

LHV Group

Financial plan and forecast 2024-2028
13 February 2024

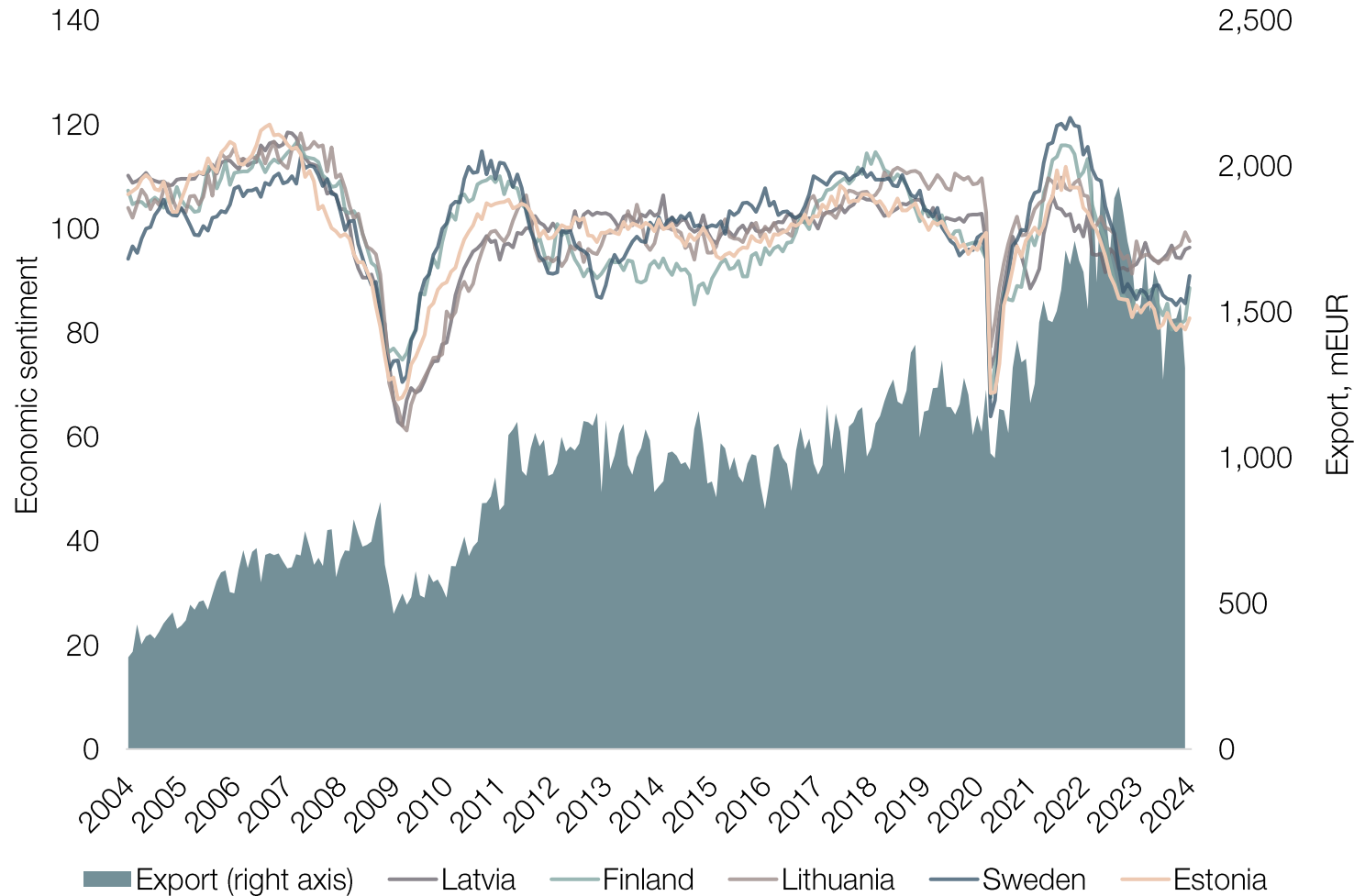
The assumptions for key drivers are presented in the comments



Business Environment

Business Environment

Weak economic confidence does not favour rapid export recovery

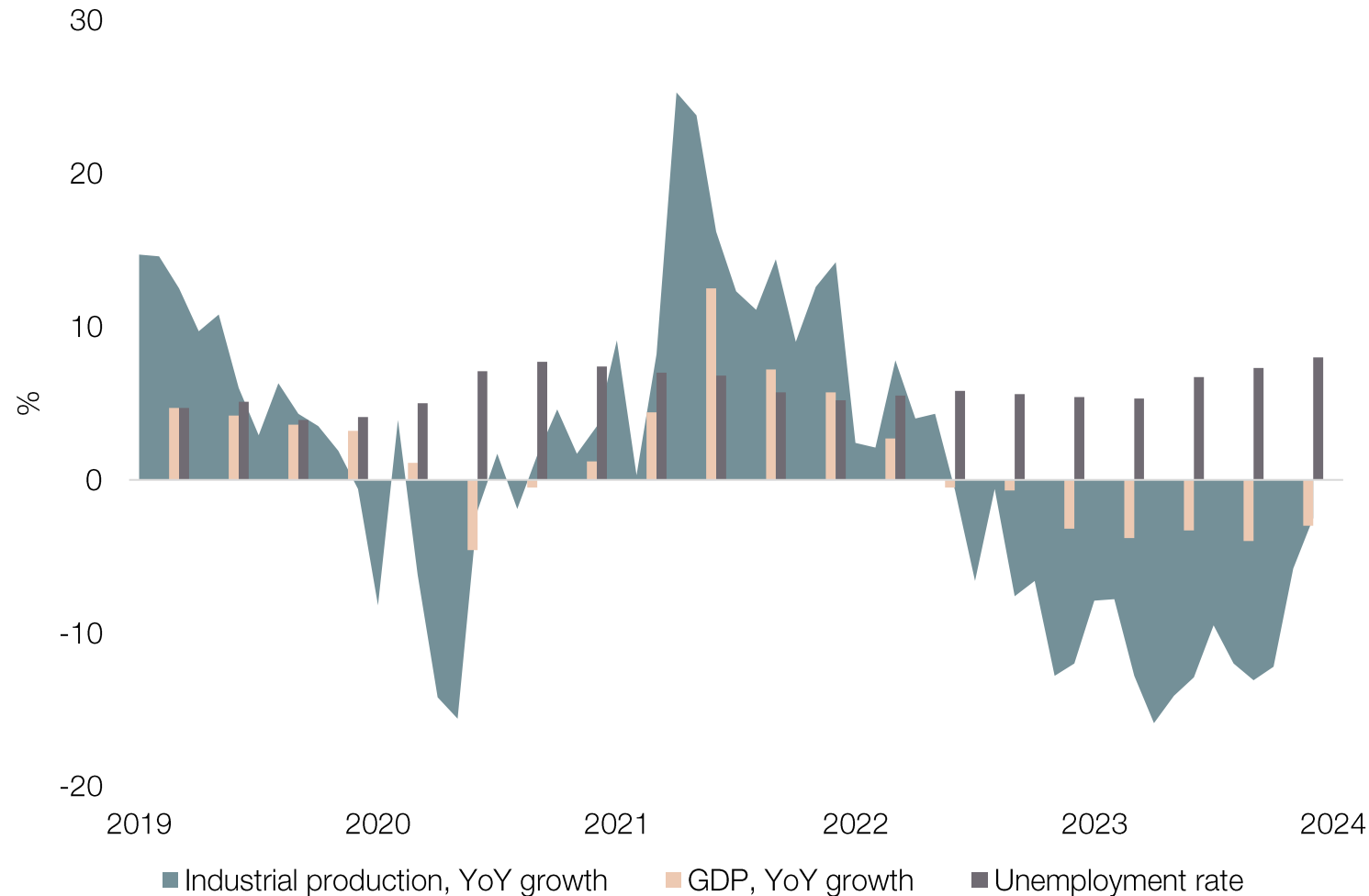


- The course of Estonian economy largely depends on its main trading partners
- The uncertain economic environment of the main trading partners puts pressure on exports
- Poor export prospects delay the recovery of economic growth
- Economic sentiment is still at a low level, but shows initial signs of improvement

Source: Statistics of Estonia, European Commission, LHV calculations

Business Environment

Production volumes still declining, but YoY change has reached the bottom

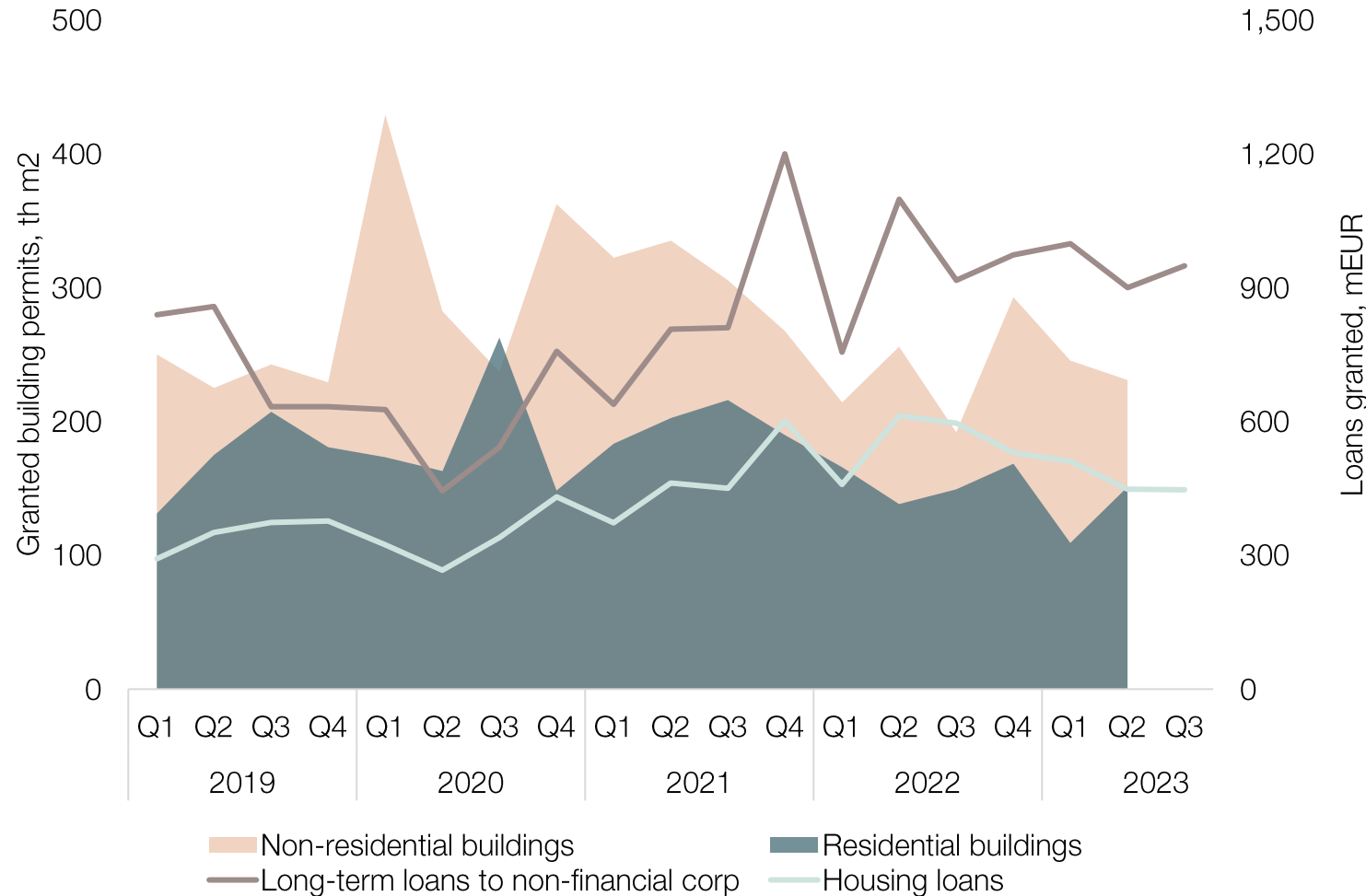


- The decline in demand from foreign markets is putting pressure on production volumes (mostly in wood, construction, metal, food, electronics)
- While production volumes have reached a low point on year-on-year basis, there is no expectation of a rapid recovery
- The labour market has remained stable, but some increase in unemployment is expected in the near future

Source: Statistics of Estonia, LHV calculations

Business Environment

Slowdown in construction activity will steer the economy in the near future



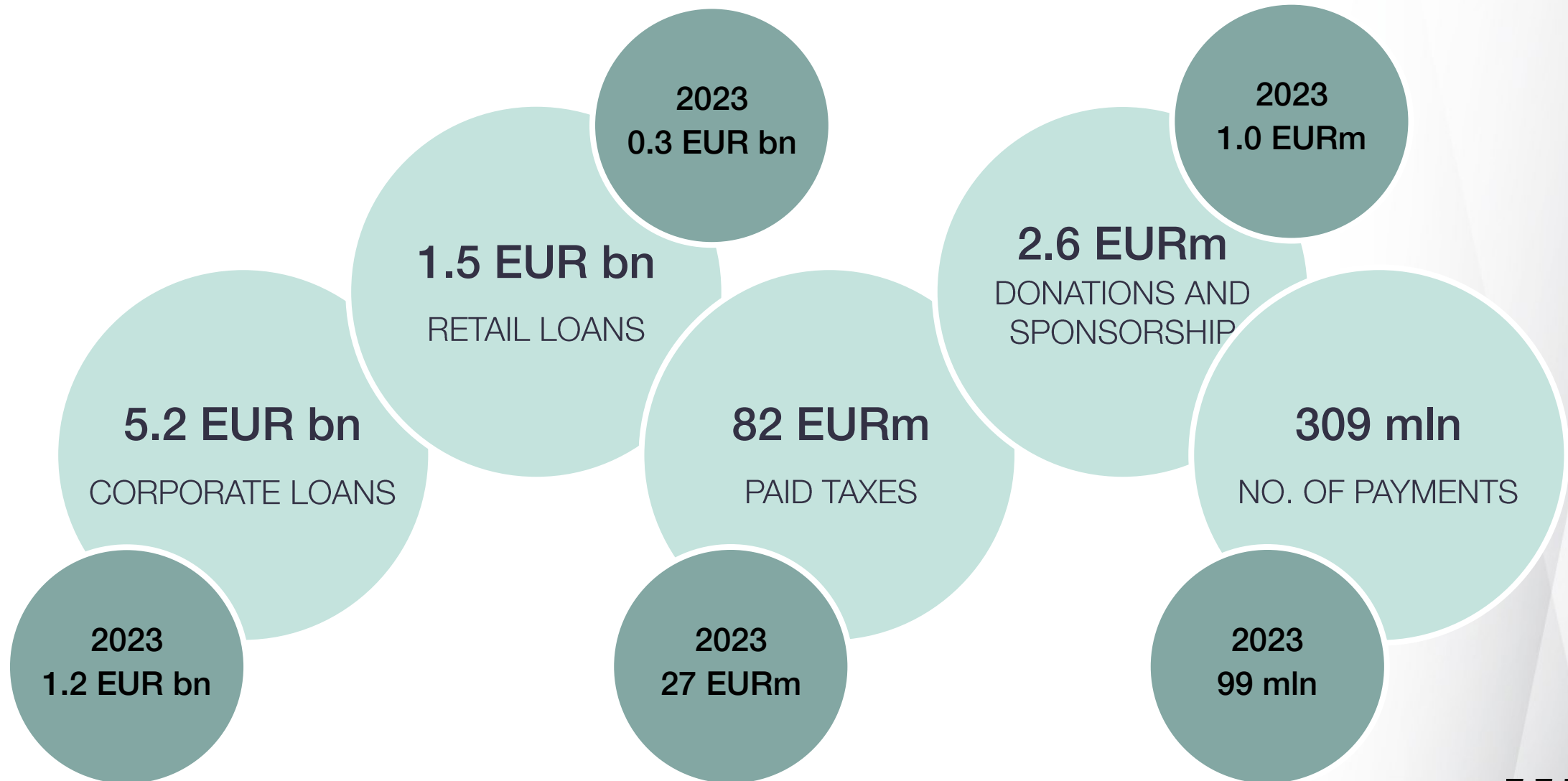
- Uncertainty, high interest rates, and increased prices are not favourable for construction activity
- The decrease in granted construction permits indicates a slow and long-term economic recovery
- The loan turnover has remained stable, but the activity is decreasing
- The loan repayments have been managed
- Interest rate cuts are expected in the second half of the year

Source: Statistics of Estonia, Bank of Estonia, LHV calculations

The impact of LHV on the economy

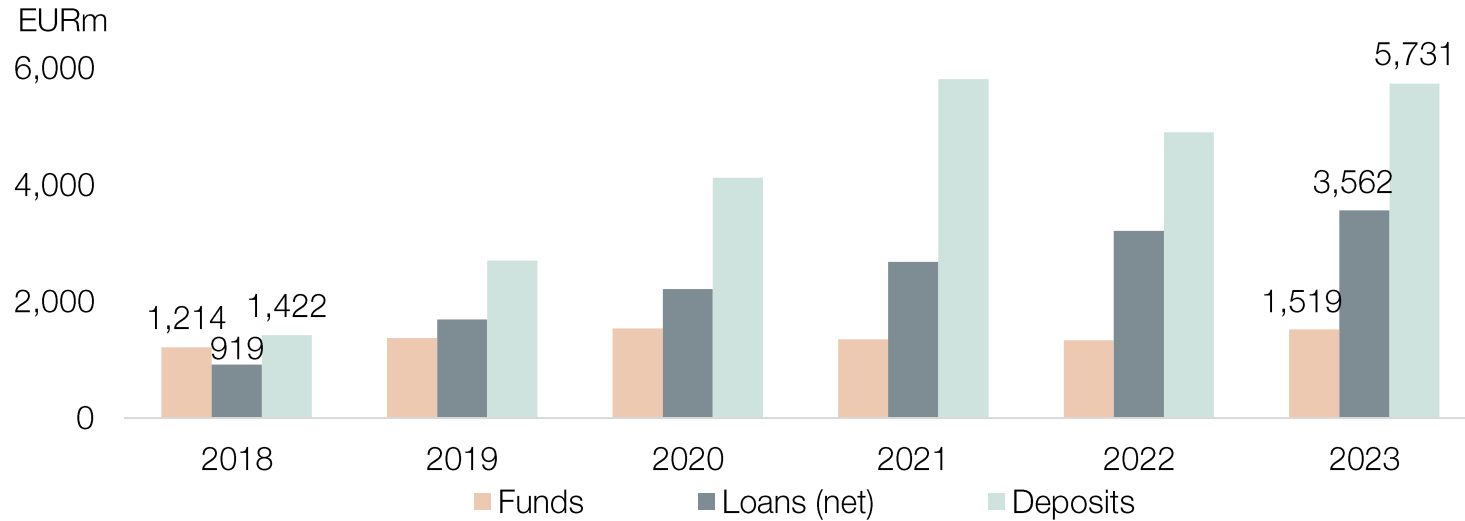
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LHV in 2019-2023

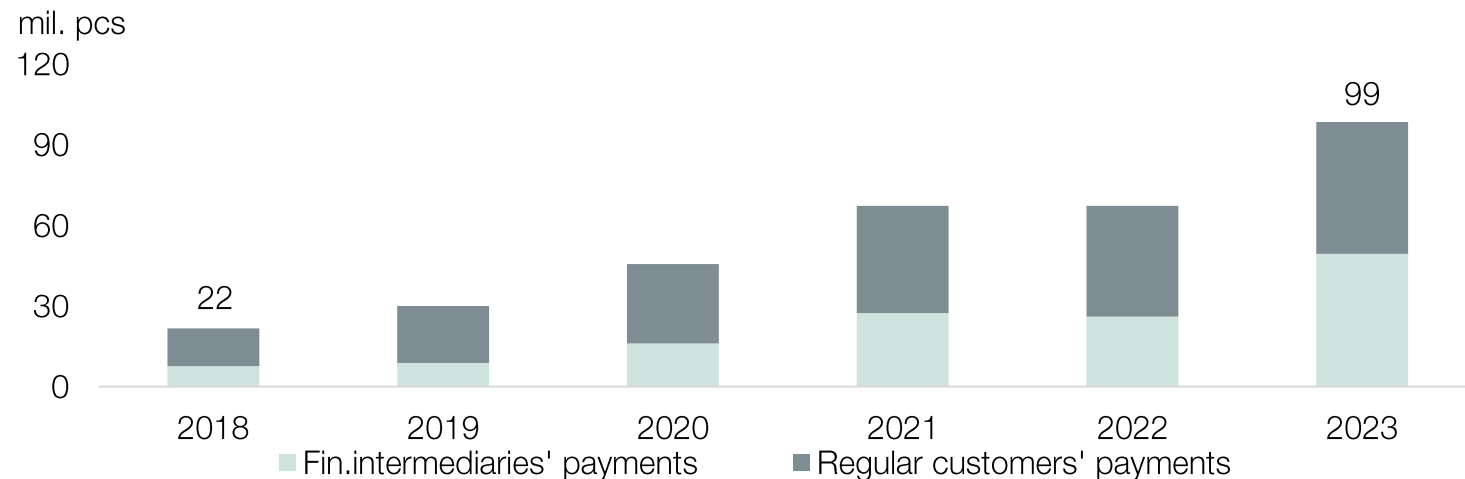


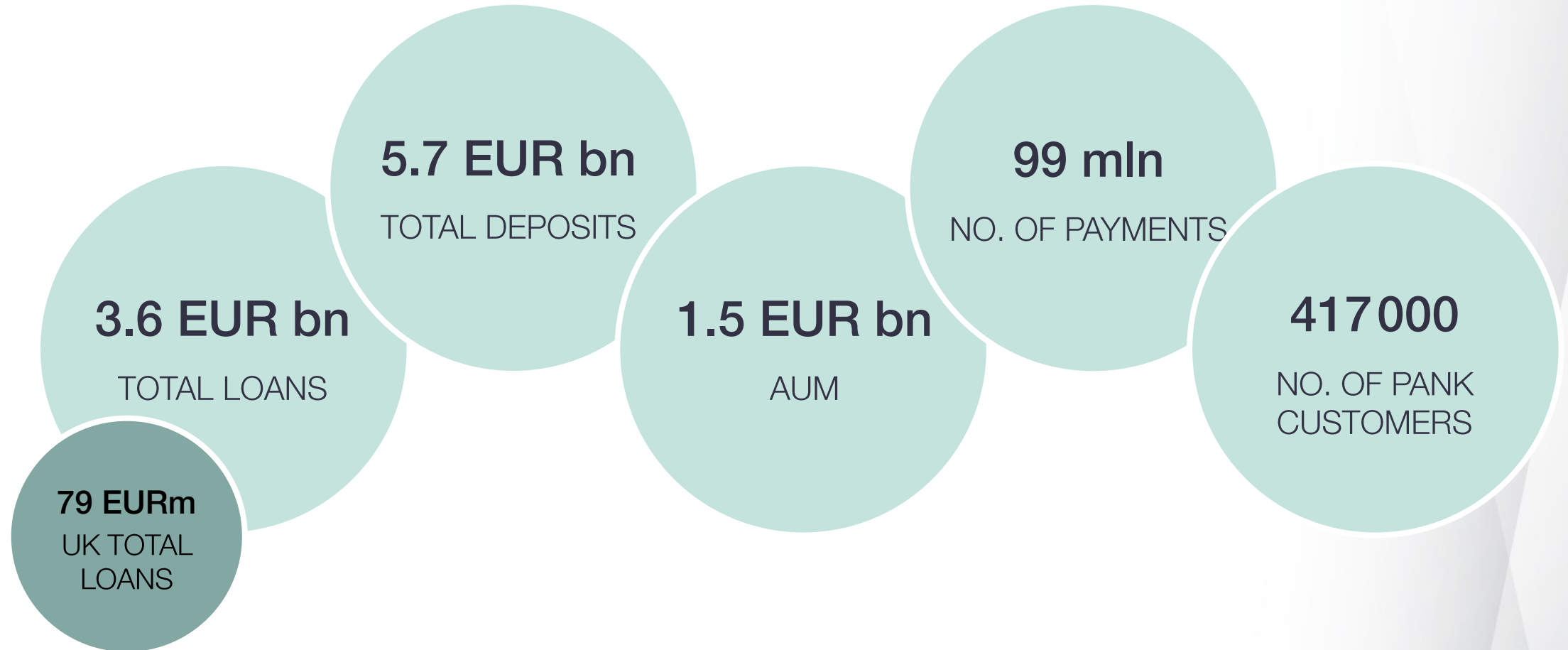
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High growth over the past five years



- Over the course of five years, the volume of loans and deposits has quadrupled
- The average annual growth rate of loans is 31%, of deposits it is 32%, of fund volumes it is 5%, and of payment volumes it is 35%
- The growth of the loan portfolio is primarily driven by corporate loans and mortgage loans
- The share of LHV Bank's loan portfolio is still growing





Strategy

Mission and strategy

Our mission is better access to financial services and capital

LHV Pank – Largest and most profitable bank in Estonia by 2032. The second largest bank by 2027

LHV Bank – A leading bank in the UK, specializing in payment services and corporate loans

LHV Varahaldus – Most important institutional investor in Estonia. A minimum return of 6% on actively managed funds

LHV Kindlustus – Trusted insurance partner delivering the highest customer satisfaction

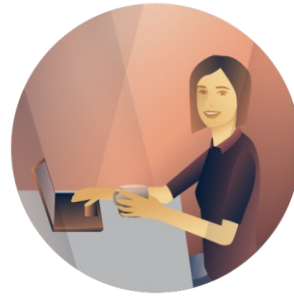
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Focus on high-quality relationships



The best
service

Euromoney / The best bank in Estonia in
2018-2022
Dive / The bank with the best customer
service in Estonia in 2015-2016, 2018-2024



The best
employer

CV-Online / Top Estonian Employer
1st place in 2022-2024
CV Keskus / Estonian Most Desirable Employer
1st place in 2022-2023



The best
investor
relations

Nasdaq / The best investor relations in the Baltics
2019, 2020, 2023

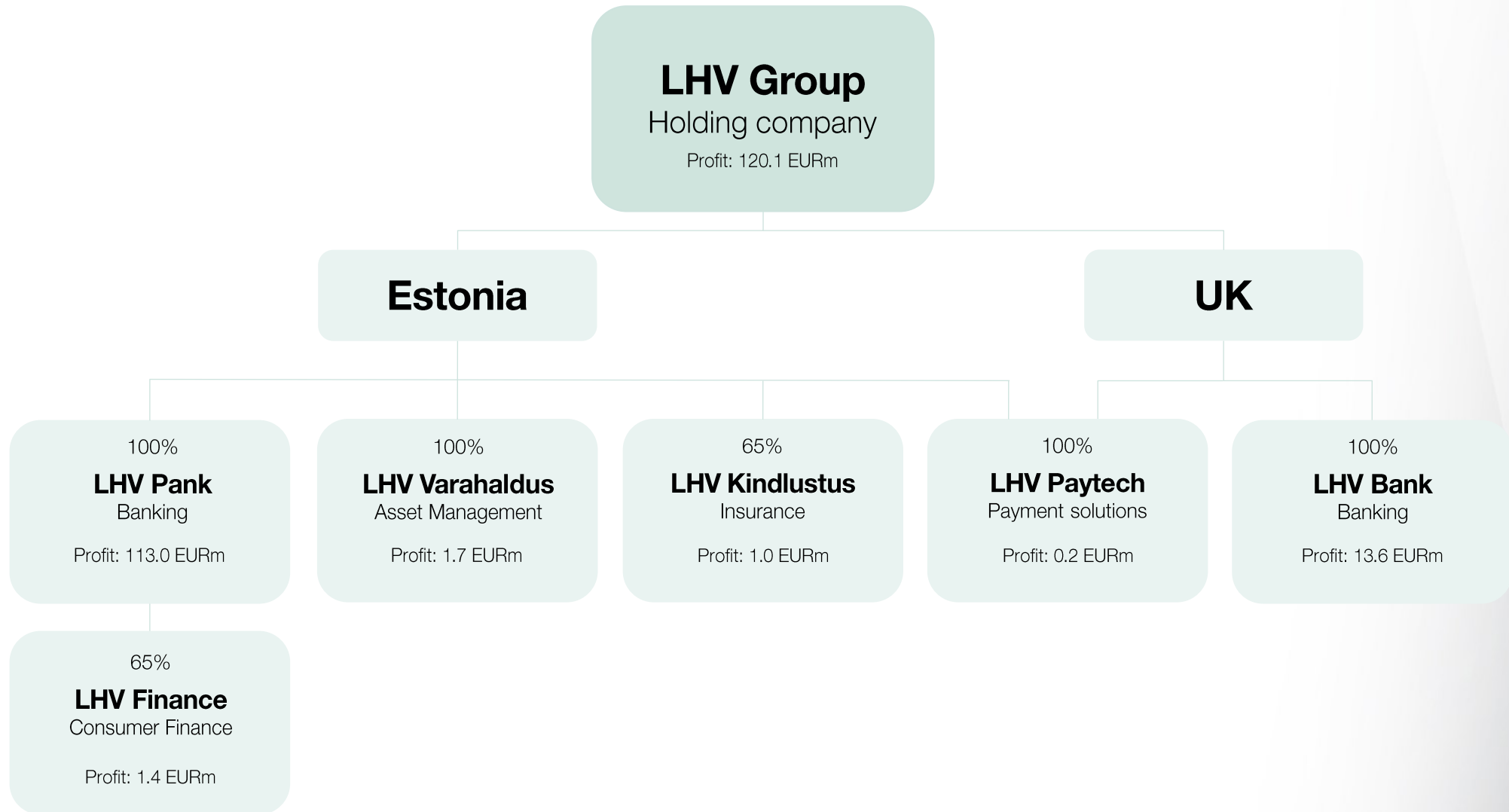
Financial projection and action plan

Increased business volumes and group-wide customer activity

Focus points

- Expansion across all business lines
- Customer engagement and cross-selling initiatives
- Enhanced efficiency
- Extensive implementation of AI

LHV Group Structure



Projected profits for 2024

LHV Group – financial plan for 2024

Capital return persists amidst decreasing interest income

Financial results, EURt	2023	FP2024	Δ YoY	Δ %
Total revenue, incl.	310,458	309,089	-1,369	-0%
Net interest income	253,819	238,649	-15,170	-6%
Net fee and commission income	54,146	68,598	+14,452	+27%
Total expenses	134,321	143,568	+9,247	+7%
Earnings before impairment	176,137	165,522	-10,615	-6%
Impairment losses	11,539	23,390	+11,851	+103%
Earnings before taxes	164,598	142,131	-22,467	-14%
Income tax expense	23,660	22,051	-1,609	-7%
Net profit	140,938	120,081	-20,857	-15%
Attr. to shareholders	139,602	119,176	-20,426	-15%
Business volumes, EURm	2023	FP2024	Δ YoY	Δ %
Deposits from customers	5,731	6,674	+943	+16%
Loans (net)	3,562	4,037	+476	+13%
Fin.intermediaries' payments, mil. pcs	47	62	+15	+32%
Assets under management	1,519	1,668	+149	+10%
Key figures	2023	FP2024	Δ YoY	
Cost / Income ratio (C/I)	43.3%	46.4%	+ 3.2 pp	
pre-tax ROE*	34.1%	24.0%	- 10.1 pp	
ROE*	29.2%	20.3%	- 8.9 pp	
T1 capital adequacy	19.2%	19.4%	+ 0.2 pp	
Total capital adequacy	21.9%	22.5%	+ 0.6 pp	

- In 2024 the decline in base interest rates affects revenue
- Profitability is significantly affected by the interest expenses related to bonds issued to fulfil increased capital requirements, as well as the rise in impairment losses resulting from the economic environment, positively by the growth in net fee and commission income
- Efficiency enhancements are being implemented to decelerate cost growth
- The focus is on increasing deposits. Significant growth in retail customer deposits
- Capitalization remains strong

LHV Group – long-term financial plan for 2024-2028

Growth in business volumes despite a weak economic environment

Financial results, EURt	2023	2024	2025	2026	2027	2028	
Total revenue, incl.	310,458	309,089	332,071	364,558	420,542	496,929	10%
Net interest income	253,819	238,649	244,233	264,047	309,448	361,978	
Net fee and commission income	54,146	68,598	85,476	97,656	107,730	131,458	
Total expenses	134,321	143,568	150,814	162,956	172,961	182,792	6%
Earning before impairment	176,137	165,522	181,257	201,602	247,581	314,137	
Impairment losses	11,539	23,390	17,660	18,559	19,588	20,280	
Earnings before taxes	164,598	142,131	163,597	183,043	227,994	293,857	
Income tax expense	23,660	22,051	31,346	35,568	44,949	60,048	
Net profit	140,938	120,081	132,251	147,475	183,044	233,809	11%
Attr. to shareholders	139,602	119,176	129,081	142,534	176,788	225,071	
Business volumes, EURm	2023	2024	2025	2026	2027	2028	
Deposits from customers	5,731	6,674	7,681	8,723	9,747	10,902	
Loans (net)	3,562	4,037	4,755	5,610	6,510	7,375	
Fin.interm. payments, mil. pcs	47	62	73	87	103	123	
Assets under management	1,519	1,668	1,900	2,160	2,432	2,716	
Key figures	2023	2024	2025	2026	2027	2028	
Cost / income ratio (C/I)	43.3%	46.4%	45.4%	44.7%	41.1%	36.8%	
pre-tax ROE*	34.1%	24.0%	24.8%	24.9%	27.2%	30.6%	
ROE*	29.2%	20.3%	20.0%	20.0%	21.8%	24.2%	
T1 capital adequacy	19.2%	19.4%	18.3%	17.9%	18.1%	18.5%	
Total capital adequacy	21.9%	22.5%	22.0%	21.5%	21.7%	22.6%	

- Assumptions: economic growth starting from 2025, slowing inflation, a decline in base interest rates until mid-2025 followed by stabilization, maintaining long-term dividend policy, performance fee for LHV Varahaldus from year 2026
- Organic growth in all key business volumes over a 5-year period:
 - Corporate loans +1.0 bn euros
 - Home loans +1.2 bn euros
 - UK loans +1.1 bn euros
 - Pension funds +1.2 bn euros
- Revenue growth outpacing the growth in expenses, with a rising share of UK revenues. Expense growth primarily driven by increase in labour and IT costs. Growth in impairments due to change in the economic environment and increasing credit portfolio

LHV Pank – financial plan for 2024

Broad-based growth in business volumes and efficiency

Focus points

- Activating customers
- Expanding the customer base
- Increasing loan volumes
- Developing digital channels
- Enhancing investment services
- Providing the best service across all channels

LHV Pank – financial plan for 2024

Growth in business volumes and efficiency

Financial results, EURt	2023	FP2024	Δ YoY	Δ %
Total revenue, incl.	260,077	246,104	-13,973	-5%
Net interest income	228,471	204,386	-24,085	-11%
Net fee and commission income	27,217	40,615	+13,398	+49%
Total expenses	85,235	90,895	+5,660	+7%
Earnings before impairment	174,842	155,209	-19,633	-11%
Impairment losses	11,372	23,056	+11,684	+103%
Earnings before taxes	163,470	132,153	-31,317	-19%
Income tax expense	22,107	19,139	-2,967	-13%
Net profit, incl.	141,363	113,013	-28,350	-20%
attr. to shareholders	140,133	112,470	-27,663	-20%
Business volumes, EURm	2023	FP2024	Δ YoY	Δ %
Deposits from customers	5,535	6,094	+559	+10%
Loans (net) to customers	3,482	3,738	+256	+7%
Loans (net) intragroup	66	0	-66	-100%
Key figures	2023	FP2024	Δ YoY	
Cost / Income ratio (C/I)	32.8%	36.9%	+ 4.2 pp	
pre-tax ROE*	35.8%	24.7%	- 11.1 pp	
ROE*	30.9%	21.2%	- 9.7 pp	
T1 capital adequacy	19.6%	20.5%	+ 0.9 pp	
Total capital adequacy	22.1%	21.4%	- 0.7 pp	

- Continued financing of customers. Growth of corporate banking loans by 151 EURm, retail loans growth by 105 EURm
- Net interest income decline due to the decrease in base interest rates and delay in repricing of liabilities
- Net fee and commission income growth mainly driven by financial intermediaries' revenue sharing with LHV Bank and larger business volumes resulting from customer activation
- Cost growth primarily driven by personnel expenses and IT costs, cost reduction due to changes in the deposit guarantee fund contribution rate, lower one-time costs, and increased efficiency
- Impairments increase due to deteriorating credit risk indicators of customers and portfolio growth

LHV Bank – financial plan for 2024

Increasing business volumes and commencing retail banking

Financial results, EURt	2023	FP2024	Δ YoY	Δ %
Total revenue, incl.	36,755	49,402	+12,648	+34%
Net interest income	28,917	43,302	+14,385	+50%
Net fee and commission income	7,807	6,100	-1,707	-22%
Total expenses	31,300	34,038	+2,738	+9%
Earnings before impairment	5,455	15,364	+9,909	+182%
Impairment losses	176	334	+158	+90%
Earnings before taxes	5,279	15,030	+9,751	+185%
Income tax expense	0	1,435	+1,435	na
Net profit	5,279	13,595	+8,316	+158%
Business volumes, EURm	2023	FP2024	Δ YoY	Δ %
Deposits from customers	239	693	+454	+190%
Loans (net)	79	299	+220	+277%
Fin.intermediaries' payments, mil. pcs	47	62	+15	+32%
Key figures	2023	FP2024	Δ YoY	
Cost / Income ratio (C/I)	85.2%	68.9%	- 16.3 pp	
pre-tax ROE*	12.8%	19.9%	+ 7.1 pp	
ROE*	12.8%	18.0%	+ 5.2 pp	
Total capital adequacy	28.7%	25.9%	- 2.8 pp	

- Increasing business volumes: attracting deposits, issuing corporate loans, increasing the number of financial intermediaries' payments
- Joining Euro payment schemes and transferring Euro payments from Pank to Bank
- Introducing a mobile banking platform targeted at private customers, including accounts, payments, direct debits, cards, and deposits
- Net interest income growth due to increase in loan volumes and financial intermediaries' deposits at the central bank
- Decline in net fee and commission income due to changes in financial intermediaries' revenue sharing with Pank
- Cost increase primarily driven by personnel expenses and IT costs

LHV Varahaldus – financial plan for 2024

Growth in fund volumes, increasing II pillar payments

Financial results, EURt	2023	FP2024	Δ YoY	Δ %
Total revenue	9,137	9,790	+653	+7%
Total expenses	6,997	7,312	+315	+5%
Earnings before taxes	2,140	2,478	+338	+16%
Income tax expense	488	801	+312	+64%
Net profit	1,652	1,677	+26	+2%
Business volumes	2023	FP2024	Δ YoY	Δ %
Assets under management, EURm	1,519	1,668	+149	+10%
Active customers of PII funds, thous.	123	120	-4	-3%
Key figures	2023	FP2024	Δ YoY	
Cost / Income ratio (C/I)	76.6%	74.7%	- 1.9 pp	
pre-tax ROE*	9.8%	12.6%	+ 2.8 pp	
ROE*	7.5%	8.5%	+ 1.0 pp	

- Focus on the increase in II pillar payments, alongside the strong returns of pension funds, and further popularizing fund pensions and III pillar
- Fund volumes and revenue continue to grow, with profitability growth lower due to higher dividend payments
- Continued investment strategy clearly distinguishing itself from competitors in the market, focusing on various high-return asset classes
- We expect a significant slowdown in the growth of the benchmark index, but performance fee in 2024 is unlikely
- LHV Varahaldus has generated returns for customers totalling over half a billion euros over the years, we continue to grow customers' assets

LHV Kindlustus – financial plan for 2024

Expanding the revenue base through increased efficiency

Financial results, EURt	2023	FP2024	Δ YoY	Δ %
Total revenue	5,070	6,717	+1,647	+32%
Total expenses	4,766	5,686	+920	+19%
Earnings before taxes	305	1,031	+727	+238%
Income tax expense	0	0	+0	na
Net profit, incl.	305	1,031	+727	+238%
attr. to shareholders	107	361	+254	+238%
Business volumes	2023	FP2024	Δ YoY	Δ %
Gross Premiums, EURm	31	36	+5	+15%
Key figures	2023	FP2024	Δ YoY	
Cost / Income ratio (C/I)	94.0%	84.9%	- 9.1 pp	
Net loss ratio	66.8%	65.2%	- 1.6 pp	
Net expense ratio	32.2%	31.8%	- 0.3 pp	
pre-tax ROE*	6.4%	18.2%	+ 11.8 pp	
ROE*	6.4%	18.2%	+ 11.8 pp	

- Increasing portfolio size to ensure an optimal revenue base and reduce portfolio volatility. Increasing cross-selling within the group
- Focus on optimizing processes and products, and increasing organizational efficiency
- Continuation of the reinsurance strategy similar to the previous period. The long-term goal is to reduce the proportion of risk premiums transferred to reinsurance
- LHV Kindlustus aims to position itself in the market as the preferred insurance partner, characterized by simplicity and speed in policy issuance, renewal, and claims handling

LHV Group
5 year targets

LHV Pank

Second largest bank

LHV Bank

International business with a
rapid growth

5200 / 3800 EURm

Growth in group's deposits and
loans

1200 EURm

Growth in assets under
management of pension funds

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