Result Review Q1 2025

Annual forecast still intact amidst slightly higher NIM compression

Artea Bankas AB ("Artea" or the "Group"), delivered Q1 results that were broadly in line with expectations. The Group continued gradual expansion of its loan and deposit portfolios while maintaining strong asset quality. Net interest margin (NIM) contracted at a faster pace than anticipated, though it's expected to stabilize by the end of H1. Operating expenses (OpEx) remained elevated, largely driven by rising salary costs—partially reflecting the integration of INVL's retail business—and continued investments in the core banking system upgrade and rebranding. On a y-o-y basis, net profit declined due to the compressed NIM and elevated OpEx, while q-o-q results improved, supported by one-off gain from the sale of NPL loans. While the ongoing investments have temporarily pressured ROE, the long-term outlook remains positive, supported by strong fundamentals and a disciplined capital return policy.

In line with our estimates Artea distributed EUR 0.061 in dividends, reflecting 50% payout ratio from 2024 net profit. The Group has also announced the restart of share buybacks with unused limit of up to 2.65m shares. The Group indicated to devote 5% of 2024 net profit for remaining share buybacks, effectively distributing EUR 0.66 per share to investors, reflecting 55% payout ratio. Compared to share price of EUR 0.836 total yield amounts to 8.0% (dividends: 7.3%). Among Baltic banking peers, Artea stands out with the highest dividend returns, well above the Baltic peer average yield of 2.9%. Despite this, the stock continues to trade at a discount—4% on a P/E basis and 28% on a P/B basis—relative to Baltic peers average (refer to the graphs in Valuation section).

Company profile	
Listing market	Nasdaq Vilnius
Ticker	ROE1L
Industry	Banking
Website	www.artea.lt

Share Data (April 30, 2025)	
Current price, EUR	0.836
Target price, EUR	1.27
Potential Upside/Downside, %	51.5
52 week Low/High, EUR	0.667/1.006
3 month av. daily volume	368656
Market cap, EURm	554.3
Ordinary shares	663.0

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Key Numbers (EURm)	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Loans and leasing	2104	2634	2932	3435	4075	4588	5268	5640	6034
Deposits	2679	2785	3163	3538	4014	4403	4803	5261	5748
Total equity	406	442	543	585	611	648	709	774	842
NIM (%)	2.9	3.1	4.2	3.3	3.2	3.0	3.0	3.0	3.0
Net interest income	81	107	157	160	167	174	192	213	228
Net fees and commissions	17	19	20	29	32	36	39	43	47
C/I (%)	44.1	41.7	43.5	52.0	58.4	57.3	48.0	45.6	44.5
Net profit	55	67	75	79	65	70	96	113	124
ROE (%)	14.5	15.9	15.3	14.0	10.8	11.1	14.2	15.2	15.3
P/E (x)	8.3	6.1	5.7	6.9	8.5	7.8	5.7	4.8	4.4
P/B (x)	1.1	0.9	0.8	0.9	0.9	0.8	0.8	0.7	0.6
Dividend yield (%)	0.7	5.0	3.8	5.9	7.2	5.9	6.4	8.8	10.3

*Source: Artea for historicals, Signet Bank for estimates. *2025E-2029E multiples are based on share price at April 30th of EUR 0.836.*

Artea's loan portfolio reached EUR 3,511m in Q1/25, marking a 15% y-o-y and 2% q-o-q increase. Although slightly below the Group's full-year target of 19% y-o-y growth, seasonal trends suggest an acceleration in lending activity is likely in the coming quarters. Both retail and corporate segments expanded broadly in line, growing 13% and 17% y-o-y respectively, and 2% q-o-q each. Finance lease receivables also advanced to EUR 326.3m, up 3% q-o-q and 14% y-o-y.

Non-performing loan ratio improved, dropping to 2% of the portfolio (−0.2 pp q-o-q and −0.8 pp y-o-y), though this was partially driven by the sale of larger NPL positions during the quarter. Cost of risk (CoR) declined to 0.22% (−0.25 pp q-o-q and −0.15 pp y-o-y), remaining well below Group's target threshold of 0.5% and within the Group's guidance range of 0.2–0.3% for the year. That said, heightened macroeconomic uncertainty, particularly around evolving U.S. trade policy, may result in upward revisions to impairment provisions later in the year.

Deposits grew to EUR 3,593m (+1% q-o-q, +11% y-o-y), with term deposits comprising 52% of the total deposits, unchanged y-o-y but slightly down q-o-q (−1 pp), reflecting the early signs of deposit mix normalization amid declining interest rates.

Net interest income declined to EUR 34.4m in Q1/25, down 12% q-o-q and 13% y-o-y, as the contraction in NIM outweighed the impact of continued loan portfolio expansion. Loan yields decreased by 0.8 pp q-o-q, reflecting the delayed impact of earlier rate cuts, while the cost of funding declined only marginally by 0.2 pp. This slower adjustment on the funding side is linked to the high proportion of term deposits with fixed interest rates. Net fee and commission income (NFCI) remained strong, generating EUR 7.6m (−6% q-o-q, +17% y-o-y), supported by solid performance across core segments. Other net income reached EUR 8m (+87% q-o-q and +102% y-o-y) significantly exceeding our expectations, reflecting non-recurring income from sale of NPL loans in Q1.

The Group's OpEx continued to outpace revenue growth in Q1/25, with the cost-to-income (C/I) ratio rising to 52.6% (+3.6 pp q-o-q, +10.5 pp y-o-y). This increase was driven primarily by other operating expenses (+31% y-o-y), reflecting ongoing investments into core banking system modernization and the rebranding to Artea Bankas. While other operating expenses came in below expectations for the quarter, we note that the investments into banking system platform could be volatile depending on the implementation schedule, potentially booking majority of total expenses in following quarters.

The Group reported a return on equity (ROE) of 12.4% (13.6% adjusted), improving 1.6 pp q-o-q but down 5.2 pp y-o-y. Net profit came at EUR 17.7m (+16.6% q-o-q and -21.3% y-o-y).

Looking into Q2/25, NIM is likely to contract further, reflecting limited flexibility in adjusting term deposit rates. In a rising interest rate cycle, banks typically exhibit greater flexibility in expanding NIM, whereas the inverse scenario tends to compress margins. Q2 profits should also be more modest q-o-q due to the positive non-recurring income from sale of NPL loans in Q1. Operating expenses are expected to remain elevated, driven by the rebranding campaign and continued quarterly investments into the banking platform upgrade—costs that may be higher in the following quarters.

That said, these developments remain in line with our expectations and Artea's long-term strategic priorities, including its ambition to double the number of retail and corporate clients by 2029. The current investment cycle is expected to unlock cross-selling opportunities and support long-term profit growth across all segments. We therefore maintain our annual forecast and reaffirm our positive long-term outlook, reiterating our target price.

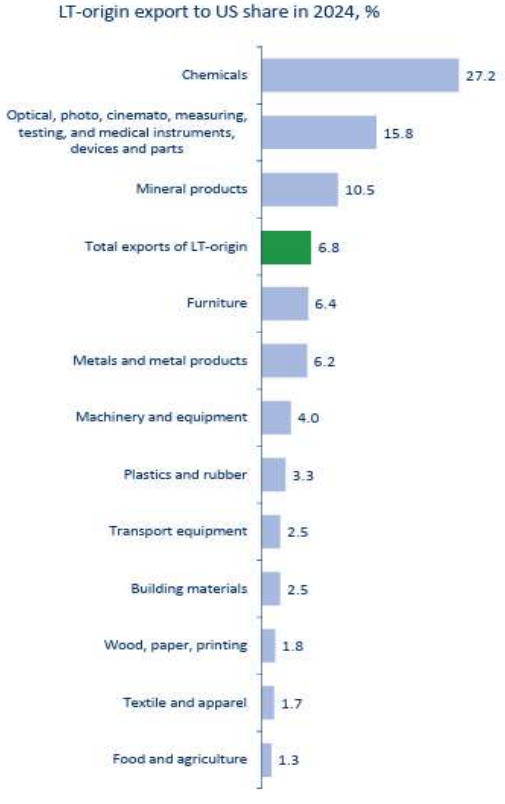
Results Review, EURm	Q1/25A	Q1/25A	% y-o-y	% q-o-q	Q1/25E	Dev. %	Q2/25E	12M/24A	12M/23A	% y-o-y
Loans and finance lease portfolio	3511	3045	15	2	3590	(2)	3749	3435	2932	17
Deposits	3593	3250	11	1	3654	(2)	3772	3561	3178	12
Net interest income	**34**	**40**	**(13)**	**(12)**	**40**	**(14)**	**42**	**160**	**157**	**2**
Net fees and commissions	8	6	17	(6)	7	1	8	29	20	44
Net other income	8	4	102	87	3	170	3	14	7	100
Operating expenses	(25)	(20)	27	(14)	(28)	(9)	(29)	(96)	(73)	31
Operating profit	**24**	**30**	**(18)**	**12**	**23**	**8**	**23**	**107**	**111**	**(3)**
Impairment losses	(2)	(2)	1	(44)	(3)	(29)	(3)	(11)	(15)	(28)
Net profit	**18**	**22**	**(21)**	**17**	**16**	11	**16**	**79**	**75**	**5**
EPS	**0.027**	**0.034**	**(21)**	**17**	**0.024**			**0.12**	**0.13**	**(8)**
ROE (%)	12.4	17.6						14.0	15.5	
NIM (%)	3.0	3.9						3.3	4.2	
C/I (%)	52.6	42.1						49.0	41.2	

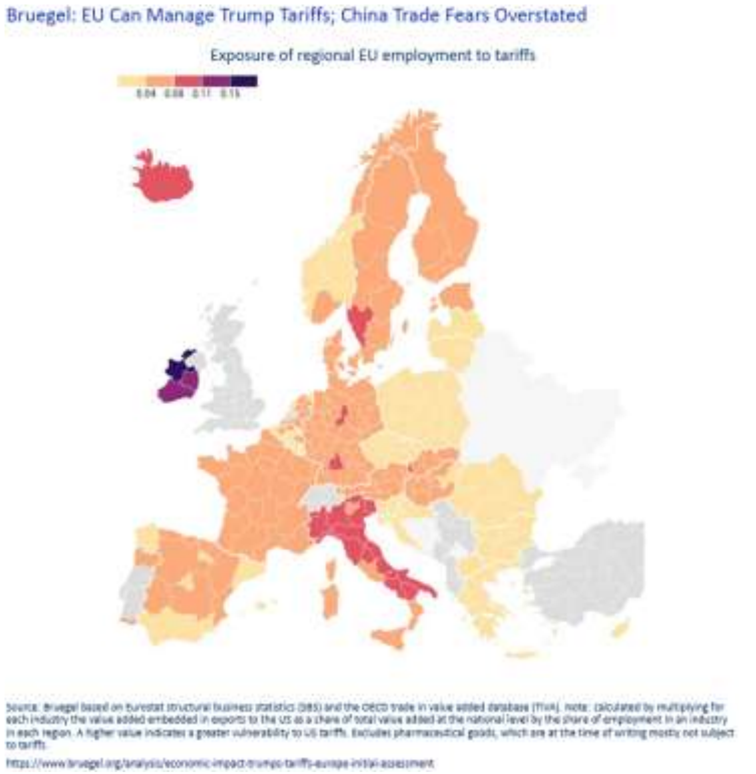
Source: Artea Bankas for historicals, Signet Bank for estimates

U.S. Tariff impact

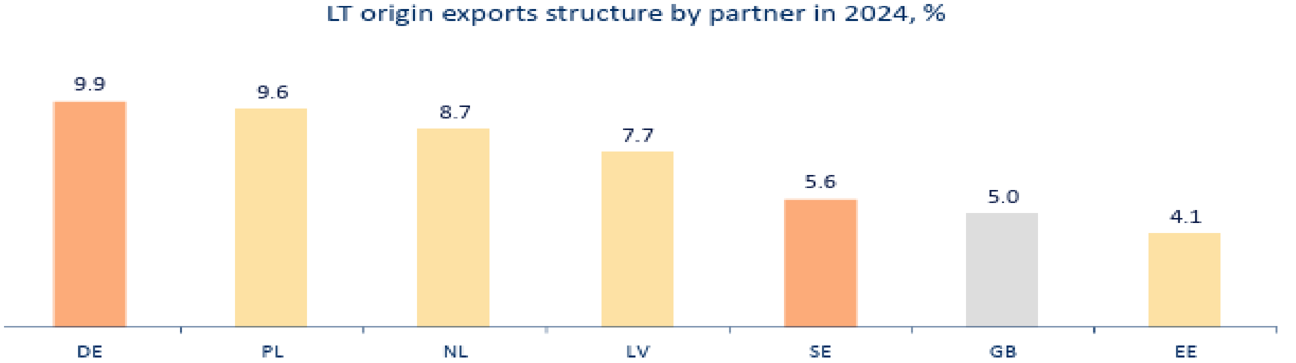
The Bruegel think tank estimates that the overall GDP impact of the U.S. tariffs would amount to a modest 0.3 pp decline, which is unlikely to derail the EU economy from its growth trajectory, with pre-tariff forecasts projecting 1.5% GDP growth in 2025. Data indicates that direct exposure to U.S. tariffs has relatively limited impact on Lithuanian trade and its key trading partners. However, the indirect or second-order effects of escalating trade tensions are much harder to quantify and may still pose meaningful risks. These include potential chain reactions that could affect Lithuania via its export-oriented partners, or an influx of Chinese goods into the EU as a result of diverted trade flows, which could intensify competition and compress domestic profit margins.

According to data from Lithuania's State Data Agency and the Bank of Lithuania, only 6.8% of Lithuania-origin exports were directed to the U.S. in 2024, underscoring the limited direct trade exposure. Official simulation results from the Ministry of the Economy and Innovation, together with the Bank of Lithuania, suggest that the broader macroeconomic impact of a tariff war would also be contained, potentially reducing GDP growth by just 0.65–1.35%. On the positive side, overall economic momentum is supported by declining interest rates. Investment is also set to accelerate, driven by the cyclical upswing, projected increase of inflows from EU structural and RRF funds, and expanded fiscal outlays, particularly those tied to Lithuania's commitment to raise defense spending to 5–6% of GDP.





Source: State Data Agency, Bank of Lithuania



Source: Bruegel.

Report Tables

Income Statement (EURm)	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Interest and similar income	81	107	157	160	167	174	192	213	228
Interest expense and similar charges	17	19	20	29	32	36	39	43	47
Fee and commission income	21	17	7	14	12	14	16	18	19
Total Income	**120**	**142**	**184**	**203**	**211**	**224**	**247**	**274**	**294**
Salaries and related expenses	(27)	(31)	(36)	(50)	(55)	(59)	(62)	(66)	(71)
Depreciation and amortisation expenses	(4)	(5)	(5)	(8)	(9)	(8)	(7)	(8)	(8)
Other operating expenses	(17)	(22)	(31)	(38)	(55)	(56)	(42)	(43)	(43)
Operating profit before impairment losses	**71**	**85**	**111**	**107**	**93**	**101**	**135**	**157**	**172**
Allowance for impairment losses	(4)	(5)	(15)	(11)	(13)	(15)	(17)	(19)	(21)
Profit from continuing operations before income tax	**67**	**80**	**96**	**96**	**79**	**85**	**118**	**137**	**151**
Income tax expense	(12)	(13)	(20)	(18)	(14)	(15)	(21)	(25)	(27)
Net profit for the year	**55**	**67**	**75**	**79**	**65**	**70**	**96**	**113**	**124**
EPS	0.092	0.112	0.122	0.119	0.099	0.107	0.148	0.172	0.190
DPS	0.005	0.034	0.024	0.048	0.060	0.050	0.053	0.074	0.086

Source: Artea for historicals, Signet Bank for estimates

Main Ratios	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Growth, %									
Loan and finance lease portfolio	19.5	25.2	11.3	17.2	18.6	12.6	14.8	7.1	7.0
Customer deposits	14.1	3.9	13.6	11.9	13.5	9.7	9.1	9.5	9.3
Total assets	30.8	5.6	14.9	2.4	10.5	12.9	11.3	8.0	7.9
Operating profit before impairmant losses	10.1	19.6	30.1	(3.3)	(13.8)	8.7	34.3	16.0	9.7
Net profit	28.7	22.1	11.8	4.5	(17.7)	7.7	37.9	16.9	10.1
Margins and profitability, %									
Average yield on earning assets	3.4	3.6	5.8	6.7	5.7	5.1	5.0	5.0	5.0
Net Interest Margin (NIM)	2.9	3.1	4.2	3.3	3.2	3.0	3.0	3.0	3.0
Cost/Income Ratio (normalised)	44.1	41.7	43.5	52.0	58.4	57.3	48.0	45.6	44.5
ROE	14.5	15.9	15.3	14.0	10.8	11.1	14.2	15.2	15.3
ROA	1.6	1.7	1.7	1.6	1.3	1.2	1.5	1.6	1.6
Leverage, %									
Loans/Deposits	78.5	94.6	92.7	97.1	101.5	104.2	109.7	107.2	105.0
Deposits/Total Assets	67.6	66.6	65.8	71.9	73.8	71.7	70.3	71.2	72.1
Equity/Total Assets	10.3	10.6	11.3	11.9	11.2	10.6	10.4	10.5	10.6

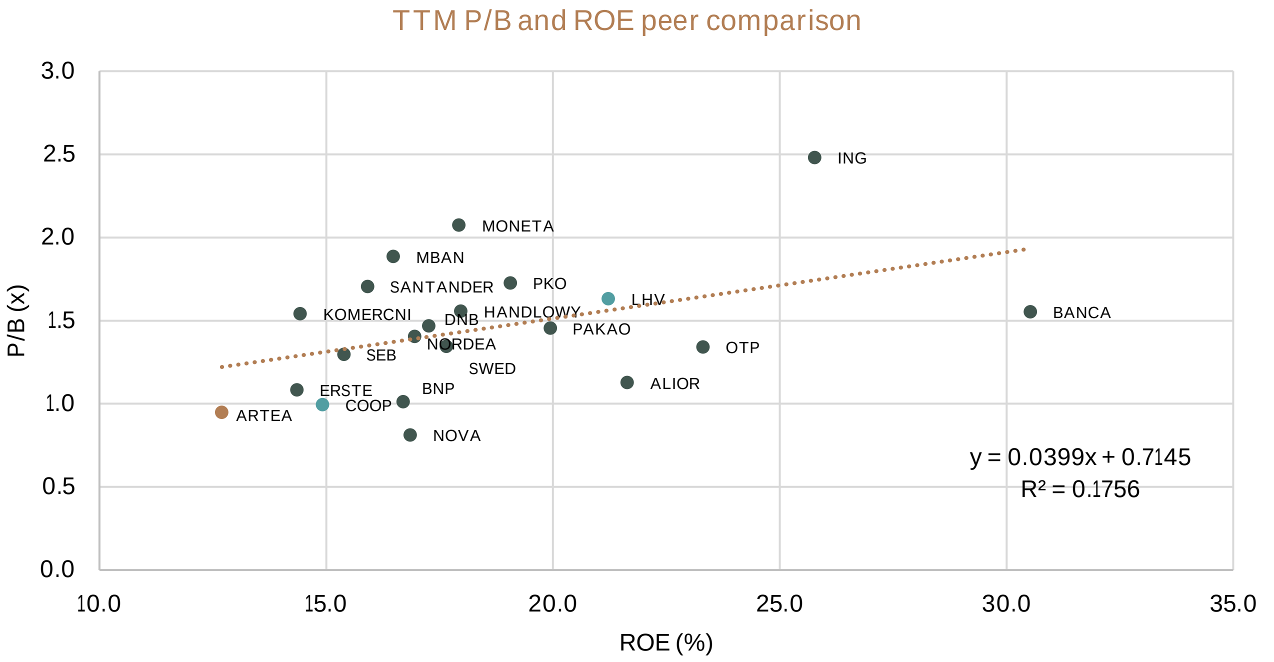
Source: Artea for historicals, Signet Bank for estimates

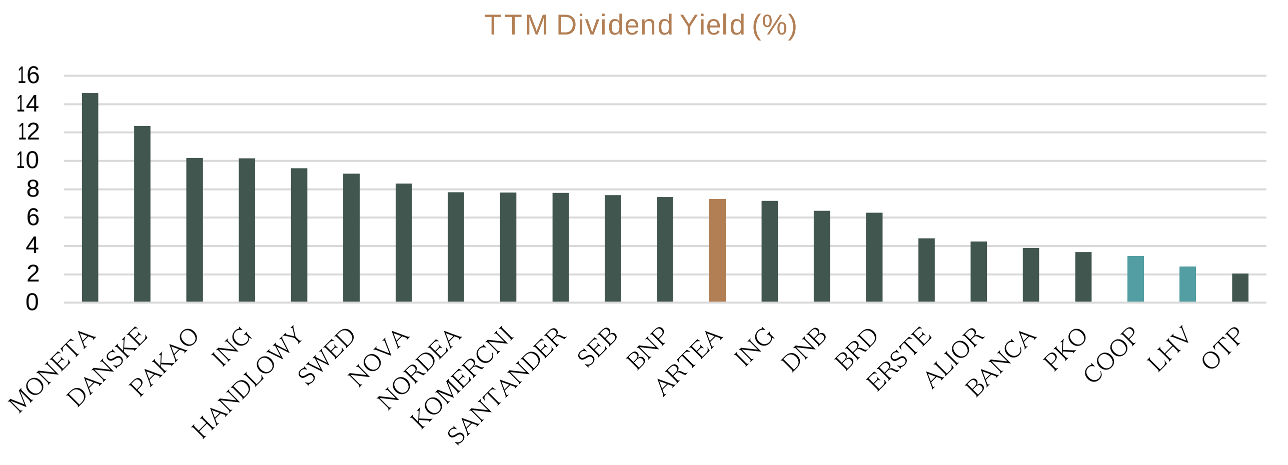
Report Tables

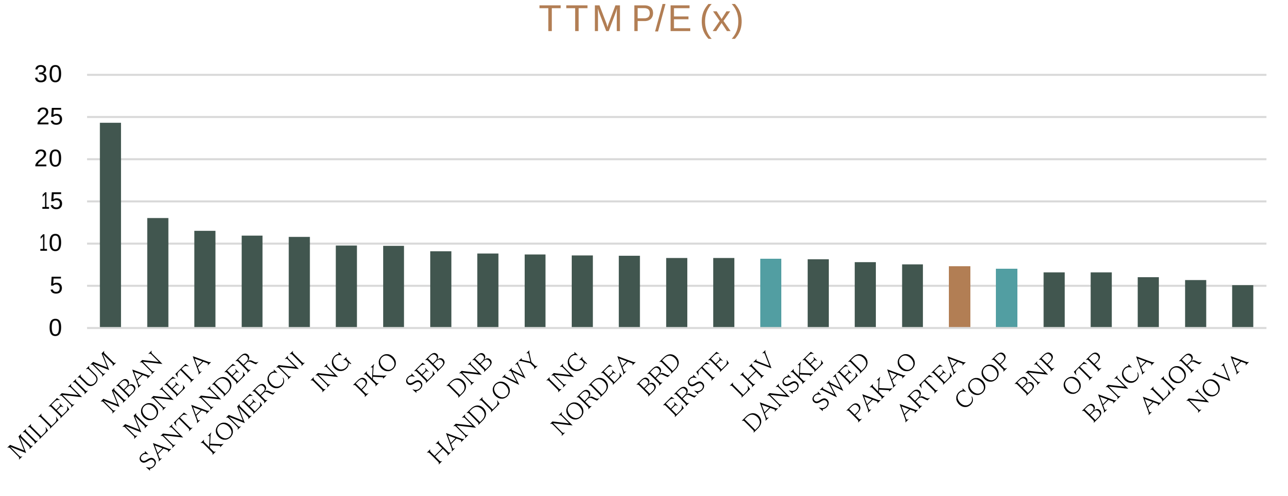
Balance Sheet (EURm)	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Cash and cash equivalents	966	385	751	395	122	193	73	128	185
Securities in the trading book	48	58	208	235	279	314	361	386	413
Due from other banks	1	3	3	3	4	4	4	5	5
Derivative financial instruments	2	1	0	1	1	1	1	1	1
Loans to customers	2104	2634	2932	3435	4075	4588	5268	5640	6034
Investment securities:	788	1059	826	771	875	960	1047	1147	1253
Intangible assets	5	8	45	44	41	38	35	32	29
Property, plant and equipment	15	16	16	15	14	13	12	11	10
Investment property	2	2	1	-	-	-	-	-	-
Current income tax prepayment	1	0	0	0	0	0	0	0	0
Deferred income tax assets	2	6	8	6	6	6	6	6	6
Other assets	29	13	20	17	21	23	27	29	31
Total assets	**3962**	**4185**	**4809**	**4923**	**5438**	**6140**	**6835**	**7384**	**7967**
Total equity attributable to equity holders of the Parent Company	**406**	**442**	**543**	**585**	**611**	**648**	**709**	**774**	**842**
Non-controlling interests	-	-	-	-	-	-	-	-	
Due to other banks and financial institutions	698	685	570	66	44	44	-	-	-
Due to customers	2679	2785	3163	3538	4014	4403	4803	5261	5748
Special and lending funds	7	14	16	23	23	23	23	23	23
Debt securities in issue	95	171	276	448	455	705	955	955	955
Subordinated loan	-	-	-	-	-	-	-	-	-
Current income tax liabilities	1	4	6	0	0	0	0	0	0
Liabilities related to insurance activities	41	39	179	198	219	239	259	279	299
Other liabilities	35	44	56	64	71	78	84	92	100
Total liabilities	**3556**	**3743**	**4266**	**4337**	**4827**	**5492**	**6125**	**6610**	**7126**
Total Equity and Liabilities	**3962**	**4185**	**4809**	**4923**	**5438**	**6140**	**6835**	**7384**	**7967**

Source: Artea for historicals, Signet Bank for estimates

Valuation







Source: Bloomberg

Investment Case

Over the years, Artea has strategically expanded its service offering to position itself as a one-stop shop, integrating corporate banking, retail banking, and investment services. This diversified model enhances client acquisition and cross-selling opportunities while supporting long-term growth and market penetration. Artea has communicated its ambitions to transform its brand, internal systems and reinforce client-centric approach in order to become the leading bank in Lithuania by 2029, ultimately doubling its retail and corporate client base.

Key Risks:

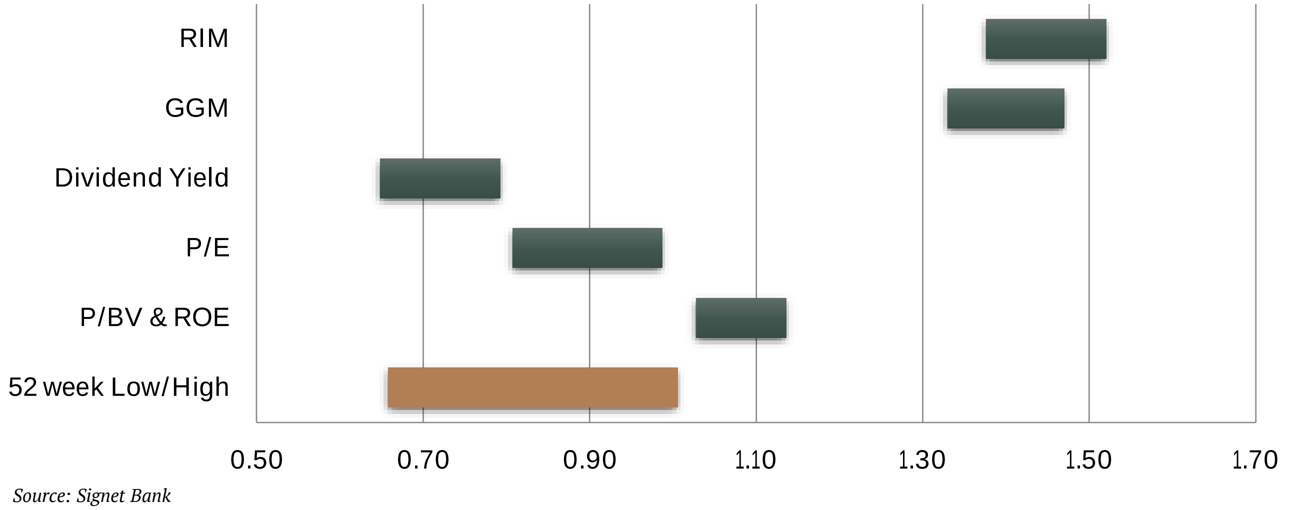
- Economic recession
  - Deterioration of portfolio quality
  - Lower lending volumes
- Strategy execution risk
- Interest rate risk

Key Drivers:

- Strong local brand name
- Diversified sales channels
- One stop shop concept cross-selling opportunities

Weighted Value Per Share, EUR	Period weights			Period weighted value	Weights	Contribution to value
	2025E	2026E	2027E			
Method	20%	40%	40%			
P/E	0.86	0.78	1.03	0.90	10%	0.09
P/B & ROE	1.01	1.01	1.19	1.08	10%	0.11
Dividend Yield	0.85	0.66	0.72	0.72	10%	0.07
RIM				1.45	35%	0.51
GGM				1.40	35%	0.49
Total weighted value per share						**1.27**

Source: Signet Bank



Source: Signet Bank

Disclaimer

Sign-off time: May 2, 2025, 18:00

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- Buy- Expected return of more than 10% within 12-18 months (including dividends)
- Neutral- Expected return from -10% to 10% within 12-18 months (including dividends)
- Sell- Expected loss more than 10% within 12-18 months (including dividends)

In the 12-month period preceding 02.05.2025 Signet Bank has issued 5 recommendations, of which 80% have been 'Buy recommendations', 0% as 'Neutral', 20% as 'Sell' and 0% as 'under review'. Of all the 'Buy recommendations' issued, 40% have been for companies for which Signet Bank has provided investment banking services in the preceding 12-month period. Of all the 'Neutral recommendations' issued, 0% have been issued to companies for which Signet Bank has provided investment banking services in the preceding 12-month period. The classification is based on the above structure

For a list of recommendations that were disseminated during the preceding 12-month period, including the date of dissemination, the identity of the person(s) who produced the recommendation, the price target and the relevant market price at the time of dissemination, the direction of the recommendation and the validity time period of the price target, please contact the analyst(s) using the contact details provided above.

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