0%	1.4%	1.2%	1.6%
Efficiency						
Cost/Income ratio	40.0%	39.7%	47.1%	58.8%	59.1%	48.4%
Cost/avg. Assets ratio	1.4%	1.6%	2.0%	2.0%	1.9%	1.6%
Personnel expenses/total income	-21.6%	-19.7%	-24.4%	-29.0%	-27.3%	-25.0%
Avg. staff costs (EUR)						
Balance sheet structure						
Loans deposit ratio	87.0%	84.9%	89.4%	95.1%	99.9%	99.9%
Loans/total assets	57.9%	55.8%	64.2%	62.0%	63.6%	65.0%
Deposits/total assets	66.6%	65.8%	71.9%	65.2%	63.7%	65.1%
Capital adequacy						
Equity ratio	10.6%	11.3%	11.9%	9.9%	9.5%	9.2%
Capital adequacy ratio	19.0%	22.4%	24.4%	23.4%	22.6%	21.8%
Asset quality						
Non-performing loans ratio	2.8%	2.9%	2.4%	2.8%	2.8%	2.7%
Non-performing loans coverage ratio	51.0%	56.0%	65.7%	52.6%	55.1%	57.6%
Risk provisions/loans to customers (gross)	1.4%	1.6%	1.6%	1.5%	1.5%	1.5%
Risk povisions/avg. customer loans (Risk costs)	0.2%	0.6%	0.4%	0.1%	0.2%	0.2%
Risk earnings ratio	4.6%	9.7%	6.8%	2.8%	5.4%	6.2%
Income statement structure						
Net interest income / total income	75.0%	85.3%	78.9%	72.9%	74.3%	75.6%
Net fee and commission income / total income	13.2%	11.0%	14.3%	16.3%	15.2%	14.3%
Net trading result / total income	8.9%	7.4%	10.1%	4.6%	4.4%	4.1%
Non-interest income / total income	25.0%	14.7%	21.1%	27.1%	25.7%	24.4%
Personnel expenses / total operating expenses	53.9%	49.6%	51.8%	49.3%	46.2%	51.7%
Effective tax rate	-16.1%	-21.3%	-18.3%	-18.3%	-19.0%	-19.0%

Growth Rates	2022	2023	2024	2025	2026e	2027e
(IFRS, EUR mn, 31/12)						
Loans and advances to customers (net)	25.1%	10.5%	17.7%	19.4%	11.2%	13.0%
Deposits from customers	4.0%	13.6%	11.9%	12.0%	6.0%	13.0%
Total assets	5.6%	15.0%	2.4%	23.4%	8.5%	10.5%
Total liabilities	5.2%	14.1%	1.7%	26.2%	9.0%	10.8%
Shareholders'equity	9.0%	22.6%	7.7%	3.1%	3.6%	7.3%
Net interest Income	32.0%	46.9%	2.1%	-13.6%	11.8%	14.4%
Net fees & commission income	9.3%	8.0%	43.6%	6.5%	1.9%	6.2%
Total Income	19.1%	29.3%	10.3%	-6.5%	9.6%	12.3%
Operating profit	19.5%	19.1%	0.7%	-23.0%	3.3%	42.8%
Net result after minorities	22.2%	11.7%	4.5%	-23.0%	2.4%	42.8%

Source: Company data, Erste Group estimates

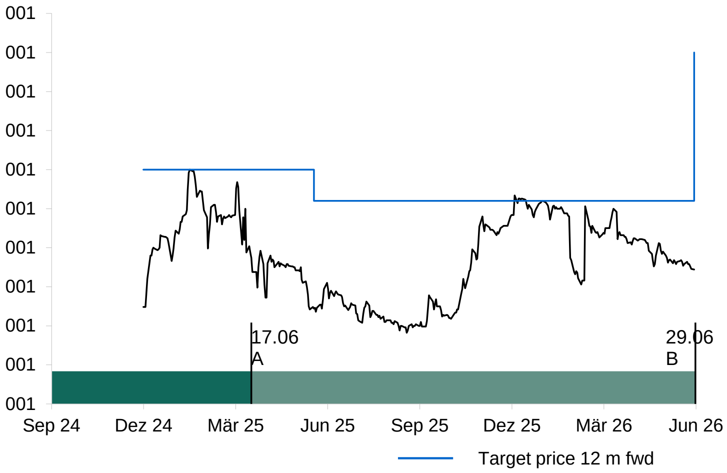
Disclosure of particular interests or indications of conflicts of interest according to delegated Regulation (EU) 958/2016 supplementing Article 20 of Regulation (EU) 596/2014 (MAR):

Company	ISIN	1 EGB/affiliates holdings exceed 5% of the share capital of issuer or vice verca	2 market maker or liquidity provider for issuer/instruments	3 agreement for the provision of services of investment firms over the previous 12 months	4a Agreement with the covered company about the production of analyses	4b Agreement with a third party about the production of analyses	5 Managed or co-managed a public offering over the previous 12 months	6 Draft of report disclosed to issuer prior its publication	7 Analyst has a position in the issued share capital of the issuer	8 Net Long Position exceeding 0.5% of the issued share capital of issuer	9 Net Short Position exceeding 0.5% of the issued share capital of issuer
Artea bankas	LT0000102253			Y	Y		Y				

The above specific disclosures (marked with “Y” if applicable), are valid at the time of publication of this report.
July 01 2026

For a more detailed and an up-to-date overview of conflicts of interests for all analysed companies and/or financial instruments by Erste Group, which are updated regularly upon changes, please follow below link:
Disclosure | Erste Group Bank AG

Artea bankas



Rating history

Date	Rating	Price	Target Price	Action
17. Jun 25	Accumulate	20,40	23,82	
07. Oct 24	Buy	19,61	25,37	

Company description

Artea Bank (former Šiaulių Bankas) is the oldest operating bank in Lithuania and among the Baltic state’s largest financial institutions. It is independently owned and specializes in business financing as well as consumer financing solutions. It operates the largest domestic branch network in Lithuania, serving clients through 50+ branches across the country. Through its subsidiaries, Artea Bank Group’s business extends into leasing, asset management, real estate and life insurance. Artea is supervised by the ECB.

A history of all recommendations for covered issuers/financial instruments within the last 12 months is provided under the following link:
Research Disclaimer | Erste Group Bank AG.

Group Research

Head of Group Research
Friedrich Mostböck, CEFA®, CESGA® friedrich.mostboeck@erstegroup.com

CEE Macro/Fixed Income Research
Head: Juraj Kotian (Macro/FI) juraj.kotian@erstegroup.com
Katarzyna Rzentarzewska (Fixed income) katarzyna.rzentarzewska@erstegroup.com
Jakub Cery (Fixed income) jaku.cery@erstegroup.com

Croatia/Serbia
Alen Kovac (Head) akovac2@hr.erstebank.com
Mate Jelić mjelic1@erstebank.hr
Ivana Rogic irogic@erstebank.com

Czech Republic
David Navratil (Head) dnavratil@csas.cz
Jiri Polansky jpolansky@csas.cz
Michal Skorepa mskorepa@csas.cz

Hungary
Orsolya Nyeste orsolya.nyeste@erstebank.hu
János Nagy janos.nagy@erstebank.hu

Poland
Piotr Bielski (Head) piotr.bielski@erste.pl
Bartosz Białas bartosz.bialas@erste.pl
Adrian Domitrz adrian.domitrz@erste.pl
Marcin Luziński marcin.luzinski@erste.pl
Grzegorz Ogonek grzegorz.ogonek@erste.pl

Romania
Ciprian Dascalu (Head) ciprian.dascalu@bcr.ro
Vlad Nicolae Ionita vlad.ionita@bcr.ro
Rares-Teodor Racovita raresteodor.racovita@bcr.ro

Slovakia
Maria Valachyova (Head) valachyova.maria@slsp.sk
Marian Kocis kocis.marian@slsp.sk
Maximilian Weber weber.maximilian@slsp.sk

Major Markets & Credit Research
Head: Rainer Singer rainer.singer@erstegroup.com
Ralf Burchert, CEFA®, CESGA® (Sub-Sovereigns & Agencies) ralf.burchert@erstegroup.com
Hans Engel (Global Equities) hans.engel@erstegroup.com
Maurice Jiszda, CEFA®, CFDS® (USA, CHF) maurice.jiszda@erstegroup.com
Peter Kaufmann, CFA® (Corporate Bonds) peter.kaufmann@erstegroup.com
Heiko Langer (Financials & Covered Bonds) heiko.langer@erstegroup.com
Stephan Lingnau (Global Equities) stephan.lingnau@erstegroup.com
Maximilian Möstl (Credit Analyst Austria) maximilian.moestl@erstegroup.com
Carmen Riefler-Kowarsch (Financials & Covered Bonds) carmen.riefler-kowarsch@erstegroup.com
Bernadett Povazsai-Römhild, CEFA®, CESGA® (Corp. Bonds) bernadett.povazsai-roemhild@erstegroup.com
Elena Statelov, CIIA® (Corporate Bonds) elena.statelov@erstegroup.com
Gerald Walek, CFA® (Eurozone) gerald.walek@erstegroup.com

CEE Equity Research
Head: Henning Eßkuchen, CESGA® henning.esskuchen@erstegroup.com
Daniel Lion, CIIA® (Technology, Ind. Goods&Services) daniel.lion@erstegroup.com
Michael Marschallinger, CFA® michael.marschallinger@erstegroup.com
Nora Varga-Nagy, CFA® (Telecom) nora.varga-nagy@erstegroup.com
Christoph Schultes, MBA, CIIA® (Real Estate) christoph.schultes@erstegroup.com
Thomas Unger, CFA® (Banks, Insurance) thomas.unger@erstegroup.com
Vladimira Urbankova, MBA (Pharma) vladimira.urbankova@erstegroup.com
Martina Valenta, MBA martina.valenta@erstegroup.com

Croatia/Serbia
Mladen Dodig (Head) mladen.dodig@erstebank.rs
Magdalena Basic mbasic@erstebank.hr
Ivan Lisec ilisec@erstebank.hr
Boris Pevalek, CFA® bpevalek@erstebank.hr
Marko Plastic mplastic@erstebank.hr
Davor Spoljar, CFA® dspoljar@hr.erstebank.com

Czech Republic
Petr Bartek (Head, Utilities) pbartek@csas.cz
Jan Bystřický jbystricky@csas.cz

Hungary
József Miró (Head) jozsef.miro@ersteinvestment.hu
András Nagy andras.nagy@ersteinvestment.hu

Poland
Cezary Bernatek (Head) cezary.bernatek@erstegroup.com
Piotr Bogusz piotr.bogusz@erstegroup.com
Łukasz Jańczak lukasz.janczak@erstegroup.com
Jakub Szkopek jakub.szkopek@erstegroup.com
Krzysztof Tkocz krzysztof.tkocz@erstegroup.com

Romania
Caius Rapanu caiusroa.rapanu@bcr.ro
Liviu-Mihai Bogdan liviumihai.bogdan@bcr.ro

Group Institutional & Retail Sales

Group Institutional Equity Sales
Head: Michal Rizek mrizek@csas.cz

Institutional Equity Sales Austria
Werner Fuerst werner.fuerst@erstegroup.com
Viktoria Kubalcova viktoria.kubalcova@erstegroup.com
Thomas Schneidhofer thomas.schneidhofer2@erstegroup.com
Oliver Schuster oliver.schuster@erstegroup.com

Institutional Equity Sales Croatia
Matija Tkalicanac mtkalicanac@erstebank.com

Institutional Equity Sales Czech Republic
Head: Michal Rizek michal.rizek@erstegroup.com
Jakub Brukner jakub.brukner@erstegroup.com
Pavel Krabicka pkrabicka@csas.cz
Martin Havlan mhavlan@csas.cz

Institutional Equity Sales Hungary
Levente Nándori levente.nandori@erstebroker.hu
Balázs Zánkay balazs.zankay@erstebroker.hu
Krisztián Kandik krisztian.kandik@erstegroup.com

Institutional Equity Sales Poland
Jacek Jakub Langer (Head) jacek.langer@erstegroup.com
Tomasz Galanciak tomasz.galanciak@erstegroup.com
Przemyslaw Nowosad przemyslaw.nowosad@erstegroup.com
Maciej Senderek maciej.senderek@erstegroup.com
Wojciech Wysocki wojciech.wysocki @erstegroup.com

Institutional Equity Sales Romania
Adrian Barbu adriannicola.barbu@bcr.rom

Group Markets Retail and Agency Business
Head: Martin Langer martin.langer@erstegroup.com

Markets Retail Sales AT
Head: Markus Kaller markus.kaller@erstegroup.com

Group Markets Execution
Head: Kurt Gerhold kurt.gerhold@erstegroup.com

Retail & Sparkassen Sales
Head: Uwe Kolar uwe.kolar@erstegroup.com

Markets Corporate Sales AT
Head: Martina Kranzl-Carvell martina.kranzl-carvell@erstegroup.com

Group Securities Markets
Head: Thomas Einramhof thomas.einramhof@erstegroup.com

Institutional Distribution Core
Head: Jürgen Niemeier juergen.niemeier@erstegroup.com

Institutional Distribution DACH+
Head: Marc Friebertshäuser marc.friebertshaeuser@erstegroup.com
Andreas Goll andreas.goll@erstegroup.com
Mathias Gindele mathias.gindele@erstegroup.com
Ulrich Inhofner ulrich.inhofner@erstegroup.com
Sven Kienzle sven.kienzle@erstegroup.com
Rene Klasen rene.klasen@erstegroup.com
Popovic Danijel danijel.popovic@erstegroup.com
Christopher Lampe-Traupe chris.lampe-traupe@erstegroup.com
Michael Schmotz michael.schmotz@erstegroup.com
Christoph Ungerböck christoph.ungerboeck@erstegroup.com
Klaus Vosseler klaus.vosseler@erstegroup.com

Slovakia
Šarlota Šipulová sipulova.sarlota@slsp.sk
Monika Směliková smelikova.monika@slsp.sk

Institutional Distribution CEE & Insti AM CZ
Head: Antun Burić antun.buric@erstegroup.com
Jaromir Malak jaromir.malak@erstegroup.com

Czech Republic
Head: Ondrej Čech ondrej.cech@erstegroup.com
Milan Bartoš mbartos@csas.cz
Jan Porvich jporvich@csas.cz
Pavel Zdichynec pazdichynec@csas.cz

Croatia
Head: Antun Burić antun.buric@erstegroup.com
Zvonimir Tukač zvonimir.tukac@ erstegroup.com
Ana Tunjić ana.tunjic@erstegroup.com
Natalija Zujic natalija.zujic@erstegroup.com

Hungary
Head: Peter Csizmadia peter.csizmadia@erstegroup.com
Gábor Bálint gabor.balint@erstegroup.com
Balazs Papay balazs-papay@erstebank.hu
Gergő Szabo gergo.szabo@erstegroup.com

Romania
Marius-Catalin Budur marius-catalin.budur@erstegroup.com

Institutional Asset Management Czech Republic
Head: Petr Holeček petr.holecek@erstegroup.com
Petra Maděrová pmaderova@csas.cz
Martin Peřina maperina@csas.cz
David Petráček dpetracek@csas.cz
Blanca Weinerová bweinerova@csas.cz
Petr Valenta pvalenta@csas.cz

Group Fixed Income Securities Markets
Head: Goran Hoblaj goran.hoblaj@erstegroup.com

FISM Flow
Head: Goran Hoblaj goran.hoblaj@erstegroup.com
Margit Hraschek margit.hraschek@erstegroup.com
Bernd Thaler bernd.thaler@erstegroup.com
Ciprian Mitu ciprian.mitu@erstegroup.com
Christian Kienesberger christian.kienesberger@erstegroup.com
Zsuzsanna Toth zsuzsanna.toth@erstegroup.com

Poland
Pawel Kielek pawel.kielek@erstegroup.com
Michal Jarmakowicz michal.jarmakowicz3@erstegroup.com

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Group Research
1100 Vienna, Austria, Am Belvedere 1
Head Office: Vienna
Commercial Register No: FN 33209m
Commercial Court of Vienna
Erste Group Homepage: www.erstegroup.com