

LHV Group

Financial Plan 2024 update
1 October 2024

The assumptions underlying the forecast of financial results are presented in the comments



LHV Group – forecast

Financial plan assumptions

- The credit portfolio in Estonia has grown faster than planned
- The quality of the credit portfolio has remained at the previously forecasted level
- Base interest rates have been higher than forecasted, resulting in higher net interest income. However, interest rates are now decreasing
- Customer activity remains steady; fee income is affected by slower growth in Banking Services segment
- The macroeconomic situation is improving slowly
- Operating expenses are affected by recent years' growth in employee numbers, one-time salary expenses, IT costs, and expenses related to developing the retail banking in the UK. Contrary to earlier forecast, the deposit guarantee fund fee did not decrease
- LHV Varahaldus forecast does not include performance fee

LHV Group – forecast

Rapid growth of credit portfolio with higher interest income

Financial results, EURt	2023	Updated	Δ YoY	Previous	Δ upd. FP
		FP2024		FP2024	
Total net income, incl.	310,458	349,397	+38,939	309,089	+40,308
Net interest income	253,819	279,333	+25,514	238,649	+40,684
Net fee and commission income	54,146	66,642	+12,496	68,598	-1,956
Total operating expenses	134,321	150,903	+16,582	143,568	+7,335
Earnings before impairment	176,137	198,495	+22,358	165,522	+32,973
Impairment losses	11,539	23,676	+12,137	23,390	+286
Earnings before taxes	164,598	174,818	+10,220	142,131	+32,687
Income tax expense	23,660	24,515	+855	22,051	+2,464
Net profit, incl.	140,938	150,304	+9,366	120,081	+30,223
attr. to shareholders	139,602	149,372	+9,770	119,176	+30,196
Business volumes, EURm	2023	Updated	Δ YoY	Previous	Δ upd. FP
		FP2024		FP2024	
Deposits from customers	5,731	6,667	+936	6,674	-7
Loans (net)	3,562	4,343	+781	4,037	+305
Assets under management	1,519	1,573	+54	1,668	-95
Fin.intermediaries' payments, mil. pcs	49	69	+19	62	+7
Key figures	2023	Updated	Δ YoY	Previous	Δ upd. FP
		FP2024		FP2024	
Cost / Income ratio (C/I)	43.3%	43.2%	- 0.1 pp	46.4%	- 3.3 pp
Pre-tax ROE*	34.1%	28.8%	- 5.3 pp	24.0%	+ 4.8 pp
ROE*	29.2%	24.8%	- 4.4 pp	20.3%	+ 4.5 pp
T1 capital adequacy	20.7%	17.7%	- 3.0 pp	19.4%	- 1.6 pp
Total capital adequacy	23.5%	20.5%	- 3.0 pp	22.5%	- 2.0 pp

- Growth in loan volume mainly from home loans and corporate loans in Estonia. In the UK, loan volume remains at the same level as in the previous plan
- Higher net interest income growth compared to previous plan due to increased business volumes and higher base interest rates
- Profit-based income tax applied at a 14% tax rate
- All LHV group companies are profitable on an annual basis
- The capital growing due to profit earned is invested in the growth of loan portfolios. Capital adequacy remains at a good level

LHV Bank – forecast

Business volumes and income growth

Financial results, EURt	2023	Updated FP2024	Δ YoY	Previous FP2024	Δ upd. FP
Total net income, incl.	260,077	280,432	+20,356	246,104	+34,329
Net interest income	228,470	242,950	+14,480	204,386	+38,564
Net fee and commission income	27,217	34,757	+7,539	40,615	-5,859
Total operating expenses	85,235	94,722	+9,487	90,895	+3,827
Earnings before impairment	174,841	185,710	+10,869	155,209	+30,501
Impairment losses	11,372	23,056	+11,684	23,056	-0
Earnings before taxes	163,469	162,654	-815	132,153	+30,502
Income tax expense	22,107	23,507	+1,400	19,139	+4,368
Net profit	141,363	139,147	-2,215	113,013	+26,134

Business volumes, EURm	2023	Updated FP2024	Δ YoY	Previous FP2024	Δ upd. FP
Deposits from customers	5,535	6,152	+617	6,094	+58
Loans (net)	3,549	4,044	+496	3,738	+306

Key figures	2023	Updated FP2024	Δ YoY	Previous FP2024	Δ upd. FP
Cost / Income ratio (C/I)	32.8%	33.8%	+ 1.0 pp	36.9%	- 3.2 pp
Pre-tax ROE*	35.8%	30.1%	- 5.8 pp	24.7%	+ 5.3 pp
ROE*	30.9%	25.7%	- 5.2 pp	21.2%	+ 4.5 pp
T1 capital adequacy	19.8%	17.4%	- 2.3 pp	20.5%	- 3.1 pp
Total capital adequacy	22.2%	19.5%	- 2.7 pp	21.4%	- 1.9 pp

- Continuous customer financing, growth mainly from home loans and corporate banking loans
- Net interest income growth due to higher base interest rates
- Net fee income growth compared to last year, but smaller growth than in the previous plan, mainly due to slower income growth from Banking Services clients and income sharing with LHV Bank
- Increase in expenses mainly from personnel and IT costs; the deposit guarantee fund fee rate did not decrease, resulting in higher costs
- Credit risk manifests primarily through individual clients; additionally, the impact of model changes on forward-looking provisions

LHV Bank – forecast

Loan volumes and launch of retail banking as planned

Financial results, EURt	2023	Updated FP2024	Δ YoY	Previous FP2024	Δ upd. FP
Total net income, incl.	36,755	45,602	+8,847	49,402	-3,800
Net interest income	28,917	34,954	+6,037	43,302	-8,348
Net fee and commission income	7,807	10,600	+2,793	6,100	+4,500
Total operating expenses	31,300	37,651	+6,351	34,038	+3,613
Earnings before impairment	5,455	7,951	+2,496	15,364	-7,413
Impairment losses	176	621	+445	334	+286
Earnings before taxes	5,279	7,330	+2,051	15,030	-7,700
Income tax expense	0	-163	-163	1,435	-1,598
Net profit	5,279	7,493	+2,215	13,595	-6,101

Business volumes, EURm	2023	Updated FP2024	Δ YoY	Previous FP2024	Δ upd. FP
Deposits from customers	239	588	+349	693	-106
Loans (net)	79	299	+219	299	-1
Fin.intermediaries' payments, mil. pcs	49	69	+19	62	+7

Key figures	2023	Updated FP2024	Δ YoY	Previous FP2024	Δ upd. FP
Cost / Income ratio (C/I)	85.2%	82.6%	- 2.6 pp	68.9%	+ 13.7 pp
Pre-tax ROE*	12.8%	9.5%	- 3.3 pp	19.9%	- 10.4 pp
ROE*	12.8%	9.7%	- 3.1 pp	18.0%	- 8.3 pp
Total capital adequacy	28.3%	25.6%	- 2.7 pp	25.9%	- 0.3 pp

- The growth of the loan portfolio has accelerated in the second half of the year, the annual target remains unchanged. Slower growth at the beginning of the year led to slower growth of interest income in the first half
- Deposits are being raised according to actual needs
- The number of financial intermediaries' payments has increased. Deposits have been more volatile than planned, resulting in lower interest income than expected
- The launch of the mobile bank aimed at private clients is still planned for the end of the year but has taken more time and incurred higher costs than planned

LHV Varahaldus – forecast

Focus on increasing second pillar contributions at year-end

Financial results, EURt	2023	Updated FP2024	Δ YoY	Previous FP2024	Δ upd. FP
Total net income	9,137	9,584	+447	9,790	-206
Total operating expenses	6,997	7,321	+324	7,312	+9
Earnings before taxes	2,140	2,263	+123	2,478	-215
Income tax expense	488	801	+312	801	-0
Net profit	1,652	1,462	-189	1,677	-215

Business volumes	2023	Updated FP2024	Δ YoY	Previous FP2024	Δ upd. FP
Assets under management, EURm	1,519	1,573	+54	1,668	-95
Active customers of PII funds, thous.	123	120	-3	120	+0

Key figures	2023	Updated FP2024	Δ YoY	Previous FP2024	Δ upd. FP
Cost / Income ratio (C/I)	76.6%	76.4%	- 0.2 pp	74.7%	+ 1.7 pp
Pre-tax ROE*	9.8%	11.5%	+ 1.7 pp	12.6%	- 1.1 pp
ROE*	7.5%	7.4%	- 0.1 pp	8.5%	- 1.1 pp

- The growth of second pillar assets is below the previous financial plan, resulting in lower revenues for the fund manager
- Continued investment strategy clearly distinguishing itself from competitors in the market, focusing on various high-return asset classes
- The growth of the benchmark index has significantly slowed compared to previous years. However, performance fee in 2024 is unlikely

LHV Kindlustus – forecast

Expanding revenue base according to plan

Financial results, EURt	2023	Updated FP2024	Δ YoY	Previous FP2024	Δ upd. FP
Total net income	5,070	6,650	+1,580	6,825	-175
Total expenses	4,766	5,613	+848	5,793	-180
Earnings before taxes	305	1,036	+732	1,031	+5
Income tax expense	0	0	+0	0	+0
Net profit	305	1,036	+732	1,031	+5

Business volumes	2023	Updated FP2024	Δ YoY	Previous FP2024	Δ upd. FP
Contract premiums written, EURm	31	37	+5	36	+0

Key figures	2023	Updated FP2024	Δ YoY	Previous FP2024	Δ upd. FP
Cost / Income ratio (C/I)	94.0%	84.6%	- 9.4 pp	84.9%	- 0.3 pp
Net loss ratio	66.8%	66.3%	- 0.5 pp	65.2%	+ 1.1 pp
Net expense ratio	32.2%	31.2%	- 1.0 pp	31.8%	- 0.7 pp
Pre-tax ROE*	6.4%	17.6%	+ 11.2 pp	18.2%	- 0.6 pp
ROE*	6.4%	17.6%	+ 11.2 pp	18.2%	- 0.6 pp

- Results have been according to plan; no significant changes are planned
- Focus remains on growing the portfolio to ensure an optimal revenue base and reduce portfolio volatility
- Capitalization level is good; no changes are expected in reinsurance until the end of the year
- Continuous optimization of processes and products, and increasing organizational efficiency

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