

## COMPANY REPORT

# LHV Group

## Initiated with Buy

EUR mn	2024	2025	2026e	2027e
Net interest Income	273.3	235.1	258.6	294.3
Net fee/com. inc.	60.3	63.3	75.6	86.1
Total Income	338.3	304.8	337.6	385.1
EBT	175.1	144.0	147.9	185.4
Net result after min.	149.0	114.3	116.9	146.5
EPS (EUR)	0.46	0.35	0.36	0.44
BVPS (EUR)	2.07	2.33	2.53	2.82
Tang. BVPS (EUR)	2.04	2.30	2.50	2.80
Div./share (EUR)	0.09	0.17	0.17	0.20
ROE (%)	24.45	16.00	14.70	16.57
P/E (x)	7.0	10.2	9.3	7.5
P/BV(x)	1.6	1.5	1.3	1.2
Dividend Yield	2.8%	4.8%	5.1%	6.0%

Share price (EUR) close as of 20/05/2026

Number of shares (mn)

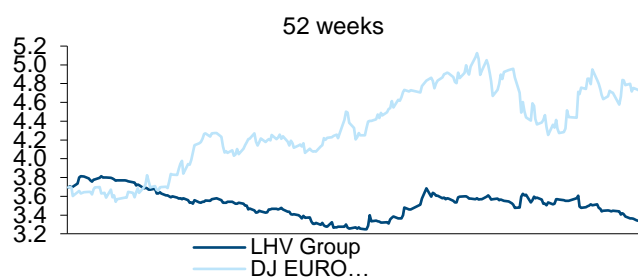
Market capitalization (EUR mn)

Enterprise value (EUR mn)

3.33

325.8

1,083.1



Performance	12M	6M	3M	1M
in EUR	-10.0%	1.7%	-6.3%	-5.4%

Reuters	LHV1T.TL	Free float	70.2%
Bloomberg	LHV1T	Shareholders	Lõhmus Holdings (11.3%)
Div. Ex-date	09/04/26		Viisemann Investments (10.7%)
<b>Target price</b>	<b>4.40</b>	Homepage:	www.lhv.ee

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### High-return Baltic bank with scalable growth

**We initiate our coverage of LHV Group with a Buy recommendation and target price of EUR 4.40 per share.** Our valuation method is a three-stage dividend discount model, based on our estimates.

The peer comparison with CEE and Baltic banks supports our positive view. LHV trades at an attractive 7-9x P/E ratio for 2026-27e, broadly in line with Baltic peers, but at a clear discount to the wider CEE banking universe, while offering a 5-6% dividend yield. At the same time, the 1.2-1.3x P/BV multiple appears undemanding, in our view, not fully reflecting the bank's improving profitability profile and growth potential.

LHV Group is a digital first banking franchise with a strong position in Estonia and a fast growing UK business. The group combines a profitable domestic core with a scalable international platform, supporting continued market share gains and long term growth.

Profitability remains robust, despite interest rate normalization, supported by a predominantly floating rate loan book, strong cost efficiency and resilient asset quality. The UK business is emerging as a key growth driver, increasing diversification and earnings potential over time.

**Our estimates, based on management's plan, imply net profit more than doubling to EUR 265mn by 2030, with ROE improving to 20%.** Growth is driven by double digit loan expansion and operating leverage. We forecast dividends per share of EUR 0.17 and EUR 0.20 for 2026 and 2027, respectively, with a payout ratio of 45-48% mid-term, supporting steadily rising shareholder returns over the period.

## Investment story

### High-return, digital-first Estonian bank with expanding footprint

LHV Group is the largest domestically owned financial institution in Estonia and has developed into a digital-first banking group combining a strong home market franchise with an increasingly relevant international growth platform. Built around its core Estonian bank and supplemented by asset management, insurance and payments infrastructure, LHV operates a scalable, technology-driven model with a clear focus on efficiency and innovation. At the same time, the expansion into the United Kingdom provides access to a significantly larger market, particularly in fintech, SME and retail banking, positioning the group as more than a purely regional player. It also offers optionality for further European expansion leveraging its scalable platform.

### Structural growth story with clear expansion drivers

The investment case is underpinned by a consistent track record of profitable growth, driven by balance sheet expansion and increasing customer activity. Growth has been largely organic, supported by targeted portfolio acquisitions, and is expected to continue on the back of a growing domestic banking market, ongoing market share gains and the scaling of the UK business. While Estonia already shows relatively advanced financial intermediation compared to other Baltic countries, it still offers further convergence potential vs. the broader European market.

### High returns with strong earnings resilience

Profitability is a key strength of the LHV story. The group has consistently delivered a structurally high return on equity, supported by a cost-efficient digital operating model, strong pricing in its core markets and disciplined balance sheet management. The predominantly variable-rate loan book has historically allowed for rapid repricing in periods of rising interest rates, translating into strong net interest income growth, while asset quality has remained resilient with low levels of non-performing loans. Although earnings have normalized following the peak interest rate environment, the underlying profitability remains robust, with further upside from operating leverage as the business scales.

### Platform scalability supports strong earnings growth

A central element of the investment case is the scalability of LHV's platform. The business model enables growth without proportional cost increases, allowing expanding volumes and customer activity to translate into stronger earnings growth over time. This is reflected in management's medium-term strategy, which implies a significant increase in profitability driven by revenue growth, cost discipline and a gradual shift toward more diversified income streams, including fee and commission income. The Estonian franchise provides a stable, high-return core, while the UK business is emerging as a key growth engine with increasing earnings contribution.

### Solid capital position supports increasing shareholder returns

LHV's capital ratios are very solid and remain comfortably above regulatory requirements, even after a period of rapid balance sheet growth, providing flexibility both for continued expansion and for shareholder remuneration. The recent shift in the capital return policy toward a higher and more flexible payout framework supports a clear trajectory of increasing shareholder returns.

### Key risks related to rates, concentration and macro environment

At the same time, the investment case is not without risks. Earnings remain highly sensitive to the interest rate environment, reflecting the reliance on net interest income and the large share of floating-rate loans. The loan portfolio is concentrated in real estate, increasing vulnerability to a potential correction in property markets, while the group's geographic focus exposes it to macroeconomic developments in the Baltic region. In addition, intensifying competition and geopolitical risks in the region may weigh on growth and profitability.

**Compelling long-term growth  
and return profile**

Overall, LHV represents a high-return regional banking franchise with a compelling combination of structural growth, strong profitability and a scalable business model. While near-term earnings remain partly dependent on external factors such as interest rates and macro conditions, the underlying trajectory is supported by clear strategic drivers, positioning the group to deliver sustained earnings growth and increasing shareholder returns over the medium term.

## SWOT analysis

### Strengths

- Strong capital position, providing resilience and flexibility for growth and shareholder distributions
- High and structurally robust ROE, driven by efficient balance sheet and strong pricing
- Cost-efficient, digital-first operating model, generating strong operating leverage as volumes increase
- Proven track record of sustained profitable growth
- UK platform adds scalable growth engine and enhances geographic diversification
- Strong asset quality and low NPL levels, reflecting disciplined underwriting and strong credit risk management
- Scalable operating platform, allowing growth without proportional cost increases
- High share of variable-rate loans, boosting earnings in higher interest rate environments
- Visible tech agenda and advanced tooling adoption (cloud, AI), supporting efficiency and innovation
- Clear medium-term strategic ambition
- Strong funding base anchored by customer deposits and improving diversification through investment-grade funding access

### Weaknesses

- High dependence on interest income, limited diversification of revenue streams
- Earnings strongly linked to interest rate levels due to high share of variable-rate loans in loan portfolio
- High exposure to real estate sector: Significant concentration, particularly in corporate lending
- Geographic concentration still skewed toward Estonia despite expansion efforts, limiting regional diversification
- Deposits from financial intermediaries are structurally more volatile
- Tech-heavy strategy increases operational and cyber risks

### Opportunities

- Expansion into new European markets using scalable platform
- Increase in dividend payout ratio, supported by strong capitalization and profitability
- Continued economic growth in Baltic region, driving credit demand and business expansion
- Sustained higher interest rate environment, supporting net interest income generation
- Fintech-facing “banking services” model with global reach potential

### Threats

- Real estate market correction, impacting collateral values and credit quality
- Intensifying competition, potentially leading to margin compression and lower growth
- Interest rate volatility: High interest rates could increase borrower stress in rising rate, while declining rates would compress margins and earnings
- Geopolitical risks (Russia/Belarus/Ukraine), potentially impacting regional economic stability
- Macroeconomic risks in Baltic region, including wage inflation and energy price sensitivity

## Company profile

### Leading domestic, digital-first banking group with expanding international footprint

AS LHV Group (“LHV”) is the largest domestically owned financial group and capital provider in Estonia, established in 1999 by founders with investing and entrepreneurial backgrounds. LHV has been listed on the Nasdaq Tallinn Stock Exchange since May 2016. The group combines a digital-first universal banking franchise in Estonia with adjacent financial services (asset management, non-life insurance and payments infrastructure) and an additional growth platform in the UK. LHV received its Estonian banking licence in 2009 and was granted a UK banking licence in 2023, marking an important step in the expansion of its international operations. From a regulatory standpoint, LHV is a Euro Area banking group: the ECB-designated AS LHV Group a significant financial holding company and moved both AS LHV Group and AS LHV Pank under direct ECB supervision from January 1, 2023 (previously supervised by the Estonian Financial Supervision and Resolution Authority).

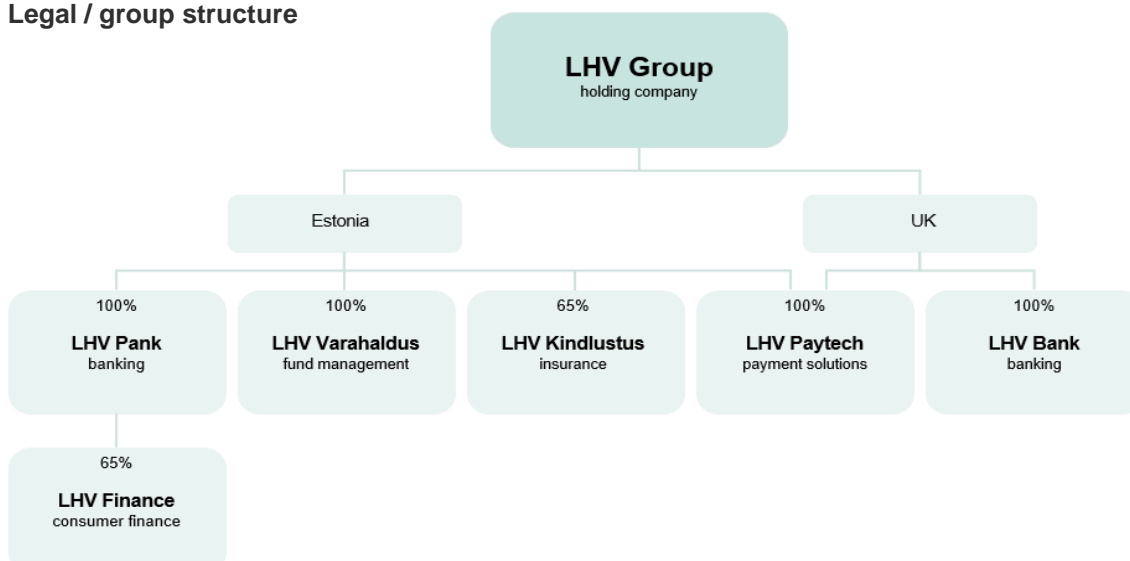
### Organic scale-up supported by targeted portfolio acquisitions

LHV’s development has been driven mainly by organic growth and capability build-out rather than transformational M&A, with targeted steps that expanded products, distribution and balance-sheet capacity. Key milestones include the IPO in 2016, which broadened the shareholder base and supported the next stage of growth as a publicly traded company. LHV has also selectively supplemented its organic growth through portfolio acquisitions, including the transfer of Danske Bank Estonia loan portfolios in 2019 (private customer book) and 2020 (corporate and public-sector book), as well as the acquisition of OakNorth’s GBP 18mn SME loan portfolio in 2022.

### Deposit-led funding backed by broad capital markets access

By end-2025, LHV’s loan portfolio had grown to EUR 5.5bn, while total assets reached EUR 10.2bn. The group remains predominantly deposit-funded, with EUR 8.1bn of customer deposits in 2025, complemented by selective wholesale funding. Despite its relatively short operating history, LHV has built a broad capital and funding toolkit and demonstrated repeated market access across both equity and debt. It has strengthened its equity base through rights issues (secondary offerings) in 2019, 2021 and 2022, while also utilizing multiple debt capital market instruments, including covered bonds, senior unsecured/MREL-eligible holding-company issuance, Tier 2 subordinated capital programs, and international senior notes.

## Legal / group structure



Source: LHV

### Group overview and subsidiaries

LHV Group is a listed holding company with a focused financial services portfolio spanning banking, asset management, insurance and payments.

Its core subsidiaries are AS LHV Pank (Estonian universal bank), LHV Bank Ltd (UK bank), AS LHV Varahaldus (asset management), AS LHV Kindlustus (non-life insurance; 65% owned) and AS LHV Paytech (payments infrastructure). LHV Pank also holds a 65% stake in AS LHV Finance (consumer finance). The group operates as a vertically integrated platform, with banking as the primary earnings and capital driver, supported by fee-based asset management and payments, and a scaling insurance business. LHV Paytech plays a strategic role by supporting banking operations and providing infrastructure services to international fintech clients, developing and operating a cloud-based payment gateway platform for digital payments acceptance in digital environments. Its customers are primarily financial institutions that use the platform as part of their online payments acceptance offering or for internal needs, rather than merchants directly. LHV Paytech operates primarily in the Baltics, servicing commercial banks and smaller financial institutions.

**Asset-light, digital operating model in Estonia**

In Estonia, the group operates with a limited physical footprint, with customer service offices concentrated in Tallinn, Tartu and Pärnu. This is consistent with LHV's digitally led operating model, which prioritizes remote onboarding and servicing over a traditional branch network, supporting a structurally lower cost base and scalable growth.

**UK expansion****UK as primary growth driver**

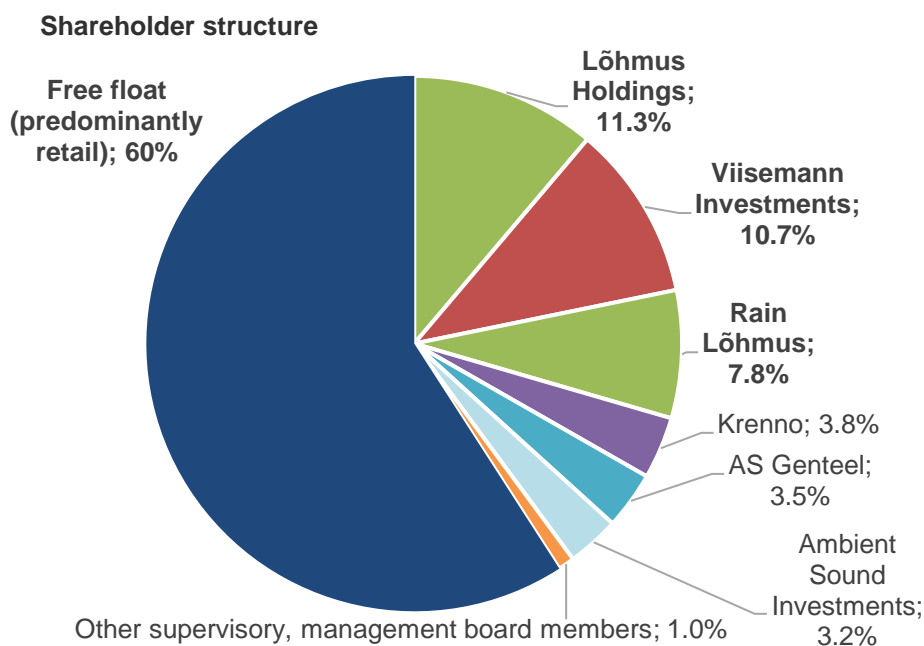
LHV's expansion into the United Kingdom represents LHV's primary international growth avenue and a key element of its long-term strategy. Established in 2018, LHV Bank Ltd has evolved from a branch-based operation into a fully licensed UK bank, with offices in London, Leeds and Manchester. The UK business focuses on providing banking services to fintech companies (including payment and electronic money institutions), alongside SME lending and has expanded into retail banking from 2024, broadening its funding base and supporting the scalability of its UK operations.

**UK business reaches profitability with strong 2025 growth**

Growth accelerated materially in 2025, with deposits and loans roughly doubling to EUR 1.3bn and EUR 0.8bn, respectively, and the business reaching profitability. The product offering expanded with the launch of a digitally led current account (including base-rate-linked pricing), enhanced savings products and continued build-out of app-based services. The bank also strengthened its payments infrastructure (including direct participation in SEPA Instant), reinforcing its positioning as a key banking partner to fintech clients. Looking ahead, management is focused on further scaling retail banking, expanding SME lending and introducing additional products (including retail credit), supported by recently obtained regulatory approvals for consumer credit and ISA products, while also focusing on further expansion of its banking services segment.

**Shareholder structure****Concentrated, founder-led ownership structure**

LHV group's shareholder base is characterized by strong insider ownership and a broad retail investor base. As of March 31, 2026, members of the supervisory and management boards and related parties collectively held 41% of shares. The two largest shareholders are founder-controlled vehicles AS Lõhmus Holdings (11.3%) and Viisemann Investments AG (10.7%), while additional direct holdings by Rain Lõhmus (7.8%) further increase founder influence. The remaining nearly 60% of shares is broadly held, predominantly by domestic retail investors and investment vehicles, with limited institutional ownership.



Source: LHV, Erste Group Research

**Founders underpin entrepreneurial and growth-focused strategy**

LHV was founded in 1999 by Rain Lõhmus and Andres Viisemann, both with a substantial financial sector track record. Lõhmus previously co-founded Hansapank (later Swedbank’s Baltic franchise), one of the region’s most successful banking platforms, and continues to serve as chairman of LHV’s supervisory board. Viisemann has led LHV’s asset management activities and pension funds since inception and remains closely involved at board level, with a strong focus on active investment and capital allocation. The founders’ continued involvement and significant ownership stakes underpin LHV’s strategy, which emphasizes innovation, capital efficiency and a digital-first operating model.

**Management team**

**Two-tier board structure**

LHV operates under a standard Estonian two-tier governance model, comprising a supervisory board (non-executive) and a management board (executive). The supervisory board is responsible for setting strategy, approving key decisions and overseeing management, while the management board is accountable for day-to-day operations and execution.

**Leadership change to support international expansion strategy**

At the executive level, LHV has undergone a notable leadership refresh, aligning management with its evolution from a domestic bank into a broader, internationally-oriented financial services group. Mihkel Torim was appointed group CEO in 2025, marking a key step in this transition. In 2026, further changes were announced at the subsidiary level, including the move of LHV Bank (UK) CEO Erki Kilu to head the Estonian LHV Pank. At the group level, the management board comprises four members: in addition to CEO Torim, Meelis Paakspuu leads financial management (CFO), Kadri Haldre oversees risk management (CRO), and Jüri Heero is responsible for IT operations, development and information security (CIO).

**Mihkel Torim (CEO)** – Appointed group CEO in 2025, Torim leads LHV’s strategic development and chairs the Board of Directors of LHV Bank. He joined LHV in 2023 as Head of Investment Banking, having previously spent over a decade at Swedbank in senior roles, including Head of Baltic Investment Banking and Head of Corporate Finance across the Baltics and Finland. He brings more than 20 years of capital markets and investment banking experience, supporting LHV’s strategic shift towards a broader,

internationally oriented financial services group. He does not hold shares in LHV Group but participates in long-term incentive plans.

**Meelis Paakspuu (CFO)** – Group CFO since 2022 and CFO of LHV Pank since 2015, Paakspuu provides continuity and deep knowledge of the group's financials and operations. He holds 0.9mn shares (0.3% of LHV shares) and options over 0.5mn shares.

**Kadri Haldre (CRO)** – CRO of LHV Group and LHV Pank since 2024, strengthening the group's risk governance. She brings a strong background in risk, law and economics, supported by international academic experience. She holds a small equity stake (~0.03%) and participates in incentive schemes.

**Jüri Heero (CIO)** – CIO of LHV Pank since 2007 and group CIO since 2022, Heero has been instrumental in building LHV's technology platform and digital capabilities. He holds 1.35mn shares (0.4% of LHV shares) and options over 0.4mn shares. *Following the announcement on 21 May 2026, Jüri Heero is proposed to be recalled from the management boards of both LHV Group and LHV Pank, effective 1 June 2026, in connection with organisational changes related to the transition to a product-led structure.*

**Incentive framework aligns with shareholder interests**

LHV's remuneration framework is strongly aligned with shareholder interests, with a significant portion of total compensation delivered through long-term share-based incentives rather than fixed pay. While base salaries for management are moderate by European banking standards, variable remuneration can reach up to 200% of annual salary, reflecting performance against group and individual targets. Incentives are primarily granted via share options under multi-year programs, with a minimum three-year vesting period and an additional one-year holding requirement.

**2026 reset year as focus shifts to execution and credibility**

Following under-delivery in 2025 (vs. guidance), where net profit after minorities declined to EUR 114mn, despite still elevated revenues, the updated strategy marks a transition from cyclically-supported profitability to structurally-driven growth, with 2026 positioned as a reset year. The near-term priority is execution: restoring earnings credibility and delivering on guidance. For 2026, management guides for 9% total income growth, but only 1% net profit growth (to EUR 116mn), reflecting normalizing risk costs and reduced support from interest rate dynamics.

**Profitability to trough as growth continues and margins normalize**

This implies a temporary disconnect between revenue and earnings, with profitability expected to trough, despite continued business expansion. Loan volumes are guided to grow at a double-digit pace, while deposits expand more moderately and the funding mix is optimized toward more stable, core customer deposits. At the same time, costs are expected to increase at a slower pace than revenues, supporting a marginal improvement in the cost/income ratio (to 51%).

Strategically, the model is being repositioned toward higher-quality and more resilient earnings. A key element is the shift in revenue composition, with fee and commission income expected to grow faster than net interest income, driven by higher activity in payments, FX, cards and investment products. In parallel, growth is increasingly guided by risk-adjusted return criteria, rather than pure volume expansion.

**Operating leverage to unlock more-than-doubling in net profit**

Operating leverage is central to the medium-term plan, with the framework implying a clear inflection in earnings beyond 2026, as scaling of the platform and growing customer activity translate into strong profit growth.

Total income is projected to increase from EUR 334mn in 2026 to EUR 593mn by 2030 (+15% CAGR), while costs grow materially slower (+6% CAGR). Net profit is therefore expected to more than double to EUR 290mn by 2030 (+25% CAGR), reflecting a pronounced step-up in earnings generation.

### Strategy and financial plan (March 2026)

Financial results (EUR mn)	2024	2025	2026	2027	2028	2029	2030	5yr growth
	<i>reported</i>	<i>reported</i>	<i>plan</i>	<i>plan</i>	<i>plan</i>	<i>plan</i>	<i>plan</i>	<i>CAGR</i>
Net interest income	273	235	253	315	363	409	464	
Net fee and commission income	60	63	78	91	97	107	118	
<b>Total revenue</b>	<b>338</b>	<b>305</b>	<b>334</b>	<b>410</b>	<b>466</b>	<b>525</b>	<b>593</b>	<b>15%</b>
<b>Total expenses</b>	<b>-147</b>	<b>-159</b>	<b>-161</b>	<b>-168</b>	<b>-180</b>	<b>-191</b>	<b>-203</b>	<b>6%</b>
<b>Operating profit</b>	<b>191</b>	<b>146</b>	<b>173</b>	<b>242</b>	<b>286</b>	<b>334</b>	<b>390</b>	
Risk costs	-16	-2	-15	-16	-19	-21	-22	
Income tax expense	-25	-27	-29	-41	-50	-58	-68	
<b>Net profit after minorities</b>	<b>149.0</b>	<b>114.3</b>	<b>115.8</b>	<b>173.2</b>	<b>203.7</b>	<b>240.0</b>	<b>284.0</b>	<b>25%</b>
<b>Business volumes (EUR mn)</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	
Deposits from customers	6,910	8,134	8,577	9,562	10,512	11,607	12,814	
Loans (net)	4,552	5,465	6,082	7,083	8,067	9,152	10,147	
Fin.intermediaries' payments, mil. pcs		86	93	108	119	131	144	
Assets under management		1,702	1,898	2,164	2,447	2,748	3,067	
<b>Key figures</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	
Cost / income ratio	43.4%	52.3%	51.3%	43.1%	40.9%	38.2%	35.8%	
ROE*	24.5%	16.0%	15.0%	20.0%	21.0%	22.1%	23.4%	
T1 capital adequacy	18.1%	17.0%	17.7%	17.8%	18.2%	17.9%	17.8%	
Total capital adequacy	21.9%	22.4%	20.9%	20.5%	20.9%	20.8%	20.5%	

Source: LHV, Erste Group Research

### Segment mix balances stable core earnings and higher-growth opportunities

At the segment level, execution is clearly differentiated and aligned with explicit strategic ambitions across the group. The Estonian banking business (LHV Pank) remains the core earnings anchor, delivering stable profitability with moderate loan growth and a stronger deposit structure, complemented by continued expansion in fee income. This unit is positioned to become the second-largest bank in Estonia by 2027. The UK business (LHV Bank) represents the primary growth driver, focused on SME lending, retail banking, payments, and fintech-related activities, providing access to a larger market, but also introducing execution risk. Asset management (LHV Varahaldus) continues to contribute high-margin, capital-light growth through increasing assets under management, with the strategic objective of serving as the most important institutional investor in Estonia while targeting at least a 6% long-term return on actively managed funds. Insurance (LHV Kindlustus) remains smaller and more volatile, with a focus on improving underwriting quality and positioning itself as a leader in quality on the Estonian insurance market.

### Building scalable, international multi-market banking model

At the group level, LHV aims to solidify its role as the largest domestic financial group and capital provider in Estonia, with each subsidiary contributing to this objective through clearly defined growth and profitability targets. Beyond its strong leadership position in the home market, LHV is executing a deliberate transition towards a scalable, multi-market banking group, building the digital foundations and operational discipline needed to extend its model beyond Estonia and the UK over the medium term.

## Estonian banking market, competitive landscape

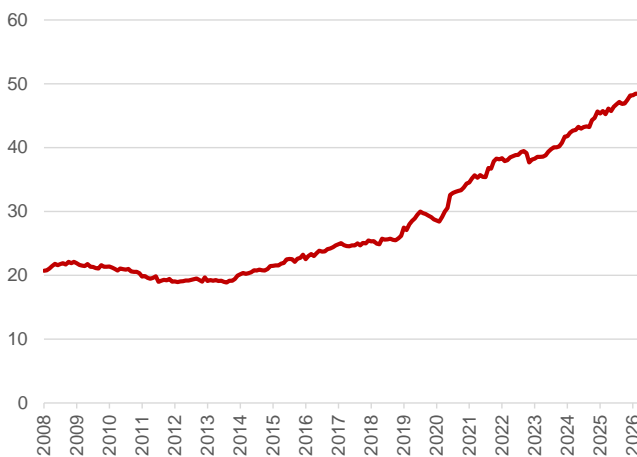
### Small, bank-dominated market with high concentration

The Estonian banking sector is a small, bank-dominated and highly concentrated market, operating within the EU Banking Union and supervised by the Estonian Financial Supervision and Resolution Authority together with the ECB for significant institutions, including Swedbank, SEB Pank, Luminor Bank and LHV Pank. The system is structurally important for domestic financial intermediation, as Estonia has relatively weak capital markets and local companies rely heavily on bank lending rather than equity or bond issuance. This creates a supportive backdrop for incumbent banks: limited capital market financing keeps companies and households reliant on bank lending, while high sector concentration – with the five largest banks accounting for more than 90% of assets – and borrowing costs that remain among the highest in the EU support pricing power and lending margins.

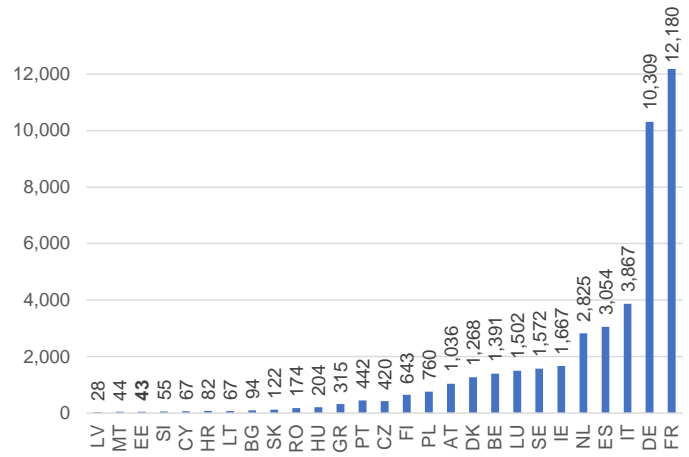
### Growing balance sheets in small EU market

At the same time, Estonia's monetary financial sector remains small by EU standards: banking assets amount to ~109% of GDP vs. an EU average of ~248%, and the stock market is only ~12% of GDP. Sector balance sheets have expanded steadily, with total banking assets increasing from slightly above EUR 20bn in 2008 to close to EUR 48bn in March 2026, as shown in the chart below.

Total assets Estonia 2008-2026 (EUR bn)



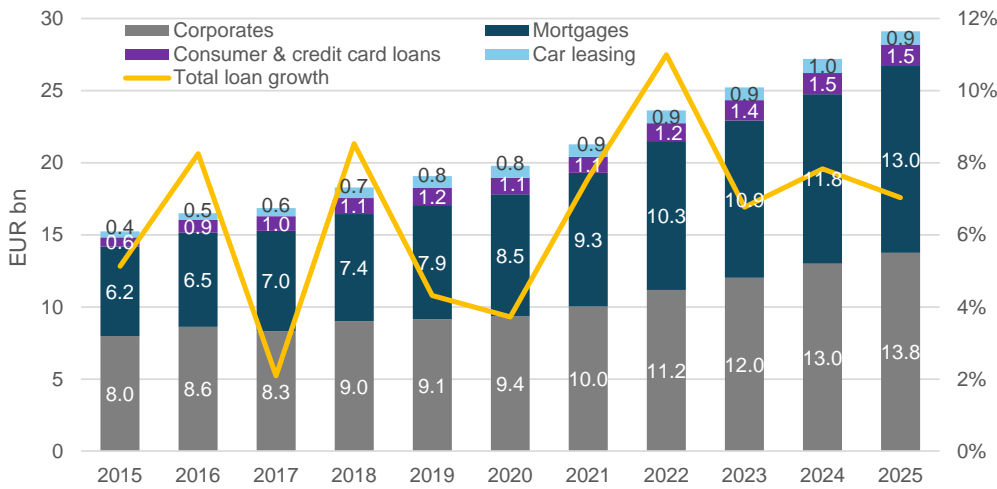
Total assets – EU comparison (EUR bn)



Source: ECB, Erste Group Research

Loans have expanded steadily in Estonia, with the total loan book nearly doubling from EUR 15.2bn in 2015 to EUR 29.1bn in 2025, equivalent to a CAGR of 6.7%. Growth has been led by household lending, with mortgages increasing from EUR 6.2bn to EUR 13.0bn over the period, implying a CAGR of 7.7%, while corporate loans grew from EUR 8.0bn to EUR 13.8bn, equivalent to a CAGR of 5.6%. Loan growth has remained solid in recent years, with total loans up 6.8% in 2023, 7.8% in 2024 and 7.0% in 2025. In terms of mix, the Estonian loan book remains concentrated in mortgages and corporate lending, which together accounted for 92% of total loans in 2025. Within corporate lending, exposure is particularly real estate-heavy, with 42% of corporate loans directed to the real estate and construction sectors, according to the IMF. In 2025, corporate loan growth was largely driven by those sectors.

**Loans to households and corporates, total loan growth 2015-25**

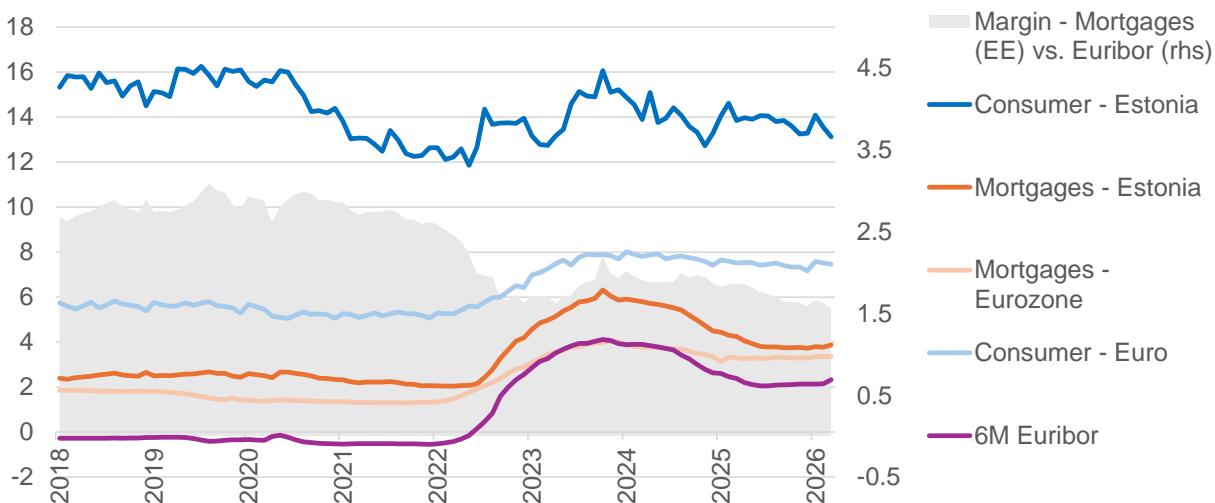


Source: Bank of Estonia, Erste Group Research

**Lending rates remain highest in Eurozone**

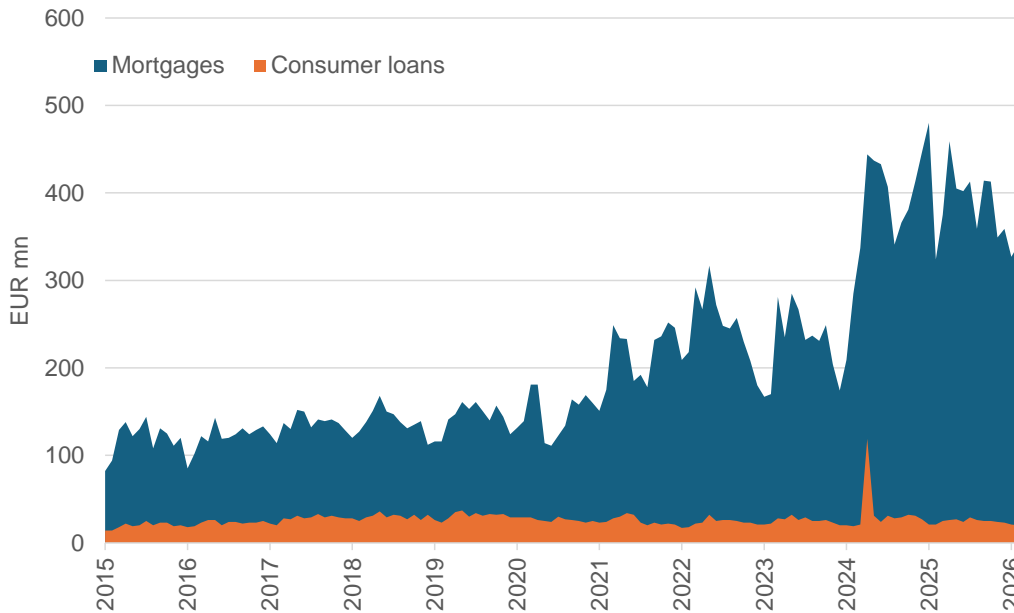
Estonia continues to stand out in the Euro Area for high retail lending yields, although the picture differs sharply by product. Consumer loan pricing remains exceptionally elevated: ECB data shows that the average rate on new consumer loans in Estonia was still above 13% in March 2026, even after declining from earlier highs. This is the highest level in the Euro Area and materially above the Euro Area average of around 7.5%, supporting attractive yields for banks active in this segment. Mortgage pricing is less differentiated, with the average rate on new housing loans at 3.9% in Estonia vs. 3.4% in the Euro Area. However, the margin over the 6-month Euribor has compressed steadily since 2024 and fell below 1.6% in March, pointing to increased competition and/or faster repricing as benchmark rates decline. Importantly, mortgage volumes have remained strong, with monthly new lending well above the levels seen before 2024. Consumer loan volumes, in contrast, have been broadly flat at EUR 20-30mn per month, indicating that high nominal lending rates are being sustained more through pricing than through expanding demand.

**Lending rates mortgages, consumer loans for Estonia and Eurozone (new volumes; lhs), margin (in %, rhs)**



Source: ECB, Erste Group Research

**New loan volumes – mortgages, consumer loans (monthly)**

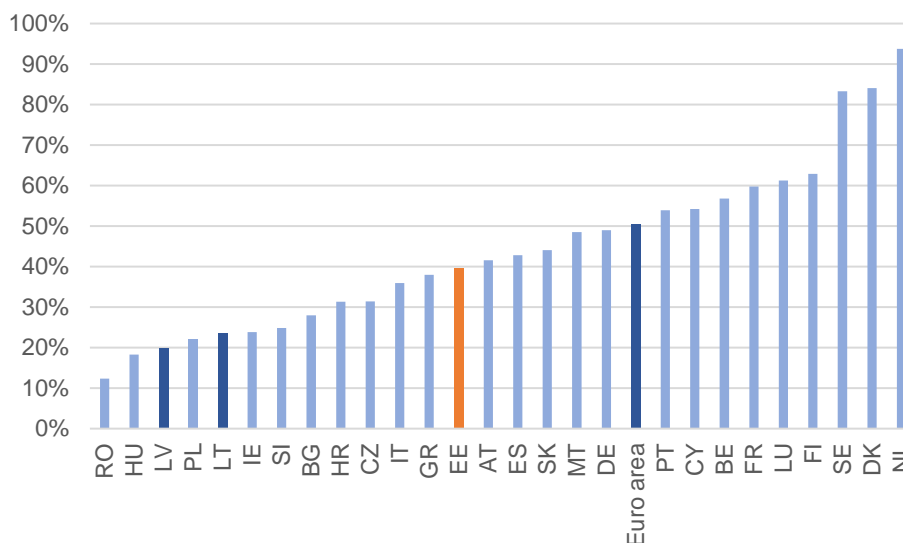


Source: ECB, Erste Group Research

**Estonia’s banking penetration leads Baltics, with further convergence upside**

Estonia combines relatively high banking penetration by Baltic standards with continued room for convergence vs. the Euro Area. Household loans amounted to 39.6% of GDP at the end of 2025, materially above Lithuania at 23.6% and Latvia at 19.8%, underlining Estonia’s more developed credit market within the Baltics. At the same time, Estonia remains below the Euro Area average of 50.5% and far below the most penetrated European markets, including Sweden, Denmark and the Netherlands, where household leverage is above 80% of GDP. For Estonian banks, this points to a still-positive structural growth backdrop, especially in mortgage lending, but with less pronounced convergence upside than in Lithuania or Latvia.

**Household loans as ratio of GDP (EU countries, 2025)**



Source: ECB, Erste Group Research

**From sight-heavy to term-rich: tightening cycle resets Estonia’s deposit mix**

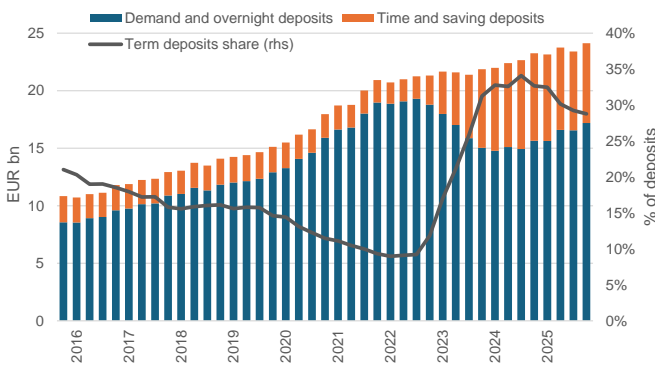
Private-sector deposits – households and non-financial corporates – have grown materially over the past decade, supported by strong nominal wage, profit and asset price growth. During the zero-rate period, incremental liquidity was largely parked in current and overnight accounts, pushing the share of term deposits below 10% by 2022. This mix shifted rapidly once the ECB tightening cycle restored value to deposit products: banks repriced

term offers, customers became more rate-sensitive, and balances rotated from sight deposits into fixed-term accounts. Term deposits rose to above 30% of system deposits in 2023 and peaked at 34% in 2024, broadly in line with one-year term-deposit rates approaching 4% at the high point. Term-deposit rates have since eased to 2.0% for households and 2.2% for corporates by end-2025. However, term-deposit penetration declined only modestly, remaining at 29% of total deposits, implying that bank funding costs remain structurally higher than in the pre-hike period.

**Pillar II reform delivered one-off liquidity injection in 2021**

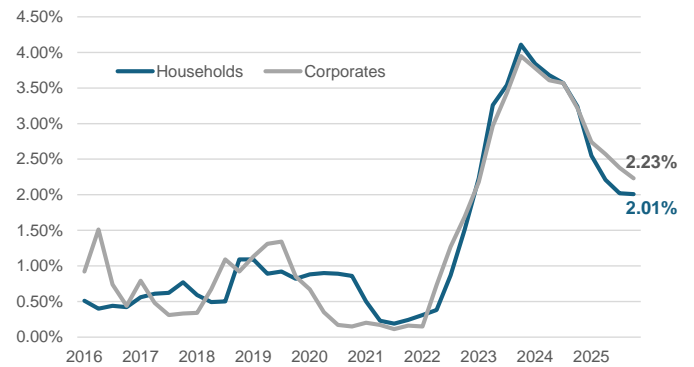
Deposit base growth in 2021 was bolstered by a one-off liquidity inflow linked to the second-pillar pension reform. Following the move to make Pillar II voluntary and allow early withdrawals, the first major exit wave saw EUR ~1.3bn paid out to households in September 2021, temporarily lifting system deposit balances.

**Deposit base and term deposit share**



Source: Bank of Estonia, Erste Group Research

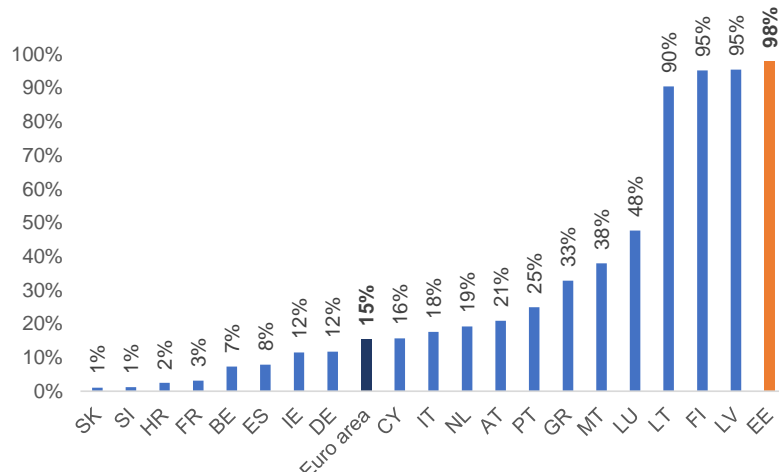
**Term deposits rates – households and corporates**



Source: Bank of Estonia, Erste Group Research

A key structural vulnerability across Baltic banking markets is the exceptionally high share of variable-rate (or short initial fixation) mortgages, which materially accelerates and amplifies the transmission of monetary policy to households. Estonia stands out even within this group, with approx. 98% of mortgages linked to floating rates – the highest share in the Euro Area. The other Baltic countries also exhibit very elevated levels, each exceeding 90%, compared to roughly 15% for the Euro Area overall. This structure materially increases household sensitivity to rate shocks and introduces greater cyclicity into credit quality. In a tightening scenario, debt service burdens adjust almost immediately, pressuring affordability and increasing downside risks to asset quality. Conversely, easing cycles feed through rapidly, supporting borrower liquidity and stabilizing credit metrics.

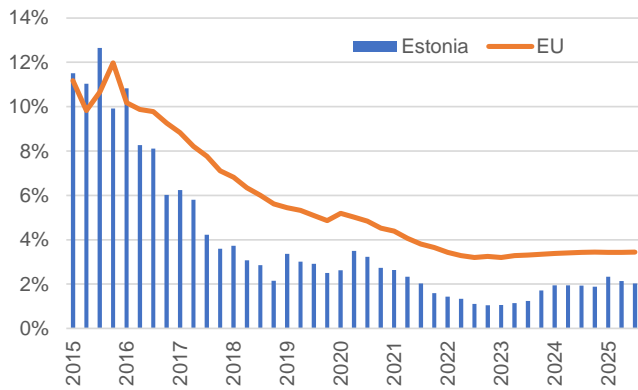
**Share of variable rate mortgages (Euro Area, February 2026)**



Source: ECB, Erste Group Research

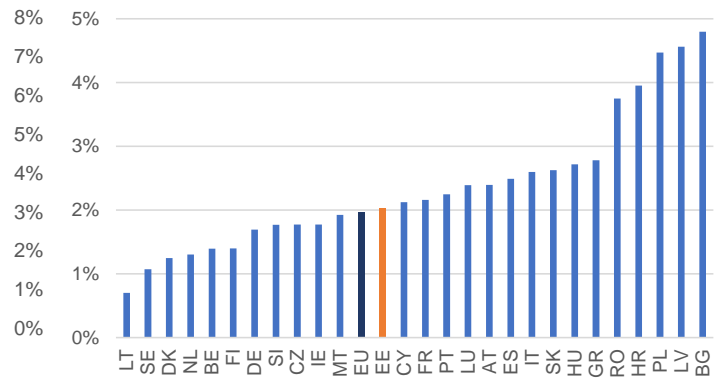
Despite structurally higher interest rate sensitivity, asset quality in the Estonian banking sector has remained resilient. The sharp tightening cycle has not translated into a meaningful deterioration in NPL formation, with the NPL ratio staying low in both absolute and relative terms. At 2.0% as of 3Q25, Estonia is broadly in line with the EU average and well below higher-risk peripheral markets, while marking a significant improvement from the double-digit levels seen in 2014–16.

**NPL development Estonia, EU (4Q14-3Q25)**



Source: ECB, Erste Group Research

**NPL ratio – EU comparison (3Q25)**



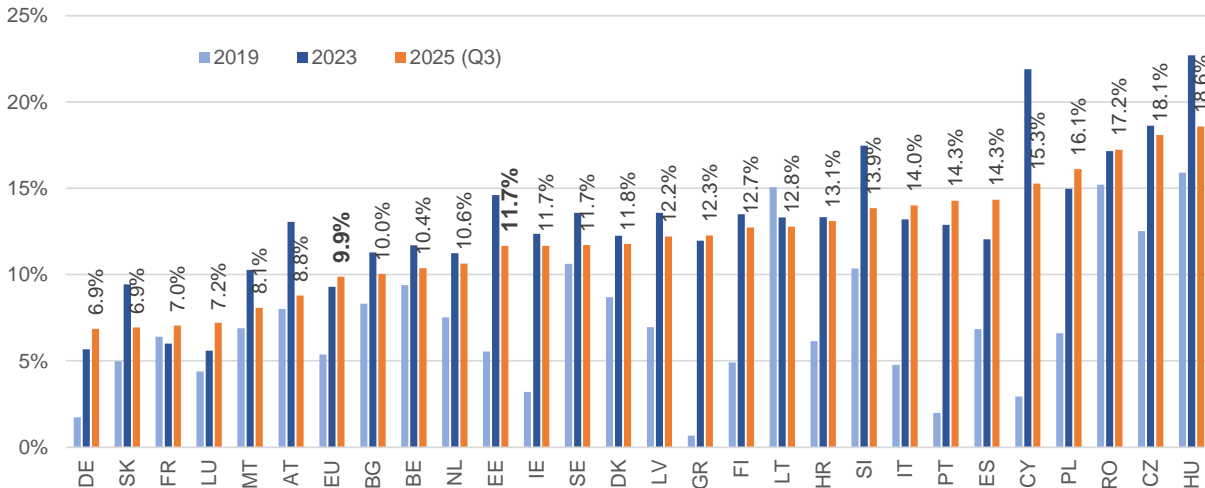
Source: ECB, Erste Group Research

**Profitability**

**ROE surge driven by widening spreads**

In terms of profitability, the Estonian banking market stands out as one of the stronger performers in the EU, with sector ROE in 2023 and 2025 remaining well above the EU average. The sharp improvement vs. pre-Covid levels was primarily driven by the rapid pass-through of ECB rate hikes into loan yields, reflecting the predominantly floating-rate structure of lending in Estonia and across the Baltics. At the same time, deposit costs repriced more gradually, resulting in a sizeable widening of the loan-deposit spread and a significant expansion in net interest margins. This dynamic contrasts markedly with developments in the broader Euro Area, where spreads remained broadly stable for corporates, increased only modestly for households, and in some cases even declined following the ECB tightening cycle. The divergence is largely explained by the higher share of fixed-rate lending and a faster transmission of higher funding costs in other Euro Area countries, which limited margin expansion. In the Baltics, by contrast, the sharper and more immediate widening in spreads drove a substantial uplift in profitability.

**ROE in 2019, 2023 and 2025 (3Q data annualized) – EU comparison**

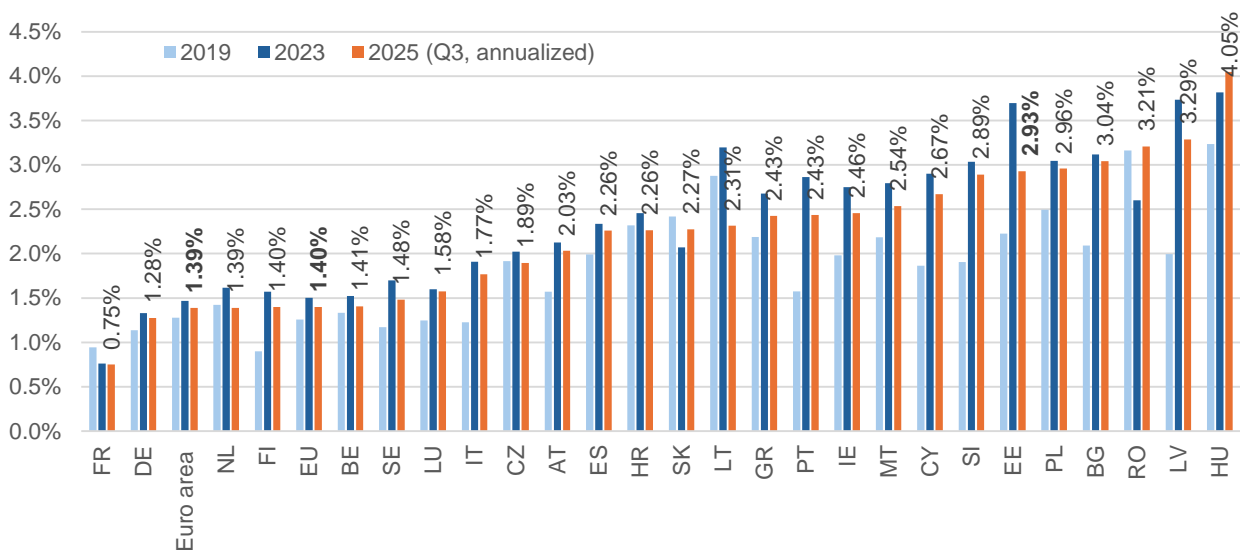


Source: ECB, Erste Group Research

**Baltic NIMs expand well ahead of EU peers**

As a result, Estonian and broader Baltic banks experienced a surge in earnings in 2023, with net interest margins rising significantly more than the EU average. While some normalization was underway as deposit rates continued to reprice, profitability remained elevated through 2025. Moreover, the evolving interest rate outlook, including renewed upside risks to inflation from recent geopolitical tensions, suggests that margin compression may be more gradual than previously anticipated. Although the convergence of deposit and loan pricing is likely to weigh on net interest margins over time, current conditions point to a more resilient profitability profile.

**Net interest margin in 2019, 2023 and 2025 (3Q data annualized) – EU comparison**



Source: ECB, Erste Group Research

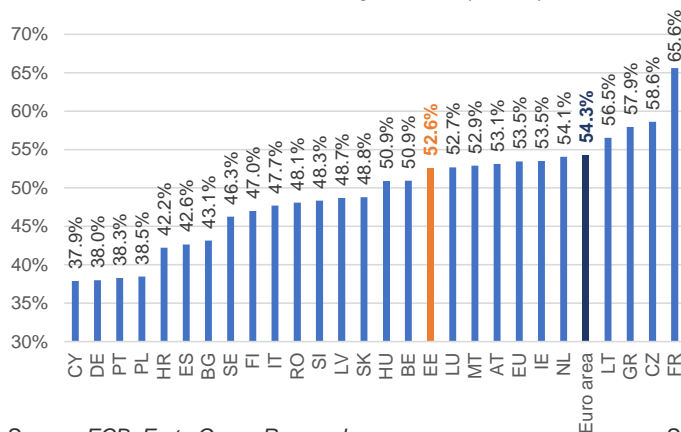
**Structural cost efficiency supports profitability**

Cost efficiency has also supported profitability. Estonia's cost/income ratio has structurally remained below the EU average, reflecting a relatively digitalized, concentrated and scalable banking market. While the ratio deteriorated temporarily in 2020-21, it improved markedly from 2022 onward as revenue growth from higher net interest income outpaced operating cost inflation.

**No windfall tax, but dividend-based approach**

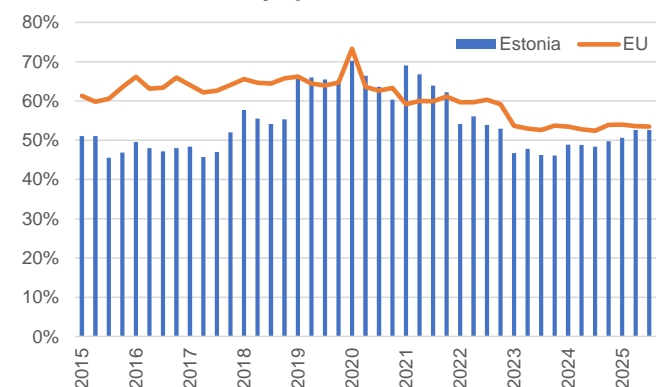
Unlike Lithuania and Latvia, Estonia did not introduce a formal windfall or solidarity tax on banks. Instead, in September 2023, the government reached an informal agreement with the largest banks to distribute additional dividends in 2024-25, thereby generating higher corporate income tax (CIT) revenues.

**Cost income ratio – EU comparison (3Q25)**



Source: ECB, Erste Group Research

**Cost/income ratio by quarter**



Source: ECB, Erste Group Research

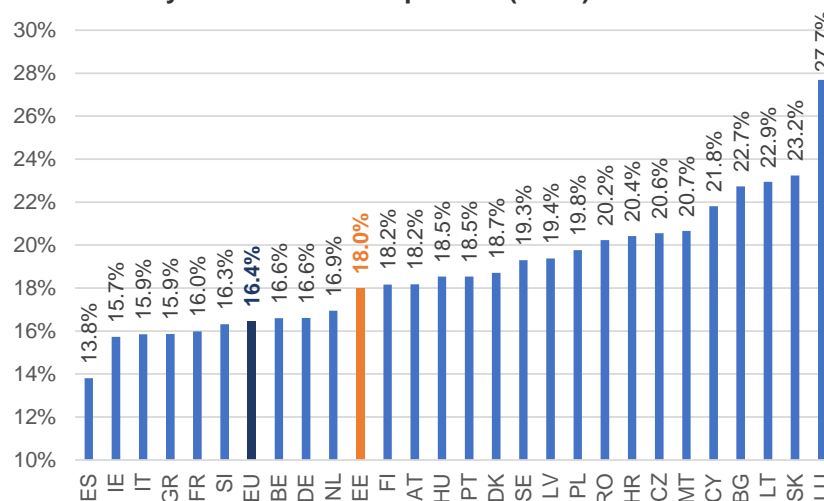
**Moderate tax tightening, supportive overall**

In 2025, changes to the tax framework included an increase in the standard CIT rate from 20% to 22% and higher advance tax payments for banks. Overall, the tax environment remains relatively supportive for banks, although recent measures point to a gradually increasing policy focus on capturing a larger share of the sector’s strong profitability.

**Capital ratios declined, but remain strong**

The reforms to corporate taxation in recent years, which incentivized banks to prioritize dividend payouts over profit retention, have contributed to a decline in capital ratios. This was further supported by higher leverage and continued expansion of loan portfolios. However, at 18.0% as of 3Q25, the CET1 ratio for the Estonian banking sector remains robust, in our view, and comfortably above the EU average of 16.4%.

**CET1 ratio by market – EU comparison (3Q25)**



Source: ECB, Erste Group Research

**Competitive landscape**

**Nordic banks dominate, LHV as main domestic challenger**

The Estonian banking market remains relatively concentrated, dominated by the Nordic incumbents Swedbank and SEB, with LHV emerging as a strong domestic challenger. As of mid-2025, Swedbank held 39% of deposits and 35% of loans, followed by SEB with 20% of deposits and 24% of loans. LHV has established itself as a clear number three, with approximately 20% of deposits and 14% of lending. Beyond the top three, the market fragments quickly across smaller domestic banks such as Coop Pank, Bigbank and Inbank, each holding mid-single-digit or lower market shares.

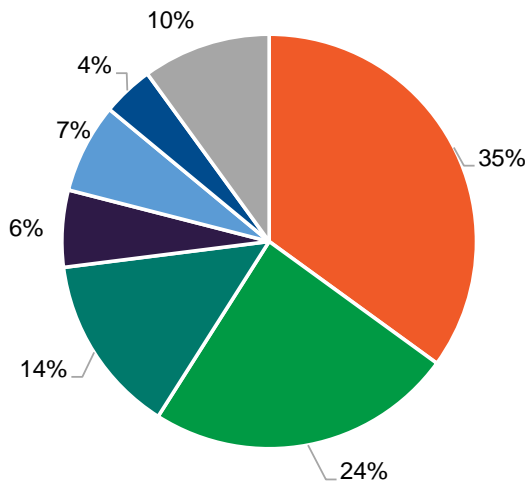
**Rising competition supported by digitalization and regulation**

Competition has intensified in recent years, supported by the expansion of domestic banks and evolving customer behavior. Structural factors – including high digital adoption, relatively low switching barriers, and regulatory initiatives aimed at improving loan portability – are gradually making the market more contestable. However, the scale, funding advantages and established customer bases of the Nordic banks continue to anchor the competitive landscape.

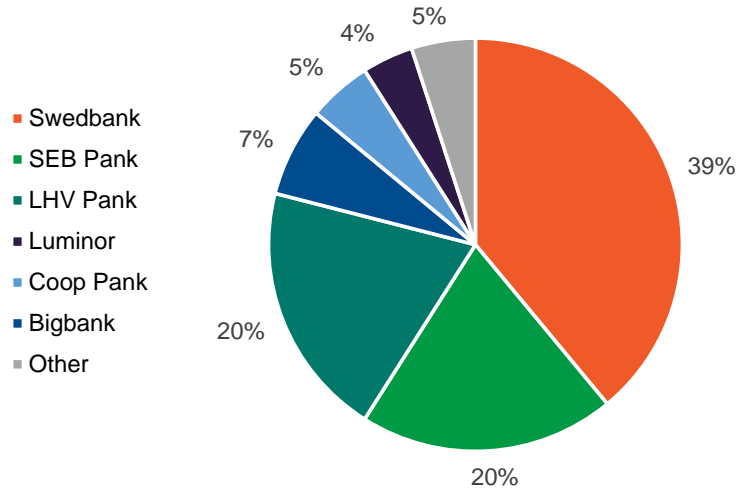
**LHV gains share across deposits and lending**

LHV has been the main share gainer, strengthening its position in both deposits (+2pp y/y in 1H25) and lending. In deposits, growth has been particularly strong in the corporate segment, where LHV moved into the number two position with a 26% market share in 1H25, while its 11% share in household deposits remained broadly stable. On the lending side, LHV increased its share of loans to private individuals by 2pp to 13%, driven primarily by mortgage growth. The bank remains less prominent in consumer lending, where smaller banks and specialized lenders have gained share, and non-bank creditors continue to play a meaningful role.

**Market shares (1H25) – by customer loans**



**by customer deposits**



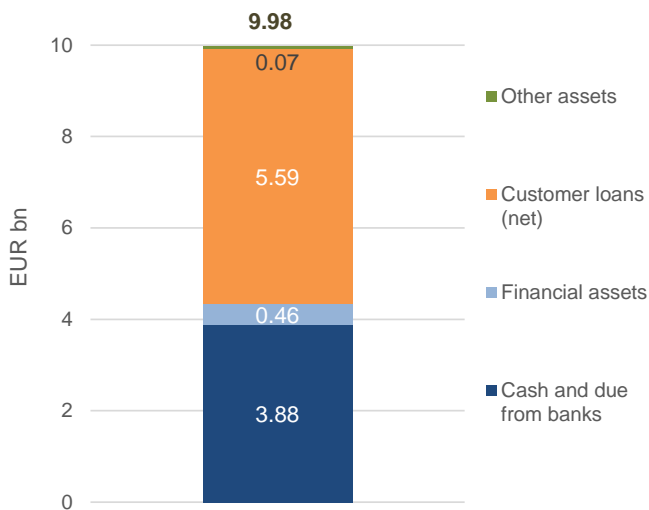
Source: Finantsinspeksioon, Erste Group Research

## Loan portfolio and asset quality

### Simple balance sheet with strong rate sensitivity

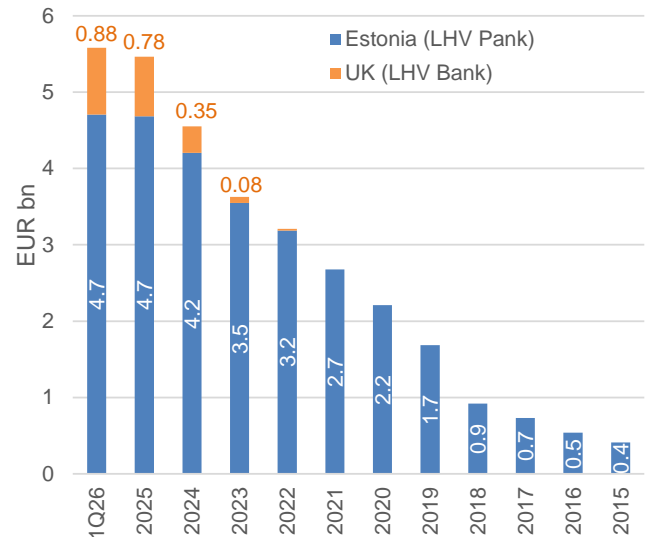
LHV's balance sheet expanded to EUR 10.0bn by end-March 2026. The asset structure remains deliberately simple, with customer lending forming the core exposure (39% of total assets in 1Q26), complemented by a sizeable and conservatively managed liquidity portfolio. The latter primarily comprises central bank reserves and a portfolio of high-quality liquid securities, including Eurozone sovereign and other investment-grade bonds, held largely in short duration. **The loan portfolio is predominantly floating rate, with ~90% linked to variable rates** (as of 4Q25 and 1Q26), supporting strong pass-through of interest rate changes to asset yields, which is characteristic of the Baltic banking markets more broadly.

### Total assets (1Q26)



Source: LHV, Erste Group Research

### Loan portfolio (net) development – Estonia and UK



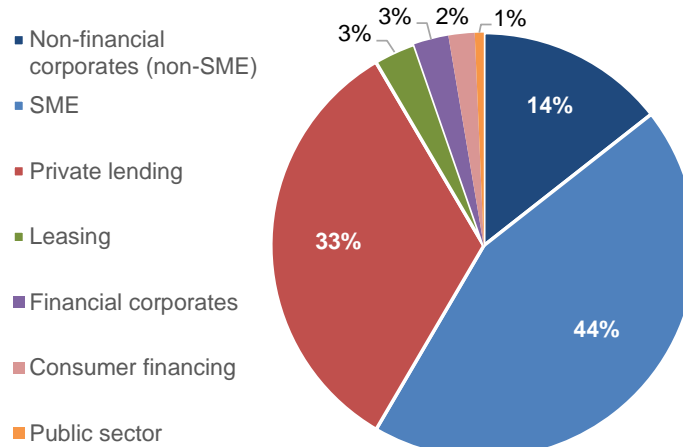
Source: LHV, Erste Group Research

### Estonia stabilizes while UK drives loan growth

At the end of 1Q26, LHV's net customer loans had grown to EUR 5.6bn, of which EUR 4.7bn was generated by the Estonian LHV Pank. While Estonia remains the dominant contributor in absolute terms, having expanded steadily and significantly over the past ten years, the pace of growth clearly moderated in 1Q26.

Going forward, this moderation is expected to continue, with management guiding for +4% y/y growth in 2026, as underwriting increasingly prioritizes returns over volumes. Mortgages remain the primary growth driver domestically, while corporates and SMEs are expected to contribute at a more measured pace.

### Loan portfolio by loan type (2025)



Source: LHV, Erste Group Research

In contrast, the UK business has emerged as the clear growth engine. The UK loan book has expanded rapidly from just EUR 0.08bn in 2023 to EUR 0.35bn in 2024, EUR 0.78bn in 2025 and EUR 0.88bn by 1Q26. Looking ahead, management expects the UK portfolio to reach EUR 1.2bn by end-2026, which appears achievable, given the strong current momentum.

**SMEs drive loan book**

The group loan portfolio is clearly skewed towards corporate lending, which represents the dominant exposure overall (58% of the loan book). Within this, SME lending forms the core at 44% of total loans, while private lending accounts for a further 33%. The remaining segments – leasing (3%), financial corporates (3%), consumer financing (2%) and public sector (1%) – collectively represent only a minor share of the book.

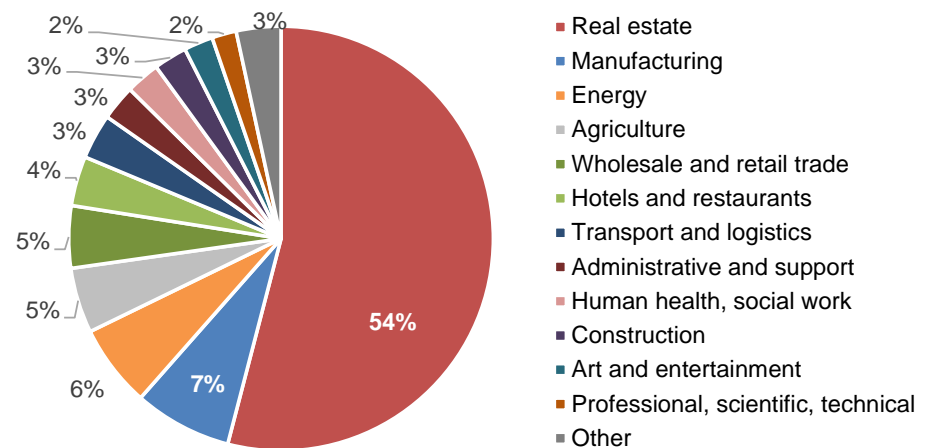
**Real estate expansion shapes corporate exposure**

While lending to households has grown strongly in recent years, real estate financing within the corporate book has expanded at a significantly faster pace. Real estate accounted for 54% of non-financial corporate exposures (2025), with volumes more than doubling since end-2023, driven to a large extent by the rapid build-out of the UK portfolio. The remainder of the corporate book is relatively fragmented, with manufacturing (7%) and energy (6%) representing the next largest sectors, followed by a broad mix of industries each contributing low single-digit shares.

**Sector concentration in real estate as core risk factor**

The high share of real estate loans in LHV's portfolio makes sector concentration a key credit risk consideration. This positioning is not unique to LHV, but reflects the broader structure of the Estonian banking market, where real estate has traditionally been the largest recipient of bank financing. Nevertheless, the elevated concentration increases LHV's sensitivity to adverse developments in the property market, including declines in real estate values, weaker tenant cash flows or a broader macroeconomic downturn, all of which could pressure asset quality.

**Non-financial corporate portfolio by sector (gross, 2025)**



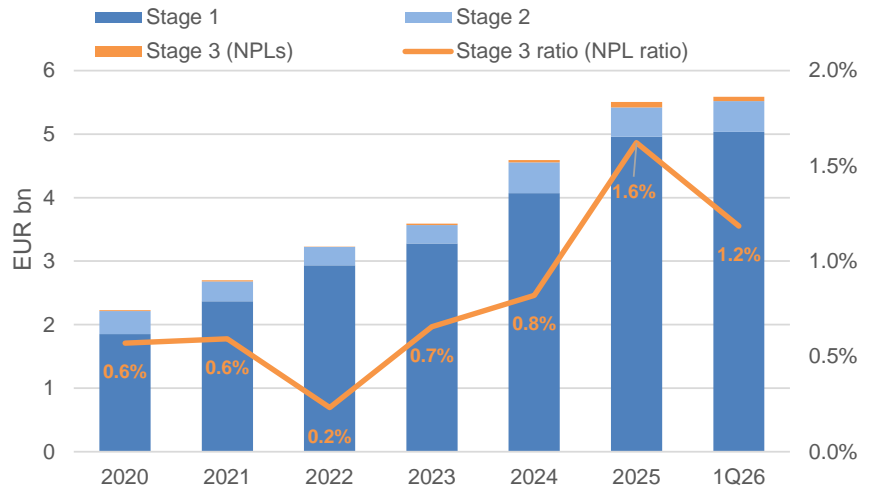
Source: LHV, Erste Group Research

**Asset quality**

**Resilient asset quality with limited, case-driven NPL increase in 2025**

LHV's asset quality is very strong by regional standards, with problem loan formation persistently low, despite rapid balance sheet growth. The stage 3 ratio (NPL) remained below 1.0% until the end of 2024. The increase in the Stage 3 ratio to 1.6% at end-2025 was primarily driven by a small number of larger corporate exposures migrating to Stage 3. These developments were idiosyncratic and case-specific, rather than indicative of a broader deterioration in portfolio quality. Importantly, these exposures are well collateralized and actively managed. The stabilization observed in 1Q26, with Stage 3 volumes broadly unchanged and the ratio declining, supports the view that LHV's asset quality is structurally resilient and that the 2025 increase in non-performing loans was temporary.

### Loan portfolio by stages, NPL ratio



Source: LHV, Erste Group Research

### Funding

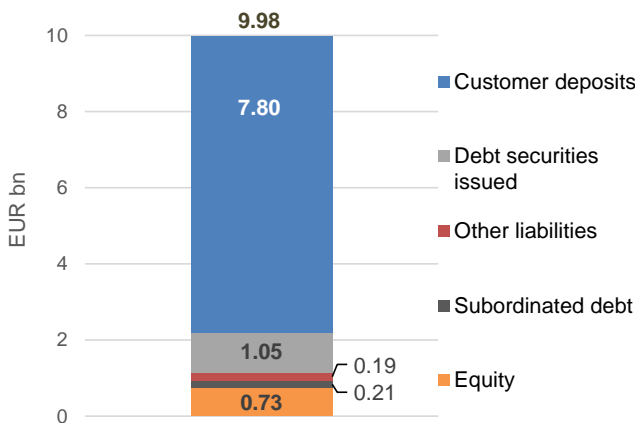
#### Deposit-led funding with established market access

LHV's liability structure remains deposit-led, complemented by wholesale funding and subordinated instruments. At the end of 1Q26, funding comprised customer deposits of EUR 7.80bn (84% of total liabilities), alongside debt securities of EUR 1.05bn, subordinated debt of EUR 0.21bn and equity of EUR 0.73bn (incl. minorities). Within non-deposit funding, LHV has established a solid track record of market access through senior unsecured issuance, with outstanding senior bonds totaling EUR 497mn as of 1Q26. In addition, LHV Bank operates a EUR 1.5bn covered bond program, under which EUR 558mn had been issued by the end of the quarter, further supporting funding diversification and MREL compliance. Moody's assigns a Baa2 rating with positive outlook to AS LHV Group, while AS LHV Bank is rated A3/P-2 on deposits and its mortgage covered bonds carry an Aaa rating.

#### Subordinated instruments supporting capital structure

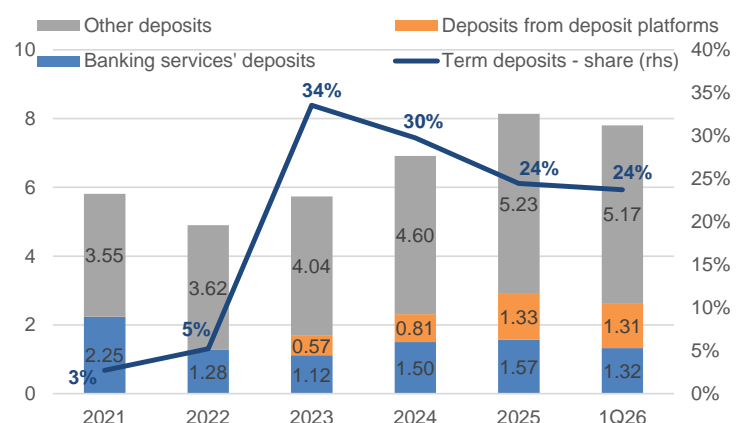
In the subordinated category, LHV utilizes a combination of Tier 2 and Additional Tier 1 (AT1) instruments, which form an important part of the group's capital stack and support both regulatory capital ratios and loss-absorbing capacity. At the end of March 2026, three Tier 2 issues and two AT1 bonds were outstanding, totaling EUR 0.21bn. The most recent transactions include a EUR 80mn Tier 2 bond issued in September 2025 with a 5.50% coupon, and a EUR 50mn AT1 instrument issued in April 2025 carrying a 9.50% coupon.

### Total liabilities (1Q26)



Source: LHV, Erste Group Research

### Development and composition of deposit base



Source: LHV, Erste Group Research

**Strong deposit growth with improving quality**

Customer deposits have grown strongly in recent years, increasing from EUR 5.8bn in 2021 to a peak of EUR 8.1bn in 2025, before moderating slightly to EUR 7.8bn in 1Q26, reflecting deliberate funding mix optimization. Structurally, the deposit base has evolved meaningfully, with the emergence of deposit platforms from virtually zero in 2021 to EUR 1.3bn in 2025. At the same time, core “other deposits” (primarily granular retail and corporate funding) increased steadily to EUR 5.2bn, supporting an improvement in deposit quality and stability. Since late 2025, LHV has been actively reducing platform deposits, in line with its strategy to prioritize more stable, relationship-based funding.

**Volatile banking services deposits backed by liquidity buffers**

Banking services’ deposits, largely sourced from financial intermediaries (including fintech and payment institutions), remain inherently more volatile given their transactional nature and concentration among a limited number of clients. These balances can fluctuate materially and therefore LHV maintains high liquidity buffers against such deposits, typically holding liquid assets broadly matching the associated balances, thereby limiting liquidity risk, despite the higher volatility.

**Deposit mix normalizing with falling rates**

The composition of the deposit base has also shifted. The share of term deposits rose sharply during the rate hiking cycle, peaking at 34% in 2023 (EUR 1.9bn), before declining to 24% in 2025 and 1Q26 as the rate environment normalized and customer preference shifted back towards current accounts. As a result, demand deposits remain the dominant funding source at EUR 6.0bn in 1Q26.

**Ample liquidity and conservative funding structure**

Overall, LHV’s funding profile and liquidity position remain robust. The loan-to-deposits ratio stood at 86.2% at end of 1Q26 (excluding banking services deposits; incl.: 71.6%), underscoring a comfortable deposit-funded balance sheet. Liquidity buffers remain ample, with the LCR at 185% (1Q26: 192%), broadly stable within the 180-200% range seen in recent years. This metric is significantly influenced by deposits from financial intermediaries; excluding these balances, the LCR rises markedly to 402% (1Q26), highlighting the group’s underlying liquidity strength on a core customer basis. The NSFR also remains strong at 157% (1Q26: 150%), consistently tracking within a 144-163% range over the past five years, and well above regulatory requirements.

**Capital and dividends**

**Solid capital position, despite RWA expansion**

LHV Group remains comfortably capitalized, with capital ratios consistently running well above both the regulatory minimum and management’s internal targets, despite strong loan growth and the associated increase in risk-weighted assets in recent years. At the end of 2025, the CET1 ratio stood at a solid 17.04%, while the Tier 1 ratio reached 18.86% (including AT1 instruments), against RWAs of EUR 3.86bn. Reflecting continued balance sheet expansion, RWAs increased further to EUR 3.97bn in 1Q26, putting pressure on capital ratios. At the same time, a higher dividend distribution for 2025 (EUR 0.17/share), alongside the typical non-recognition of interim profits, led to a sequential decline in capital levels. As a result, the CET1 ratio decreased to 16.2% in 1Q26.

**Comfortable headroom above requirements, supporting dividend capacity**

The current regulatory requirement for the CET1 ratio is 13.7%, while the internal target is 15.35%. The total capital ratio (incl. Tier 2 instruments) stood at 22.39% at end-2025 and 21.43% in 1Q26, still comfortably above both the 20% internal total capital target and the 18.5% regulatory minimum. The requirement is composed of an 11.0% SREP capital requirement (6.19% CET1 component) and combined buffers of 6.0%, comprising a 2.50% capital conservation buffer, a 1.50% countercyclical buffer, a 2.00% O-SII buffer and no systemic risk buffer. In addition, Pillar 2 guidance of 1.50% also applies.

As of 1Q26, LHV reported an MREL-TREA ratio of 33.43% and an MREL-LRE ratio of 12.59%, compared to regulatory minima of 32.5% and 7.0%, respectively. The MREL-TREA is the binding metric for dividend capacity, with the group maintaining a visible buffer above the distribution threshold.

### **New dividend policy**

#### **Shift toward higher and more flexible shareholder returns**

LHV has historically followed a conservative dividend approach, with distributions effectively limited by an up to 25% payout ratio guideline and adjusted for growth and regulatory needs. Dividends remained modest through 2022-23 (EUR 0.04 per share, 18-19% payout ratio), before increasing to a EUR 0.13 DPS on the back of strong earnings in 2023 and an increase in the payout ratio to 27%. However, despite record profitability in 2024, the dividend was reduced to EUR 0.09 per share (an 18% payout ratio), reflecting tighter capital constraints following ECB supervision, including the asset quality review and SREP process, combined with strong loan growth and a deliberate build-up of internal capital buffers, which limited headroom for distributions.

#### **Dividend policy reset with enhanced payout range**

In February 2026, LHV updated its dividend policy, introducing a 25-50% payout range. Under this new framework, management proposed a substantial increase in the dividend to EUR 0.17 per share (49% payout ratio) from 2025 earnings, demonstrating a clear willingness to distribute above the historic 25% level when capital allows and signaling a transition towards a more balanced capital optimization approach.

### **Profitability, income and costs**

#### **NII-led earnings expansion peaks after rate shock**

LHV's financial performance over the past five years has been defined by a combination of strong structural balance sheet growth and pronounced sensitivity to the Eurozone rate cycle. The group's predominantly variable-rate loan book allowed assets to reprice materially faster than liabilities during the ECB tightening phase, driving a sharp expansion in net interest income, which nearly doubled y/y to EUR 253.8mn in 2023 and further increased to EUR 273.3mn in 2024 before normalizing in 2025. Total income evolved broadly in line with this NII trajectory, highlighting the central role of rates in shaping the earnings profile. Profitability followed suit, with net profit (after minorities) rising from EUR 59.8mn in 2022 to EUR 139.6mn in 2023 and EUR 149.0mn in 2024, while ROE peaked at 29.0% in 2023 and moderated to 24.5% in 2024 as the rate tailwind began to fade. Notably, this earnings expansion was achieved alongside sustained operational discipline, with the cost/income ratio holding at 43% through 2023–24, despite continued strategic investments – particularly in the UK banking platform – and increasing regulatory complexity.

#### **Strong growth, but margin headwinds dominate 2025 P&L**

In 2025, earnings reflected a more challenging mix of falling base rates and intensified deposit competition: total income declined by 10% y/y to EUR 304.8mn, as NII fell by 14% y/y to EUR 235.1mn, only partly offset by a 5% y/y increase in net fee and commission income. The NII decline was clearly margin-driven, as underlying business momentum remained robust – total assets grew by 17% y/y, the loan book expanded by 20%, and deposits increased by 18%. At the same time, operating expenses rose by 8% y/y, pushing the cost/income ratio up to 52.3% and compressing net profit to EUR 114.3mn (-22% y/y; ROE 16.0%). Within the year, 3Q marked the trough for profitability, reflecting the faster pass-through of declining rates to earning assets vs. more slowly repricing deposits, with net profit of EUR 26.3mn and ROE of 14.3%. Performance improved into year-end, with 4Q NII and net profit rising by 8% and 17% q/q, respectively. Overall, LHV fell short of its financial plan targets – an outcome management explicitly acknowledged and addressed with a renewed focus on improving profitability.

**Financial results and key indicators 2020-1Q26**
**Consolidated, IFRS**

(EUR, mn)	1Q26	2025	4Q25	3Q25	2Q25	1Q25	2024	2023	2022	2021	2020
Net interest income	59.3	235.1	59.9	55.5	57.6	62.0	273.3	253.8	129.1	97.3	68.5
Net fee & commission inc.	14.7	63.3	18.3	15.3	15.6	14.1	60.3	50.8	44.9	43.5	33.4
Net gains from financial assets	0.3	3.7	0.2	1.2	-0.4	2.7	1.1	0.7	-0.6	-0.9	1.6
Other operating income	0.1	0.3	0.2	0.0	0.0	0.0	2.6	1.8	0.1	0.5	0.1
Net insurance income	-0.7	2.5	0.2	0.6	1.1	0.6	1.0	3.3	0.0	0.0	0.0
<b>Total income</b>	<b>73.7</b>	<b>304.8</b>	<b>78.8</b>	<b>72.7</b>	<b>73.9</b>	<b>79.4</b>	<b>338.3</b>	<b>310.5</b>	<b>173.5</b>	<b>140.4</b>	<b>103.5</b>
Operating expenses	-45.6	-159.3	-42.5	-38.8	-40.5	-37.5	-146.9	-134.3	-89.6	-65.2	-44.0
<b>Pre-provision profit</b>	<b>28.1</b>	<b>145.5</b>	<b>36.4</b>	<b>33.9</b>	<b>33.4</b>	<b>41.9</b>	<b>191.4</b>	<b>176.1</b>	<b>83.9</b>	<b>75.2</b>	<b>59.6</b>
Risk costs	-1.3	-1.5	1.7	-1.7	4.2	-5.7	-16.3	-11.5	-8.1	-3.9	-10.9
<b>Pre-tax profit</b>	<b>26.8</b>	<b>144.0</b>	<b>38.0</b>	<b>32.2</b>	<b>37.5</b>	<b>36.2</b>	<b>175.1</b>	<b>164.6</b>	<b>75.9</b>	<b>71.2</b>	<b>48.7</b>
<b>Net profit after minorities</b>	<b>19.8</b>	<b>114.3</b>	<b>29.9</b>	<b>25.7</b>	<b>30.0</b>	<b>28.6</b>	<b>149.0</b>	<b>139.6</b>	<b>59.8</b>	<b>58.3</b>	<b>38.0</b>
Net interest margin (on TA, %)	2.35%	2.48%	2.43%	2.35%	2.58%	2.88%	3.45%	3.83%	1.99%	1.65%	1.71%
Net fee margin (on TA, %)	0.58%	0.67%	0.74%	0.65%	0.70%	0.65%	0.76%	0.77%	0.69%	0.74%	0.83%
Cost / income ratio (%)	61.9%	52.3%	53.9%	53.3%	54.8%	47.3%	43.4%	43.3%	51.7%	46.4%	42.5%
ROE (%)	10.7%	16.0%	16.1%	14.3%	17.4%	17.0%	24.5%	29.0%	16.4%	21.1%	17.3%
Core Tier 1 ratio	16.2%	17.4%	17.0%	17.7%	18.4%	17.9%	18.1%	18.5%	16.0%	14.3%	13.3%
Tier 1 ratio	18.0%	19.3%	18.9%	19.7%	20.4%	18.9%	19.2%	20.7%	18.4%	16.1%	15.6%
Capital adequacy ratio	21.4%	22.8%	22.4%	23.3%	23.0%	21.6%	21.9%	23.5%	21.7%	20.0%	20.5%
MREL-TREA	33.4%	35.4%	35.4%	36.1%	36.7%	33.9%	34.5%	35.7%	30.0%		
Loan / deposit ratio (%)	72%	67%	67%	70%	68%	72%	66%	62%	65%	46%	54%
Customer loans (net)	5,585	5,465	5,465	5,234	4,999	4,729	4,552	3,562	3,209	2,677	2,209
Customer deposits (net)	7,803	8,134	8,134	7,453	7,364	6,604	6,910	5,731	4,901	5,808	4,120
Shareholders' equity (excl. minorities)	721	758	758	729	707	671	670	548	413	316	237
Total assets	9,984	10,233	10,233	9,530	9,384	8,508	8,736	7,126	6,135	6,845	4,971

Source: LVH, Erste Group Research

**Challenging start to 2026, but momentum intact as 2Q begins**

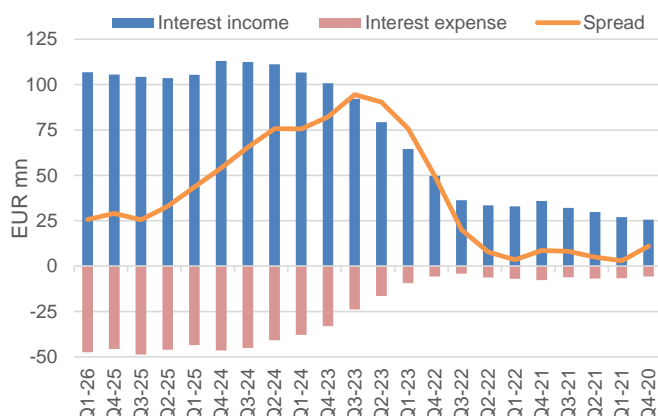
1Q26 showed a continuation of the trends from 2025, with continued volume strength, but ongoing margin and cost pressure. Net profit after minorities came in at EUR 19.8mn (-32% y/y), with ROE at 10.7%, broadly in line with the financial plan for 2026. Revenue remained under pressure (net income -7% q/q), with NII broadly stable at EUR 59.3mn, reflecting ongoing funding cost headwinds. Costs were a key swing factor, rising ~7% q/q and >20% y/y, affected by one-offs (nearly EUR -1.5mn, mainly personnel and advisory) alongside continued investment, pushing the cost/income ratio to 62%. At the segment level, insurance delivered a weak quarter with elevated claims, weighing on group profitability, while UK operations continued to scale strongly, with the loan book growing ~79% y/y.

The results for April 2026 (reported in May) showed early signs of improvement, with net profit of EUR 8.7mn and ROE rising to 14.3%, supported by stabilizing NII, controlled costs, and low risk costs. Business volumes continued to expand, with the loan book reaching EUR 5.6bn and deposits recovering to EUR 7.9bn. Cumulative net profit for the first four months of 2026 (EUR 28.4mn) tracked slightly ahead of plan.

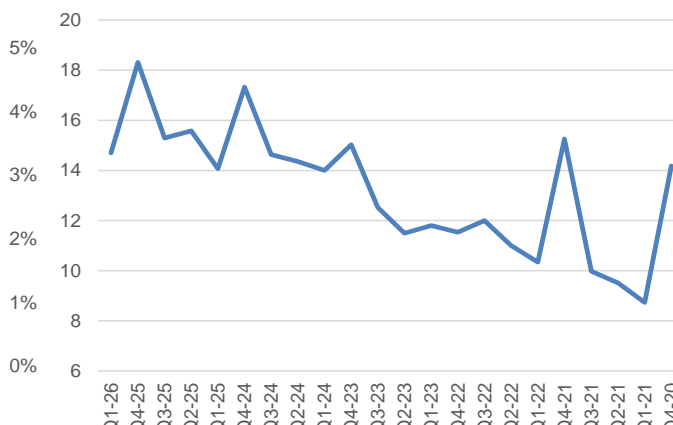
**Income lines**
**High reliance on NII, limited contribution from other income lines**

The income base is structurally dominated by net interest income (NII), complemented by a steadily growing contribution from net fee and commission income (NFCI), while other income lines remain comparatively small and more volatile. In 2025, the two core income streams accounted for ~98% of total net income, with NII at EUR 235mn (77% of total income) and NFCI at EUR 63mn (21%). The remaining income categories – net gains from financial assets (EUR 3.8mn), net insurance income (EUR 2.5mn) – are small in size, but provide incremental diversification and, in the case of insurance, gradually increasing strategic relevance.

### Net interest income



### Net fee & commission income



Spread: Yield on interest earning assets - cost of interest-bearing liabilities  
Source: LHV, Erste Group Research

### NII normalizes after rate peak, NFCI remains resilient

Looking at the multi-year development (4Q20-1Q26), NII has been the key driver of both income growth and earnings volatility, closely tracking the rate cycle. Interest income expanded sharply through 2022-23, peaking at above EUR 110mn per quarter as assets repriced rapidly, while interest expense lagged, driving a widening spread and record NII. From late 2023 into 2024, the spread reached its peak (above 4%) before compressing materially through 2024-25, as funding costs caught up and base rates declined. By 2025 and into 1Q26, interest income moderated while interest expense remained comparatively sticky, resulting in a visibly narrower spread (2-2.5%) and stabilizing, but lower, NII levels. In contrast, NFCI exhibits a structurally more stable and less cyclical profile, trending upward from 2020, albeit with some quarterly volatility driven by one-off items (e.g. performance fees). This reflects continued growth in underlying customer activity, payment volumes and asset management.

### Expenses

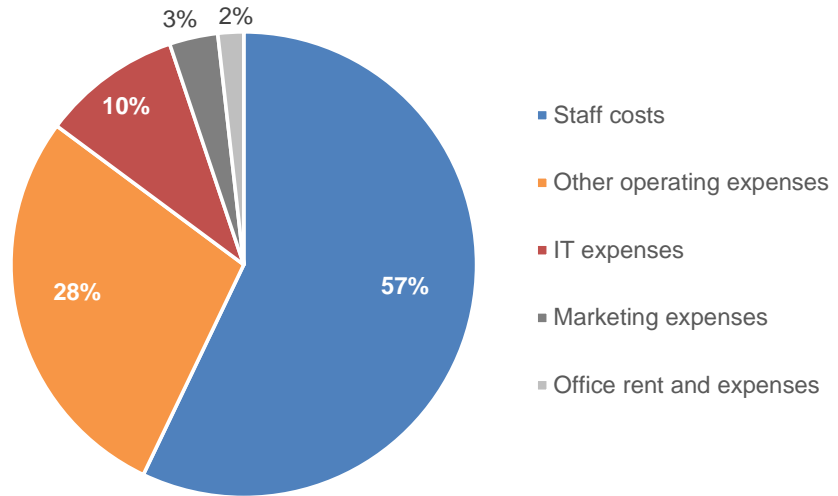
#### Personnel-driven cost base

LHV's cost base is largely people-driven, with staff costs of EUR 91.0m in 2025 (57% of total operating expenses), reflecting the group's continued scale-up across Estonia and the UK and the broader need to resource risk, compliance and reporting capabilities. Beyond personnel costs, other operating expenses remain the second-largest bucket, typically capturing outsourced services (EUR 44.7mn or 28% of total expenses in 2025), professional fees and other day-to-day running costs. The remaining lines are comparatively modest: IT expenses of EUR 15.4mn (2025; 10% of total expenses), marketing of EUR 5.4mn (3%), and office rent/expenses of EUR 2.8mn (2%), all adding up to EUR 159.3mn total operating expenses in 2025.

#### Growth led by staff and IT investments

From a multi-year perspective, LHV's operating expenses have risen materially as the group expanded: expenses increased nearly four-fold from EUR 44mn in 2020. Staff costs were the biggest factor in the cost growth since 2020, rising from EUR 23.9mn in 2020 to EUR 91.0mn in 2025. In parallel, IT spending also increased sharply, from EUR 3.3mn in 2020 to EUR 15.4m in 2025. This reflects LHV's focus on strengthening technology foundations and modernizing core platforms to support scalable digital delivery.

**Operating expenses by category (2025)**



Source: LHV, Erste Group Research

**1Q26 pressure from one-offs; efficiency to improve**

In 1Q26, cost pressure was elevated, with operating expenses growing to EUR 45.6mn (+7% q/q, +21% y/y), due to one-off personnel items, higher outsourced consulting services and additional reserves. Looking forward, LHV's 2026 financial plan still implies contained underlying cost growth and explicitly frames efficiency as a priority, with cost growth expected to remain below income growth, resulting in a modest improvement in the cost/income ratio vs. 2025.

**Contained risk costs with limited 2024 spike**

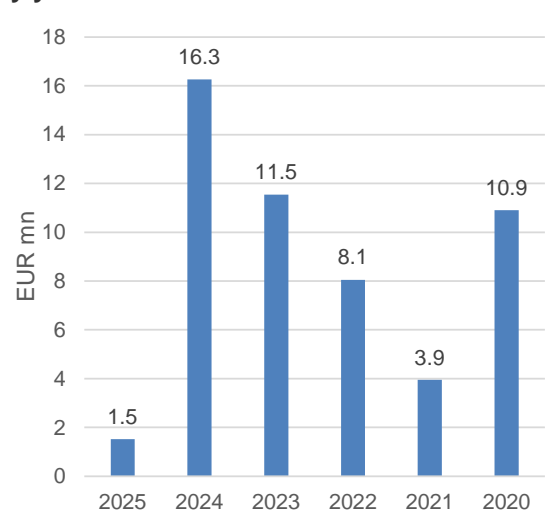
**Risk costs**

LHV's risk costs have historically remained moderate and well-controlled, reflecting solid asset quality and disciplined underwriting. Over 2020-25, impairment charges increased in absolute terms alongside strong balance sheet growth (from EUR 10.9mn in 2020 to EUR 16.3mn in 2024, before declining to EUR 1.5mn in 2025), but in relative terms risk costs remained contained below 40bp. The somewhat higher level in 2024 was mainly driven by loan book expansion and more forward-looking provisioning, including buffers related to specific counterparties and model adjustments, rather than a broad-based deterioration in credit quality. This is supported by the quick decline in impairments towards the end of 2024 and into 2025.

**Risk costs by quarter**



**by year**



Source: LHV, Erste Group Research

**Normalization expected at ~20–25bp over cycle**

In the most recent periods, risk costs have normalized to very low levels, effectively close to 0bp in 2025, and remained limited in 1Q26 (EUR 1.3mn, 9bp). Looking ahead, the financial plan implies a normalized cost of risk in the range of 20–25bp, which appears a reasonable through-the-cycle assumption, given continued loan growth and a stable macro backdrop.

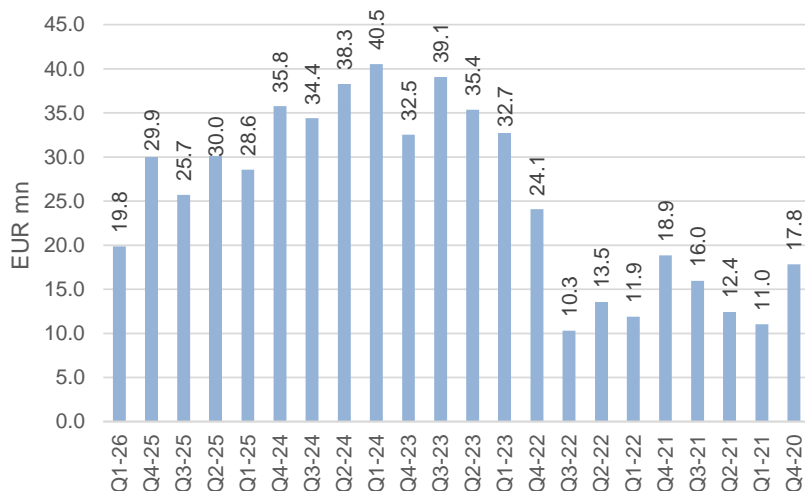
**Mid-term peak in earnings behind, but profitability remains solid**

After a strong profitability phase in 2023-24 (net profit peaking at EUR 149mn in 2024), earnings declined to EUR 114mn in 2025, primarily reflecting lower NII and higher costs. Consequently, ROE moderated to 16% in 2025 (vs. >20% in prior years), broadly in line with the normalization in spreads and profitability. Despite this decline, underlying profitability remains solid, supported by continued business growth and a still-healthy pre-impairment earnings base.

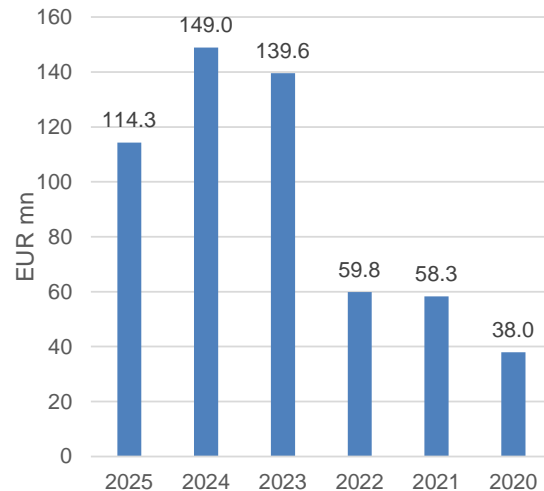
**Operating leverage to drive ROE recovery**

Looking ahead, LHV's financial plan assumes broadly stable net profit in 2026 (EUR 116mn), despite the lower rate environment, with gradually improving ROE thereafter as operating leverage strengthens and the cost/income ratio declines. The plan explicitly targets stronger profitability over the medium term, supported by continued volume growth, recovering margins and a more efficient cost base, implying a re-acceleration in returns from current levels.

**Net profit after minorities by quarter**



**by year**



Source: LHV, Erste Group Research

**Segment performance**

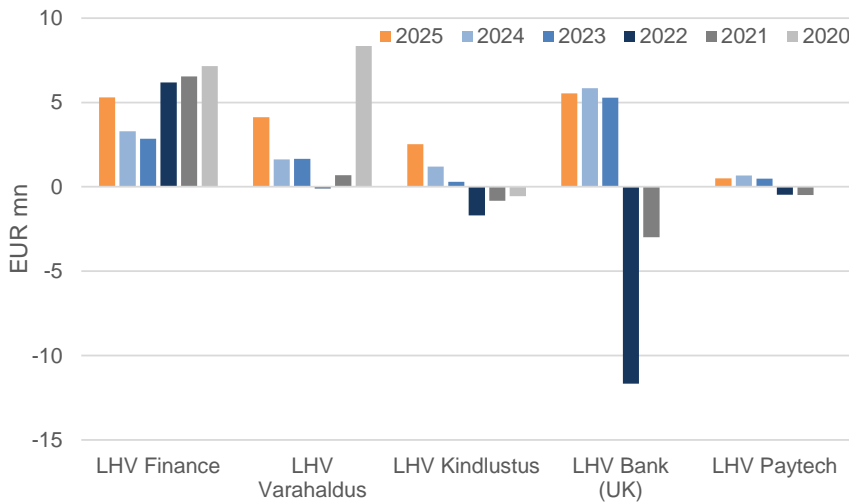
**Pank dominates earnings, with diversification from subsidiaries**

The group's earnings profile is still overwhelmingly driven by LHV Pank (Estonian bank), which consistently accounts for the vast majority of group profits and reflects its position as the core Estonian franchise. Pank's net profit expanded strongly from EUR 31mn in 2020 to a peak of EUR ~140mn in 2023 and 2024, before moderating to EUR 106mn in 2025, in line with group-level earnings pressure. Outside the Estonian bank, contributions from smaller subsidiaries remain modest but increasingly diversified. LHV Finance (consumer finance; 65% owned) has shown steady growth, reaching EUR 5mn profit in 2025, supported by stable lending activity. LHV Varahaldus (asset management) remains more volatile, due to performance-fee dependence, with earnings fluctuating across years but settling at EUR 4mn in 2025. LHV Kindlustus (insurance, 65%) has recently turned structurally profitable, contributing EUR 2-3mn annually, but earnings remain volatile, as evidenced by the loss in 1Q26, reflecting sensitivity to claims and seasonality. Finally, LHV Paytech (payments infrastructure) operates close to break-even, reflecting its role as a strategic platform rather than a near-term profit driver.

**UK bank with path to standalone profitability**

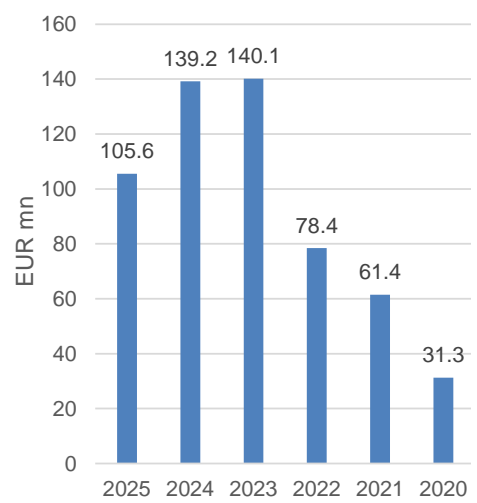
The most notable development among the smaller units is LHV Bank (UK banking), where the earnings trajectory highlights the transition from start-up losses (EUR -12mn in 2022) to initial profitability in 2023 and further improvement to EUR +5-6mn in 2024-25. A key feature is the intra-group fee-sharing model, under which the UK entity receives a share of revenues – primarily linked to financial intermediary business – which supports its reported earnings. Strategically, however, the objective is for the UK bank to become fully self-sustaining and profitable on a standalone basis, as scale is achieved in retail banking and SME lending. Overall, while Pank remains the core earnings engine, improving contributions from other subsidiaries – particularly the UK bank and insurance arm – should provide diversification, growth and upside to group profitability over time.

**Net profit by subsidiary**



Source: LHV, Erste Group Research

**LHV Pank (Estonia) – net profit by year**



## Erste Group forecasts

### Strong earnings trajectory driven by balance sheet growth, operating leverage

Summing it all up, we introduce our first set of forecasts for LHV Group, anchored on management's 2026-2030 financial plan but deliberately tilted to a slightly more conservative earnings trajectory, particularly beyond 2026. Even with our more cautious stance on the cost base and credit normalization, we still see a compelling growth story: earnings more than double over the next five years, supported by strong balance-sheet expansion and sustained operating leverage. In our numbers, net profit after minorities rises from EUR 114.3mn in 2025 to EUR 264.9mn in 2030 (+132%), with ROE improving from 16.0% in 2025 to 20.4% by 2030.

### Improved 2026 NII outlook, gradual margin expansion thereafter

On revenues, we are modestly more optimistic for 2026, primarily reflecting a stronger expected y/y increase in net interest income. This is driven by our view that the interest-rate backdrop may prove somewhat more supportive than previously assumed, as we incorporate the recent shift in market expectations following the outbreak of the Middle East conflict. From 2027 onward, however, our NII trajectory is more conservative than LHV's, reflecting a more cautious stance on margin normalization and competitive pressures. For fee and commission income, we expect continued structural growth, broadly in line with balance-sheet expansion. Overall, total income returns to growth from 2026 and scales meaningfully through the outer years, increasing from EUR 338mn in 2026 to EUR 576mn by 2030.

### Cost discipline supports improving efficiency profile

Cost growth is projected to remain clearly below total income growth in 2026 as well as over the medium term. However, we continue to factor in ongoing inflationary pressures on the cost base. As a result, our cost/income ratio projection improves steadily but remains slightly less ambitious than the company's guidance. In our model, the C/I ratio declines to 36.8% by 2030, from an expected 51.1% in 2026.

### Reversion to normalized risk costs from 2026

On risk costs, we assume a normalization from 2026 onward. Risk provisions step up to EUR -17.3m in 2026 from a very low base in 2025, reflecting a return to more typical levels rather than any specific credit concerns, and then increase gradually thereafter in line with portfolio growth and seasoning. This corresponds to a cost of risk of around 30bps over 2026-2030, which we consider a prudent through-the-cycle assumption.

### Robust loan growth backed by healthy deposit base

For the balance-sheet development, we forecast net customer loans rising from EUR 5.47bn in 2025 to EUR 10.06bn by 2030, implying sustained double-digit growth of roughly 11-15% per year. Deposit growth remains robust as well, supporting the expansion, with the loan-to-deposit ratio gradually increasing from 67% in 2025 to around 80% by 2030 in our forecasts.

### Stable capital base supports growing shareholder returns

Finally, our dividend outlook is constructive, reflecting a higher payout ratio that remains within LHV's stated policy corridor and is consistent with sustained capital generation. In our model, the payout ratio stabilizes in the 45-48% range, supporting DPS growth from EUR 0.17 in 2025 and 2026 to EUR 0.35 by 2030. Even with this higher distribution profile, capitalization remains solid, as strong capital generation offsets loan growth and rising RWAs, keeping the CET1 ratio broadly stable at around 16% over the medium term.

## Main assumptions

(EUR, mn)	2021	2022	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Net interest income	97.3	129.1	253.8	273.3	235.1	258.6	294.3	342.5	394.7	450.5
Net fee & commission inc.	42.6	44.7	50.8	60.3	63.3	75.6	86.1	97.3	106.7	116.0
Other income	0.5	-0.2	5.8	4.7	6.5	3.4	4.6	6.5	7.8	9.3
Total income (net)	140.4	173.5	310.5	338.3	304.8	337.6	385.1	446.2	509.2	575.8
Operating expenses	-57.0	-82.3	-120.9	-138.0	-159.3	-172.4	-180.2	-190.7	-200.9	-211.8
Risk costs	-3.9	-8.1	-11.5	-16.3	-1.5	-17.3	-19.6	-22.5	-25.6	-28.7
Pre-tax profit	79.5	83.2	178.0	184.1	144.0	147.9	185.4	233.0	282.6	335.2
Profit after taxes	68.5	68.8	154.4	159.3	117.0	119.0	149.4	188.1	228.4	271.2
<b>Net profit after minorities</b>	<b>66.5</b>	<b>67.2</b>	<b>153.0</b>	<b>157.9</b>	<b>114.3</b>	<b>116.9</b>	<b>146.5</b>	<b>184.4</b>	<b>223.6</b>	<b>264.9</b>
<b>EPS (EUR)</b>	<b>0.23</b>	<b>0.22</b>	<b>0.48</b>	<b>0.49</b>	<b>0.35</b>	<b>0.36</b>	<b>0.44</b>	<b>0.55</b>	<b>0.66</b>	<b>0.78</b>
<b>DPS (EUR)</b>	<b>0.04</b>	<b>0.04</b>	<b>0.13</b>	<b>0.09</b>	<b>0.17</b>	<b>0.17</b>	<b>0.20</b>	<b>0.25</b>	<b>0.30</b>	<b>0.35</b>
Dividend payout ratio	18%	19%	27%	18%	49%	48%	45%	45%	45%	45%
BVPS (EUR)	1.1	1.3	1.7	2.1	2.3	2.5	2.8	3.2	3.6	4.0
Tangible BVPS (EUR)	1.0	1.2	1.6	2.0	2.3	2.5	2.8	3.1	3.5	4.0
Customer loans (net)	2,677	3,209	3,562	4,552	5,465	6,067	6,977	8,023	9,066	10,063
<i>Growth</i>	<i>21.2%</i>	<i>19.8%</i>	<i>11.0%</i>	<i>27.8%</i>	<i>20.1%</i>	<i>11.0%</i>	<i>15.0%</i>	<i>15.0%</i>	<i>13.0%</i>	<i>11.0%</i>
Net interest margin (on avg. TA)	2.84%	1.99%	3.84%	3.45%	2.48%	2.45%	2.54%	2.61%	2.69%	2.77%
Cost / income ratio	-40.6%	-47.4%	-38.9%	-40.8%	-52.3%	-51.1%	-46.8%	-42.7%	-39.5%	-36.8%
Cost of risk (on avg. net loans)	-0.16%	-0.27%	-0.34%	-0.40%	-0.03%	-0.30%	-0.30%	-0.30%	-0.30%	-0.30%
NPL ratio	0.6%	0.6%	0.2%	0.7%	0.8%	1.6%	1.4%	1.3%	1.2%	1.1%
<b>ROE (on avg. equity)</b>	<b>42.0%</b>	<b>18.4%</b>	<b>31.8%</b>	<b>25.9%</b>	<b>16.0%</b>	<b>14.7%</b>	<b>16.6%</b>	<b>18.3%</b>	<b>19.5%</b>	<b>20.4%</b>
Loan / deposit ratio (net loans)	46%	65%	62%	66%	67%	71%	74%	78%	80%	80%
RWA / total assets (RWA density)	28.2%	37.1%	35.9%	40.7%	37.7%	40.6%	42.1%	43.1%	44.0%	44.8%
CET1 ratio	14.3%	16.0%	18.5%	16.9%	17.0%	16.6%	15.9%	15.9%	15.7%	15.9%
Total capital ratio	20.0%	21.7%	23.5%	20.4%	22.4%	21.4%	20.5%	20.9%	20.5%	20.3%

Source: LHV, Erste Group Research

## Valuation

### Initiation with Buy and target price of EUR 4.40

We initiate coverage of LHV Group with a Buy recommendation and a 12-month target price of EUR 4.40, implying compelling upside from the current share price.

### Prudent terminal value and discount rate assumptions

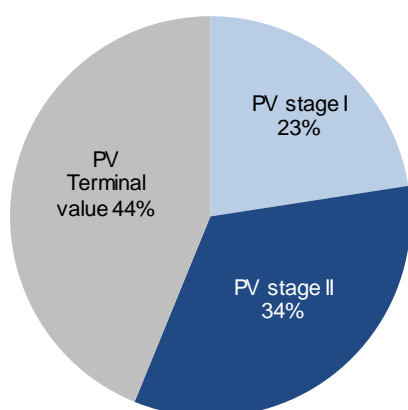
Our valuation is derived from a three-stage dividend discount model (DDM), underpinned by detailed earnings and dividend projections over the explicit forecast period (2026-30). Importantly, our assumptions for both the terminal value and discount rates are deliberately conservative, providing a prudent anchor to our valuation. Specifically, we assume a terminal ROE of 15%, which is materially below our mid-term profitability expectations. The cost of equity is set at 12.2% during the explicit forecast period and declines to 11.3% in the terminal phase. These assumptions are based on a risk-free rate of 3.5% in the detailed period and 4.0% in the terminal, consistent with Estonia's sovereign profile and long-term government bond yields.

### Valuation based on three-stage dividend discount model

Our DDM framework captures three distinct phases. The first stage explicitly models earnings and dividends through 2030. In the second stage, spanning an additional ten years, we gradually normalize growth, profitability, and cost of equity assumptions toward sustainable levels. The terminal phase reflects a steady-state environment. Discounting all cash flows back to May 2026 using a risk-adjusted cost of equity incorporating both country risk premium and business model considerations yields our current fair value estimate. We then roll this forward at the cost of equity to derive our 12-month target price.

Dividend Discount Model in EUR			Stage I		Stage II		TV
	2026e	2027e	2028e	2029e	2030e	2031e-2040e	2041ff
ROE	12.7%	13.2%	13.9%	19.5%	20.4%	15.9%	15.0%
BVPS	2.5	2.8	3.2	3.6	4.0		
EPS	0.4	0.4	0.6	0.7	0.8		
EPS growth	2.1%	24.2%	24.6%	20.1%	17.3%	6.6%	4.0%
Payout ratio	47.6%	45.1%	45.3%	45.3%	45.0%	42.5%	50.0%
DPS	0.2	0.2	0.3	0.3	0.4		
Cost of equity	12.2%	12.2%	12.2%	12.2%	12.2%	12.4%	11.3%
PV stage I						0.9	
PV stage II							1.3
PV Terminal value							1.7
Equity value - DDM	3.92						
Equity value - DDM (12m)	4.40						

### Equity value breakdown



Source: Erste Group Research

### Sensitivity of equity value (12m)

		Terminal value ROE				
		13.0%	14.0%	15.0%	16.0%	17.0%
Cost of equity	10.3%	4.18	4.45	4.73	5.02	5.33
	10.8%	4.04	4.29	4.55	4.83	5.12
	11.3%	3.91	4.15	4.40	4.66	4.94
	11.8%	3.81	4.03	4.27	4.52	4.78
	12.3%	3.71	3.93	4.15	4.39	4.63

		Terminal value growth				
		3.0%	3.5%	4.0%	4.5%	5.0%
Cost of equity	10.3%	4.42	4.56	4.73	4.92	5.16
	10.8%	4.28	4.41	4.55	4.72	4.91
	11.3%	4.17	4.28	4.40	4.54	4.71
	11.8%	4.06	4.16	4.27	4.39	4.53
	12.3%	3.97	4.06	4.15	4.26	4.38

### Attractive valuation multiples with discounts to peers

#### Peer group

Our peer group for LHV comprises our core CEE banking coverage, select regional banks with meaningful CEE exposure, and Nordic banks. On our estimates, LHV is trading at an attractive forward P/E of 7–9x for 2026e–2027e, broadly in line with Baltic peer Artea, but at a clear discount to both the wider CEE universe and Polish banks in particular. The implied dividend yield of 5–6% is broadly aligned with peers.

### Improving returns not yet reflected in valuation

On a P/BV basis, LHV trades at 1.2–1.3x on our 2026–27 estimates. In our view, this multiple does not fully reflect the bank's medium-term earnings growth potential and improving profitability profile. Notably, even when benchmarking against our 2026 estimates – which we consider a mid-cycle trough in profitability – LHV screens at a discount in the ROE vs. P/BV regression vs. peers (see chart below).

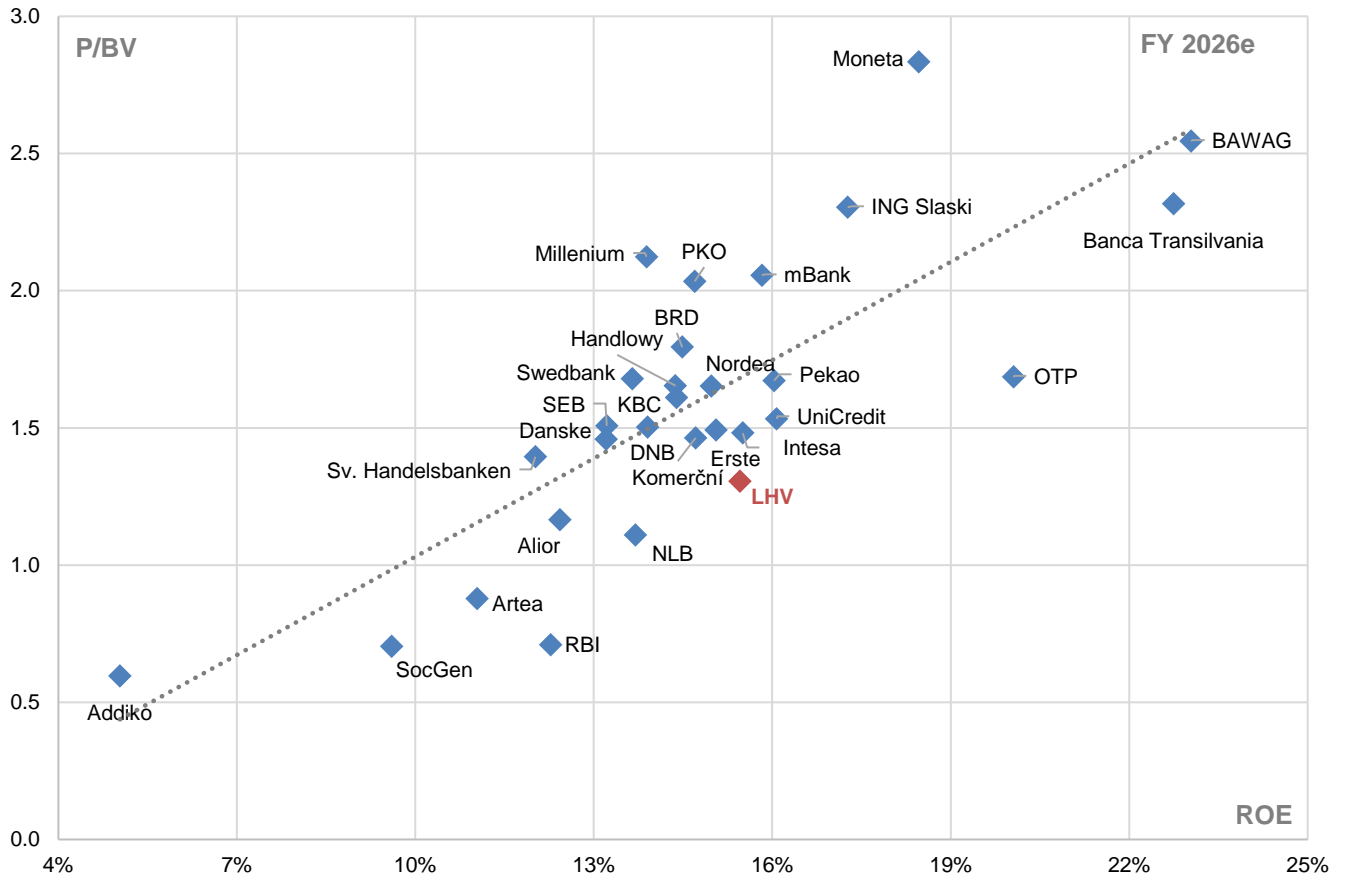
In our view, LHV's current valuation implies an undemanding multiple for a bank with a clearly improving return profile, underpinning our Buy recommendation.

## 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
<b>Central &amp; South East European banks</b>													
OTP	29,265.5	1.6	1.7	1.5	8.0	9.0	8.0	3.0%	2.7%	2.8%	21.5%	20.1%	20.1%
RBI	14,782.9	0.7	0.7	0.7	8.9	6.1	6.2	3.9%	3.9%	4.4%	7.8%	12.3%	10.9%
BAWAG	11,339.5	2.4	2.5	2.4	9.0	11.4	9.7	4.8%	4.9%	5.8%	27.0%	23.0%	25.4%
Komercni banka	7,709.8	1.7	1.5	1.4	12.9	10.0	9.5	7.8%	7.0%	7.3%	13.5%	14.7%	15.0%
Banca Transilvania	6,798.5	1.7	2.3	2.4	7.3	10.6	11.9	4.7%	3.3%	2.9%	24.6%	22.7%	21.1%
Nova Ljubljanska Banka	4,480.0	1.0	1.1	1.0	7.3	8.4	7.5	7.6%	6.6%	7.3%	14.4%	13.7%	14.2%
Moneta	3,907.5	3.0	2.8	2.8	16.7	15.6	14.9	5.3%	5.6%	5.8%	18.4%	18.5%	18.7%
BRD Groupe SG	4,050.8	1.8	1.8	1.6	12.1	13.1	12.0	4.0%	4.5%	5.7%	15.5%	14.5%	14.3%
Addiko Bank	520.7	0.5	0.6	0.6	10.0	11.7	10.9	0.0%	5.1%	5.5%	5.1%	5.0%	5.4%
<b>Mean</b>		<b>1.6</b>	<b>1.7</b>	<b>1.6</b>	<b>10.2</b>	<b>10.6</b>	<b>10.1</b>	<b>4.6%</b>	<b>4.8%</b>	<b>5.3%</b>	<b>16.4%</b>	<b>16.1%</b>	<b>16.1%</b>
<b>Polish banks</b>													
PKO BP	28,475.4	1.8	2.0	1.8	10.0	14.0	9.1	6.4%	6.3%	5.3%	19.3%	14.7%	21.1%
Bank Pekao	14,108.2	1.5	1.7	1.6	7.7	10.5	9.7	9.0%	8.7%	7.1%	20.9%	16.0%	16.8%
ING Bank Slaski	12,070.3	2.1	2.3	2.1	9.7	13.7	12.3	7.4%	6.7%	5.5%	24.0%	17.3%	17.8%
mBank	11,834.9	2.4	2.1	1.8	15.9	14.0	12.1	0.0%	0.0%	2.1%	16.4%	15.8%	16.0%
Bank Millennium	5,166.6	2.4	2.1	1.9	18.3	16.2	10.7	0.0%	0.0%	2.2%	14.3%	13.9%	18.6%
Alior Bank	3,685.3	1.1	1.2	1.1	6.1	9.5	8.5	8.3%	7.5%	7.9%	19.6%	12.4%	13.4%
Bank Handlow y	3,583.8	1.4	1.7	1.7	8.7	11.1	13.3	13.0%	13.2%	9.0%	16.1%	14.4%	12.6%
<b>Mean</b>		<b>1.8</b>	<b>1.8</b>	<b>1.7</b>	<b>10.7</b>	<b>12.2</b>	<b>10.4</b>	<b>6.4%</b>	<b>6.3%</b>	<b>6.0%</b>	<b>18.6%</b>	<b>15.5%</b>	<b>17.0%</b>
<b>Banks with material CSEE exposure</b>													
UniCredit	109,313.0	1.6	1.5	1.4	10.2	9.5	8.6	4.5%	5.5%	6.1%	15.4%	16.1%	16.7%
Intesa Sanpaolo	65,633.4	1.5	1.5	1.4	10.5	9.6	8.8	6.8%	7.9%	8.7%	14.8%	15.5%	16.3%
Societe Generale	48,023.5	0.8	0.7	0.6	8.7	7.3	6.4	2.8%	3.3%	3.8%	8.8%	9.6%	10.2%
Erste Group	41,755.1	1.7	1.5	1.4	11.8	9.9	8.8	0.8%	4.2%	5.1%	14.8%	15.1%	15.4%
KBC Group	38,961.8	1.7	1.6	1.5	12.5	11.2	10.0	4.7%	5.6%	6.4%	13.6%	14.4%	15.3%
<b>Mean</b>		<b>1.5</b>	<b>1.4</b>	<b>1.3</b>	<b>10.7</b>	<b>9.5</b>	<b>8.5</b>	<b>3.9%</b>	<b>5.3%</b>	<b>6.0%</b>	<b>13.5%</b>	<b>14.1%</b>	<b>14.8%</b>
<b>Nordic banks</b>													
Artea bankas	576.9	1.0	0.9	0.8	10.8	8.2	6.0	5.1%	6.7%	9.2%	9.5%	11.0%	14.0%
<b>LHV Group</b>	<b>1,083.1</b>	<b>1.5</b>	<b>1.3</b>	<b>1.2</b>	<b>10.2</b>	<b>8.8</b>	<b>7.0</b>	<b>4.8%</b>	<b>5.1%</b>	<b>6.0%</b>	<b>16.0%</b>	<b>15.5%</b>	<b>17.4%</b>
Danske Bank		1.5	1.5	1.4	11.7	11.0	10.3	6.9%	7.3%	7.6%	12.6%	13.2%	13.9%
DNB A		1.5	1.5	1.4	10.1	10.8	10.3	6.3%	6.4%	6.6%	15.2%	13.9%	13.9%
Nordea Bank		1.7	1.7	1.6	11.4	11.0	10.2	6.1%	6.2%	6.4%	14.7%	15.0%	15.2%
Skandinaviska Enskilda Banl		1.6	1.5	1.4	11.8	11.4	10.4	6.1%	5.4%	5.7%	13.3%	13.2%	13.8%
Svenska Handelsbanken		1.4	1.4	1.4	11.8	11.6	11.3	12.3%	7.9%	7.5%	12.0%	12.0%	12.3%
Sw edbank		1.6	1.7	1.6	11.4	12.3	11.1	9.0%	7.3%	7.5%	14.4%	13.6%	14.6%
<b>Mean</b>		<b>1.6</b>	<b>1.5</b>	<b>1.5</b>	<b>11.3</b>	<b>11.4</b>	<b>10.7</b>	<b>7.9%</b>	<b>6.6%</b>	<b>6.8%</b>	<b>13.9%</b>	<b>13.6%</b>	<b>13.9%</b>
<b>Mean CSEE &amp; Poland</b>		<b>1.7</b>	<b>1.7</b>	<b>1.6</b>	<b>10.4</b>	<b>11.4</b>	<b>10.2</b>	<b>5.4%</b>	<b>5.5%</b>	<b>5.6%</b>	<b>17.4%</b>	<b>15.8%</b>	<b>16.5%</b>
<b>Mean CSEE exposure banks &amp; Nordic:</b>		<b>1.5</b>	<b>1.4</b>	<b>1.3</b>	<b>11.0</b>	<b>10.2</b>	<b>9.2</b>	<b>5.8%</b>	<b>6.1%</b>	<b>6.7%</b>	<b>13.5%</b>	<b>13.7%</b>	<b>14.5%</b>
<b>Mean - total</b>		<b>1.6</b>	<b>1.6</b>	<b>1.5</b>	<b>10.7</b>	<b>10.9</b>	<b>9.8</b>	<b>5.6%</b>	<b>5.8%</b>	<b>6.1%</b>	<b>15.7%</b>	<b>14.9%</b>	<b>15.7%</b>

Source: FactSet, Erste Group Research  
Prices as of 19/05/26

**ROE, P/BV regression based on 2026 estimates**



Source: FactSet, Erste Group Research  
Prices as of 19/05/26

<b>Income Statement</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026e</b>	<b>2027e</b>
(IFRS, EUR mn, 31/12)	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027
Net interest Income	129.1	253.8	273.3	235.1	258.6	294.3
Risk provisions for loans and advances	-8.1	-11.5	-16.3	-1.5	-17.3	-19.6
Net interest Income (after risk prov.)	121.1	242.3	257.1	233.6	241.3	274.7
Net fees & commission income	44.7	50.8	60.3	63.3	75.6	86.1
Dividend income						
Trading result	-0.6	0.7	1.1	3.7	1.1	1.2
Result on financial instruments	0.0	0.0	0.0	0.0	0.0	0.0
Other income	0.1	1.8	2.6	0.3	0.6	0.8
<b>Total Income</b>	<b>173.5</b>	<b>310.5</b>	<b>338.3</b>	<b>304.8</b>	<b>337.6</b>	<b>385.1</b>
Personnel expenses	-46.8	-66.5	-82.3	-91.0	-101.0	-108.0
Other administrative expenses	-13.5	-22.1	-21.7	-23.6	-25.4	-26.7
Depreciation and amortization	-7.4	-13.4	-9.0	-11.5	-11.2	-9.5
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Other expenses	-22.0	-32.3	-33.9	-33.2	-34.8	-35.9
<b>Total expenses</b>	<b>-104.2</b>	<b>-153.2</b>	<b>-146.9</b>	<b>-159.3</b>	<b>-172.4</b>	<b>-180.2</b>
<b>Operating profit</b>	<b>61.3</b>	<b>145.7</b>	<b>175.1</b>	<b>144.0</b>	<b>147.9</b>	<b>185.4</b>
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
<b>Profit / loss before taxes</b>	<b>61.3</b>	<b>145.7</b>	<b>175.1</b>	<b>144.0</b>	<b>147.9</b>	<b>185.4</b>
Income taxes	-14.4	-23.7	-24.8	-27.0	-28.8	-36.0
<b>Profit / loss after taxes</b>	<b>46.9</b>	<b>122.1</b>	<b>150.3</b>	<b>117.0</b>	<b>119.0</b>	<b>149.4</b>
Minority interests	-1.6	-1.3	-1.3	-2.7	-2.2	-2.8
<b>Net result after minorities</b>	<b>45.2</b>	<b>120.7</b>	<b>149.0</b>	<b>114.3</b>	<b>116.9</b>	<b>146.5</b>
Adjusted profit/loss before taxes						
Adjusted net profit/loss						
<b>Balance sheet</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026e</b>	<b>2027e</b>
(IFRS, EUR mn, 31/12)						
Cash and balances with central banks	2,478.9	3,068.1	3,775.6	4,270.4	4,290.6	4,874.7
Loans and advances to banks (net)	3.4	51.3	42.8	42.0	29.4	30.9
Loans and advances to customers (net)	3,208.6	3,561.8	4,552.1	5,465.4	6,066.6	6,976.6
Interest-earning financial assets	373.6	340.3	309.8	403.0	405.6	425.8
<b>Interest-earning assets</b>	<b>6,064.4</b>	<b>7,021.5</b>	<b>8,680.2</b>	<b>10,180.8</b>	<b>10,792.2</b>	<b>12,308.0</b>
Non-interest earning assets	0.0	0.0	0.0	0.0	0.0	0.0
Equity holdings	1.2	1.0	1.0	1.0	1.1	1.1
Intangible assets	31.9	33.9	32.5	25.9	27.2	28.5
Tangible assets	9.6	11.2	8.9	5.6	5.9	6.2
Other assets	27.9	25.4	13.7	19.7	20.7	21.7
<b>TOTAL ASSETS</b>	<b>6,135.0</b>	<b>7,093.0</b>	<b>8,736.3</b>	<b>10,233.0</b>	<b>10,846.9</b>	<b>12,365.5</b>
Deposits from banks	147.8	0.0	0.0	0.0	98.4	299.2
Deposits from customers	4,900.5	5,731.0	6,910.1	8,134.4	8,541.2	9,395.3
Debt securities issued	438.6	563.7	927.7	1,043.6	1,074.9	1,397.4
Trading liabilities	3.9	1.8	0.0	1.3	1.3	1.4
<b>Interest -bearing liabilities</b>	<b>5,487.0</b>	<b>6,294.7</b>	<b>7,837.8</b>	<b>9,178.1</b>	<b>9,714.5</b>	<b>11,091.9</b>
LT provisions						
Other liabilities	92.5	113.4	93.6	79.5	83.5	87.7
Subordinated liabilities	130.8	126.7	126.3	206.9	206.9	238.0
<b>Total liabilities</b>	<b>5,714.2</b>	<b>6,536.7</b>	<b>8,057.7</b>	<b>9,465.8</b>	<b>10,006.2</b>	<b>11,418.9</b>
<b>Shareholders' equity</b>	<b>412.9</b>	<b>548.4</b>	<b>670.1</b>	<b>757.9</b>	<b>831.4</b>	<b>937.3</b>
Minorities	7.9	7.9	8.6	9.3	9.3	9.3
Hybrid capital						
Other reserves/equity						
<b>TOTAL LIAB., EQUITY</b>	<b>6,135.0</b>	<b>7,093.0</b>	<b>8,736.3</b>	<b>10,233.0</b>	<b>10,846.9</b>	<b>12,365.5</b>
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<b>Other figures</b>						
Tangible shareholders' equity	402.2	539.3	660.9	750.3	823.5	929.0
Off-balance sheet items	750.3	690.4	610.7	724.0	1,024.4	1,178.1
Year-end no. of shares outstanding (mn)	315.42	319.83	324.19	325.76	329.03	332.35
Average no. of shares outstanding (mn)	311.23	318.73	323.10	326.94	327.40	330.69
Fully diluted no. of shares outstanding (mn)	317.52	324.42	328.58	333.19	330.90	334.28
No. of employees (FTE)						
No. of branches						
Payout ratio	27.5%	34.3%	19.5%	48.6%	47.6%	45.1%

<b>Margins &amp; Ratios</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026e</b>	<b>2027e</b>
<b>(IFRS, EUR mn, 31/12)</b>						
<b>Profitability</b>						
Int. income/avg. int.-bearing assets (Asset Yield)	2.4%	5.1%	5.6%	4.4%	0.0%	0.0%
Int. expenses/avg. int.-bearing liab. (Cost of funds)	-0.4%	-1.4%	-2.4%	-2.2%	0.0%	0.0%
Yield on assets - cost of funds (Interest spread)	2.0%	3.7%	3.2%	2.3%	0.0%	0.0%
Net. int. income/avg. assets (Net interest margin)	2.0%	3.8%	3.5%	2.5%	2.5%	2.5%
Net fee and commission margin (avg. total assets)	0.7%	0.8%	0.8%	0.7%	0.7%	0.7%
ROE	12.4%	25.1%	24.5%	16.0%	14.7%	16.6%
ROA	0.7%	1.8%	1.9%	1.2%	1.1%	1.3%
Operating margin	0.9%	2.2%	2.2%	1.5%	1.4%	1.6%
<b>Efficiency</b>						
Cost/Income ratio	60.1%	49.3%	43.4%	52.3%	51.1%	46.8%
Cost/avg. Assets ratio	1.6%	2.3%	1.9%	1.7%	1.6%	1.6%
Personnel expenses/total income	-27.0%	-21.4%	-24.3%	-29.8%	-29.9%	-28.1%
Avg. staff costs (EUR)						
<b>Balance sheet structure</b>						
Loans deposit ratio	65.9%	62.7%	66.5%	67.7%	71.7%	75.2%
Loans/total assets	52.6%	50.6%	52.6%	53.8%	56.5%	57.1%
Deposits/total assets	79.9%	80.8%	79.1%	79.5%	78.7%	76.0%
<b>Capital adequacy</b>						
Equity ratio	6.9%	7.8%	7.8%	7.5%	7.8%	7.7%
Capital adequacy ratio	21.7%	23.5%	20.4%	22.4%	21.4%	20.5%
<b>Asset quality</b>						
Non-performing loans ratio	0.2%	0.7%	0.8%	1.6%	1.4%	1.3%
Non-performing loans coverage ratio	276.4%	126.3%	105.8%	46.7%	71.7%	96.7%
Risk provisions/loans to customers (gross)	0.6%	0.8%	0.9%	0.8%	1.0%	1.2%
Risk provisions/avg. customer loans (Risk costs)	0.3%	0.3%	0.4%	0.0%	0.3%	0.3%
Risk earnings ratio	6.2%	4.5%	5.9%	0.6%	6.7%	6.6%
<b>Income statement structure</b>						
Net interest income / total income	74.4%	81.8%	80.8%	77.1%	76.6%	76.4%
Net fee and commission income / total income	25.7%	16.4%	17.8%	20.8%	22.4%	22.4%
Net trading result / total income	-0.3%	0.2%	0.3%	1.2%	0.3%	0.3%
Non-interest income / total income	25.6%	18.2%	19.2%	22.9%	23.4%	23.6%
Personnel expenses / total operating expenses	44.9%	43.4%	56.0%	57.1%	58.6%	60.0%
Effective tax rate	-23.5%	-16.2%	-14.2%	-18.8%	-19.5%	-19.4%
<b>Growth Rates</b>						
<b>(IFRS, EUR mn, 31/12)</b>						
Loans and advances to customers (net)	19.8%	11.0%	27.8%	20.1%	11.0%	15.0%
Deposits from customers	-15.6%	16.9%	20.6%	17.7%	5.0%	10.0%
Total assets	-10.4%	15.6%	23.2%	17.1%	6.0%	14.0%
Total liabilities	-12.4%	14.4%	23.3%	17.5%	5.7%	14.1%
Shareholders' equity	30.5%	32.8%	22.2%	13.1%	9.7%	12.7%
Net interest Income	32.7%	96.6%	7.7%	-14.0%	10.0%	13.8%
Net fees & commission income	4.9%	13.8%	18.6%	4.9%	19.5%	14.0%
Total Income	23.6%	78.9%	9.0%	-9.9%	10.7%	14.1%
Operating profit	-14.0%	137.8%	20.2%	-17.8%	2.7%	25.3%
Net result after minorities	-22.4%	166.9%	23.4%	-23.3%	2.3%	25.4%

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 ECB/affiliates holdings exceed 5% of the share capital of issuer or vice versa	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
LHV Group	EE3100102203										

The above specific disclosures (marked with “Y” if applicable), are valid at the time of publication of this report. May 22 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:

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**LHV Group**



**Rating history**

Date	Rating	Price	Target Price	Action
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**Company description**

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

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<b>CEE Equity Research</b> Head: Henning Elbkuchen, CESA® Daniel Lion, CIAA® (Technology, Ind. Goods&Services) Michael Marschallinger, CFA® Nora Varga-Nagy, CFA® (Telecom) Christoph Schultes, MBA, CIAA® (Real Estate) Thomas Unger, CFA® (Banks, Insurance) Vladimira Urbankova, MBA (Pharma) Martina Valenta, MBA	+43 (0)5 0100 19634 +43 (0)5 0100 17420 +43 (0)5 0100 17906 +43 (0)5 0100 17416 +43 (0)5 0100 11523 +43 (0)5 0100 17344 +43 (0)5 0100 17343 +43 (0)5 0100 11913	<b>Markets Corporate Sales AT</b> Head: Martina Kranzl-Carvell	+43 (0)5 0100 84147
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