

# LHV Group

Q4 results  
6 February 2024



# All subsidiaries of LHV Group ended the year profitably

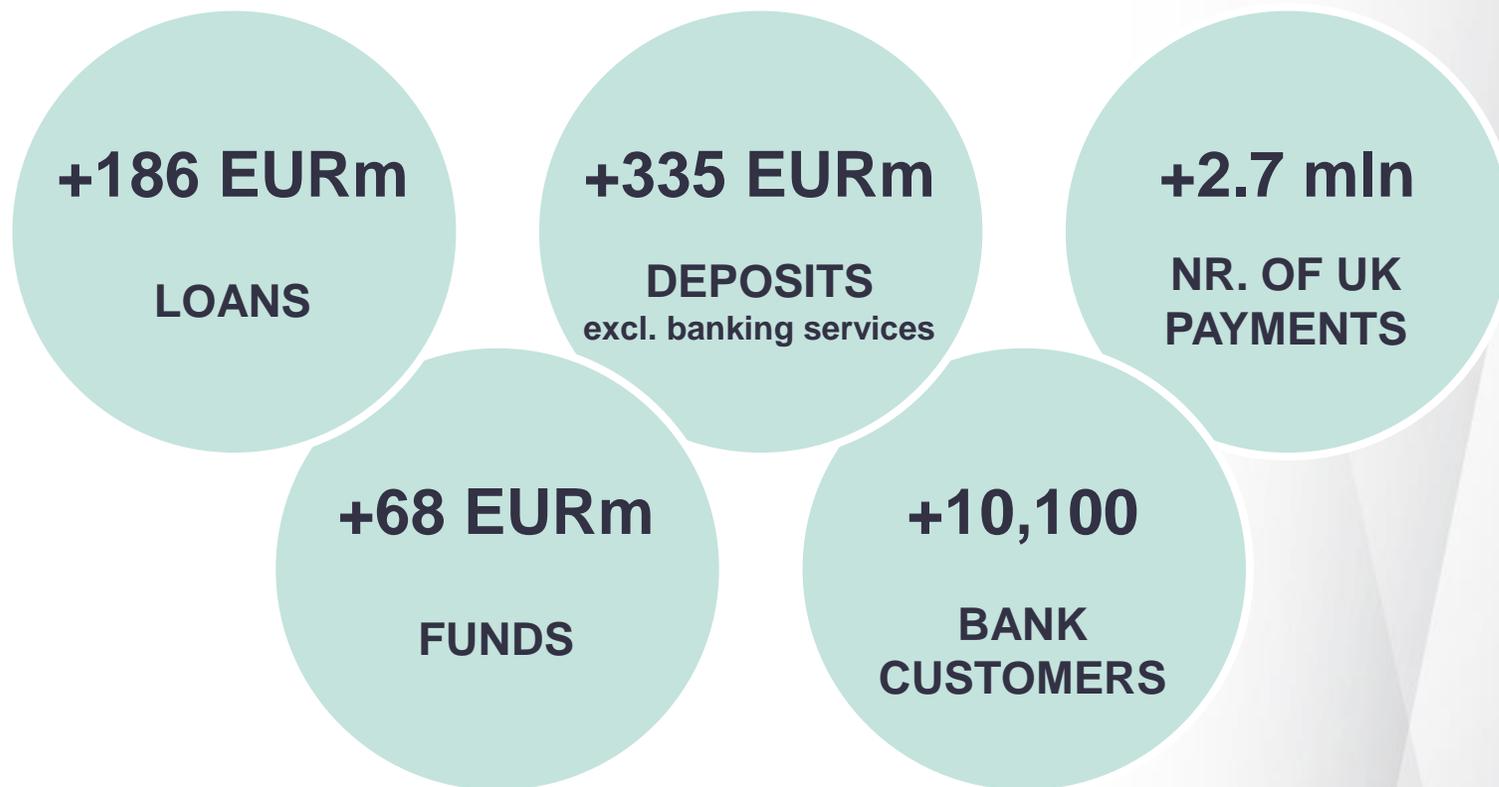
Raised the 2023 profit target in the financial plan

The quality of the loan portfolio remains good

Issuance of subordinated loans with the highest oversubscription in history

Transferring the operations of the UK branch of LHV Pank to LHV Bank

The most desirable employer recognition



# LHV Group

## Strong end of the year

Financial results, EURt	9 quarters	Q4-23	Q3-23	Δ quarter
Net interest income		67,670	68,140	-470
Net fee and commission income		16,299	13,617	+2,682
Other income		1,723	-278	+2,001
<b>Total net income</b>		<b>85,693</b>	<b>81,479</b>	<b>+4,213</b>
<b>Total operating expenses</b>		<b>37,852</b>	<b>32,807</b>	<b>+5,045</b>
<b>Earnings before impairment</b>		<b>47,841</b>	<b>48,672</b>	<b>-831</b>
Impairment losses		9,430	2,883	+6,546
Income tax expense		5,642	6,314	-671
<b>Net profit</b>		<b>32,769</b>	<b>39,475</b>	<b>-6,706</b>
<b>Business volumes, EURm</b>	<b>9 quarters</b>	<b>Q4-23</b>	<b>Q3-23</b>	<b>Δ quarter</b>
Deposits from customers		5,731	5,316	+415
Loans portfolio (net)		3,562	3,376	+186
Assets under management		1,519	1,451	+68
Customers, thous.		587	577	+10
Fin. intermediaries' payments, thous. pcs		15,914	13,214	+2,701
<b>Key figures</b>	<b>9 quarters</b>	<b>Q4-23</b>	<b>Q3-23</b>	<b>Δ quarter</b>
Cost / income ratio (C/I)		44.2%	40.3%	+ 3.9 pp
Net interest margin (NIM)		4.0%	4.3%	- 0.3 pp
pre-tax ROE*		28.7%	36.7%	- 8.0 pp
ROE*		24.5%	31.6%	- 7.1 pp

- Number of customers and customer activity growing. Loan portfolio growing as expected and quality of loan portfolio remains good
- Deposits from customers increased by 415 EURm
- Loan volumes increased by 186 EURm
- 100 EURm of MREL bonds were issued
- Fund volumes increased by 68 EURm
- We wrote down goodwill by 1.3 EURm.
- Quarterly profit 32.8 EURm

\* ROE is based on net profit and equity attributable to the owners of AS LHV Group

# LHV Group – comparison with financial plan

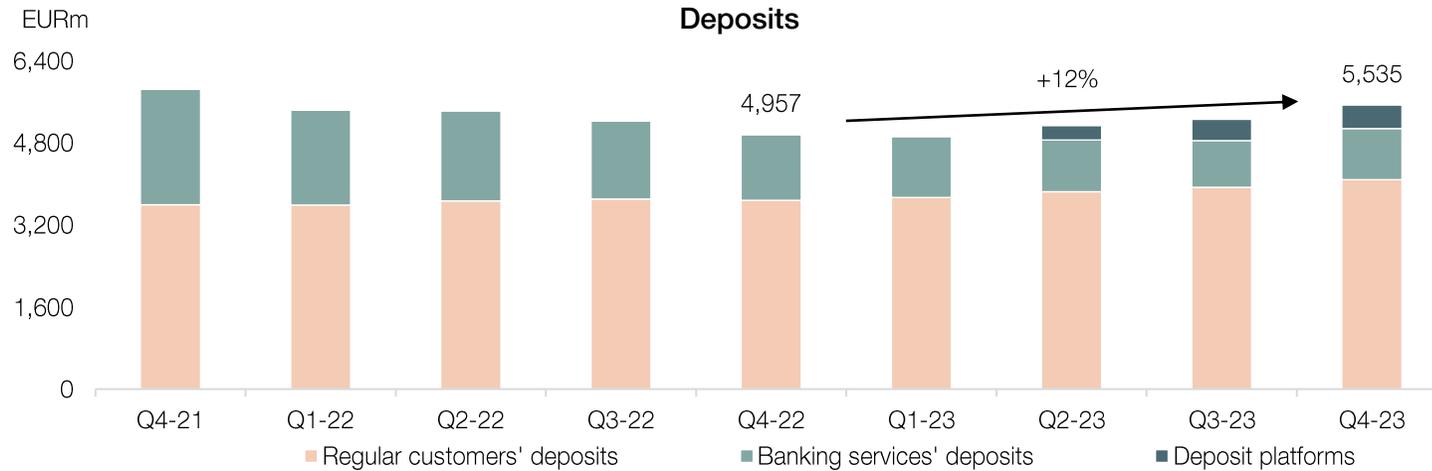
## Both profitability and business volumes annual targets have been met

Financial results, EURt	13 months	Dec 23	YTD23	YTD22	FP YTD	Δ YTD FP
<b>Total net income, incl.</b>		29,364	310,457	173,542	299,714	+10,743
Net interest income		22,906	253,819	129,111	246,390	+7,429
Net fee and commission income		5,342	54,145	44,900	51,753	+2,393
<b>Total operating expenses</b>		14,855	134,321	89,639	128,866	+5,455
<b>Earnings before impairment</b>		14,509	176,136	83,903	170,848	+5,288
Impairment losses		4,437	11,539	8,051	8,221	+3,318
Income tax expense		1,790	23,659	14,421	22,588	+1,071
<b>Net profit, incl.</b>		8,282	140,938	61,431	140,039	+899
attr. to shareholders		8,424	139,601	59,807	138,725	+877
Business volumes, EURm	13 months	Dec 23	YTD23	YTD22	FP YTD	Δ YTD FP
Deposits from customers		5,731	5,731	4,901	5,608	+123
Loans (net)		3,562	3,562	3,209	3,506	+56
Assets under management		1,519	1,519	1,332	1,541	-22
Fin. intermediaries' payments, thous. pcs		5,807	49,454	26,124	40,608	+8,846
Key figures	13 months	Dec 23	YTD23	YTD22	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		50.6%	43.3%	51.7%	43.0%	+ 0.3 pp
Net interest margin (NIM)		3.9%	3.9%	2.0%	3.8%	+ 0.1 pp
pre-tax ROE*		22.1%	34.0%	20.3%	33.6%	+ 0.4 pp
ROE*		18.2%	29.0%	16.4%	28.9%	+ 0.2 pp

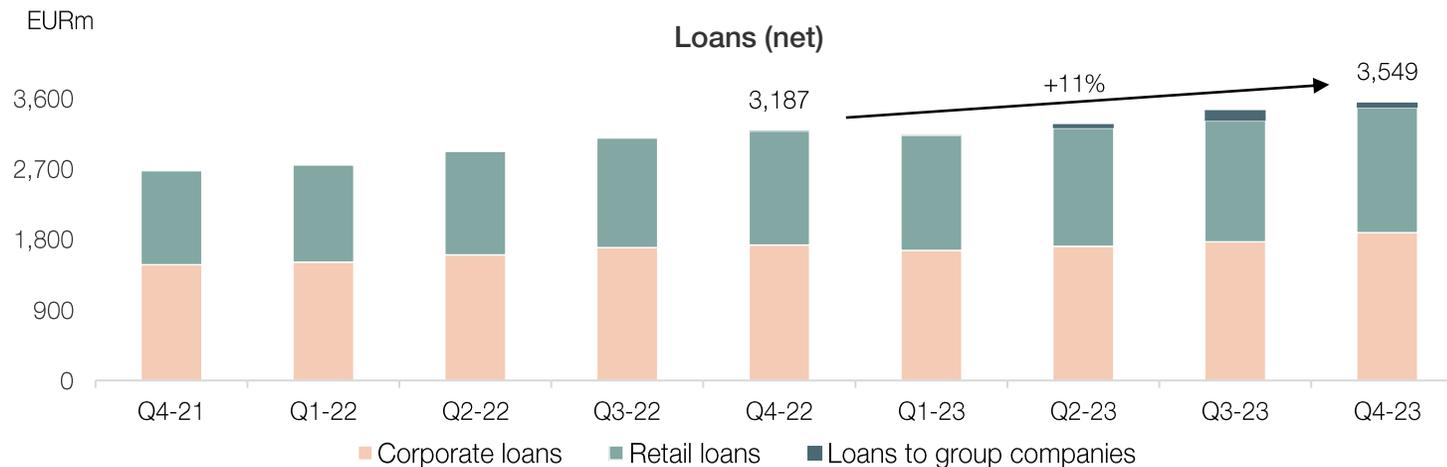
- Financial plan, which was increased in Q3 by 29%, was fulfilled with a slight reserve
- Interest income slightly higher than planned mainly due to higher interest rates
- Expenses are in line with the plan, but at the year-end, we conservatively reviewed both fixed assets and goodwill, and where possible, wrote them down
- Quality of loan portfolio good. We made the models more conservative
- Annual cost/income ratio good 43.3% and ROE 29.0%

\* ROE is based on net profit and equity attributable to the owners of AS LHV Group

## Strong deposit collection in the last quarter



- Approximately 10,100 new bank customers joined. Activity of customers in terms of settlements and card usage remained at a good level
- Regular customers' deposits increased by 153 EURm, deposits from deposit platforms increased by 45 EURm and deposits from financial intermediaries increased by 82 EURm. High volatility continues for the latter. Focus still on deposits



- Loan portfolio grew by 97 EURm, of which 83 loans to corporates increased by 118 EURm and loans to retail customers by 49 EURm. LHV Bank repaid 71 EURm. Loan demand is slowly increasing, but customers decision-making processes have lengthened
- LHV Pank was once again chosen as the most desirable employer in the CVKeskus.ee survey

## The quality of the loan portfolio remains good

Financial results, EURt	9 quarters	Q4-23	Q3-23	Δ quarter
Net interest income		59,576	59,900	-324
Net fee and commission income		8,444	5,715	+2,728
Other income		3,531	-130	+3,661
<b>Total net income</b>		<b>71,551</b>	<b>65,486</b>	<b>+6,065</b>
<b>Total operating expenses</b>		<b>22,870</b>	<b>20,496</b>	<b>+2,375</b>
<b>Earnings before impairment</b>		<b>48,681</b>	<b>44,990</b>	<b>+3,691</b>
Impairment losses		9,588	2,773	+6,815
Income tax expense		5,520	6,192	-671
<b>Net profit</b>		<b>33,572</b>	<b>36,025</b>	<b>-2,453</b>
<b>Business volumes, EURm</b>	<b>9 quarters</b>	<b>Q4-23</b>	<b>Q3-23</b>	<b>Δ quarter</b>
Deposits from customers		5,535	5,256	+279
incl. banking services' deposits		991	910	+82
Loans (net)		3,549	3,452	+97
Customers, thous.		417	407	+10
<b>Key figures</b>	<b>9 quarters</b>	<b>Q4-23</b>	<b>Q3-23</b>	<b>Δ quarter</b>
Cost / income ratio (C/I)		32.0%	31.3%	+ 0.7 pp
Net interest margin (NIM)		3.7%	3.8%	- 0.2 pp
pre-tax ROE*		30.8%	35.6%	- 4.8 pp
ROE*		26.4%	30.3%	- 3.9 pp

\* ROE is based on net profit and equity attributable to the owners of AS LHV Group

- The income is broad-based, but the net interest income from the changes in interest rates dominates, as liabilities are revalued with a longer time lag
- Additional income from investment banking from advising transactions for Enefit Green and Infortar
- Overall, the quality of the loan portfolio has remained stronger than planned, and the proportion of overdue loans continuously low. Due to macroeconomic trends, we have cautiously increased impairments
- Net profit 33.6 EURm and ROE 26.4%

# LHV Bank – comparison with financial plan

## All main indicators surpassed the financial plan

Financial results, EURt	13 months	Dec 23	YTD23	YTD22	FP YTD	Δ YTD FP
<b>Total net income, incl.</b>		24,868	260,077	161,670	247,941	+12,136
Net interest income		19,424	228,470	129,487	219,949	+8,521
Net fee and commission income		2,428	27,217	32,408	27,045	+172
<b>Total operating expenses</b>		8,579	85,235	64,544	83,133	+2,102
<b>Earnings before impairment</b>		16,289	174,841	97,126	164,807	+10,034
Impairment losses		4,620	11,372	2,995	7,176	+4,196
Income tax expense		1,750	22,107	13,259	20,867	+1,239
<b>Net profit</b>		9,920	141,363	80,872	136,764	+4,599
<b>Business volumes, EURm</b>	<b>13 months</b>	<b>Dec 23</b>	<b>YTD23</b>	<b>YTD22</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Deposits from customers		5,535	5,535	4,957	5,300	+235
incl. banking services' deposits		991	991	1,281	896	+95
Loans (net)		3,549	3,549	3,187	3,454	+95
<b>Key figures</b>	<b>13 months</b>	<b>Dec 23</b>	<b>YTD23</b>	<b>YTD22</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Cost / income ratio (C/I)		34.5%	32.8%	39.9%	33.5%	- 0.8 pp
Net interest margin (NIM)		3.5%	3.6%	2.0%	3.5%	+ 0.1 pp
T1 capital adequacy		19.6%	19.6%	19.1%	20.3%	- 0.7 pp
Total capital adequacy		22.1%	22.1%	21.9%	22.3%	- 0.3 pp

- We exceeded the financial plan, which was raised in September, by 4.6 EURm
- Deposits, loans, and customers' assets are ahead of the plan
- Both income and expenses better than planned, primarily due to higher interest rates. Regarding expenses, we conservatively reviewed the fixed assets and wrote them down where possible

## Deposits and loans in a strong growth trend

Financial results, EURt	9 quarters	Q4-23	Q3-23	Δ quarter
<b>Total net income, incl.</b>		11,952	11,780	+172
Net interest income		9,647	9,089	+558
Net fee and commission income		2,195	2,704	-509
Other net income		110	-13	+123
<b>Total operating expenses</b>		8,875	8,503	+371
<b>Earnings before impairment</b>		3,078	3,277	-199
Impairment losses		31	110	-79
<b>Net profit</b>		3,046	3,166	-120
<b>Business volumes, EURm</b>		<b>Q4-23</b>	<b>Q3-23</b>	<b>Δ quarter</b>
Deposits from customers		239	135	+104
Loans (net)		79	61	+19
<b>Key figures</b>		<b>Q4-23</b>	<b>Q3-23</b>	<b>Δ quarter</b>
Cost / income ratio (C/I)		74.3%	72.2%	+ 2.1 pp
Net interest margin (NIM)		11.2%	17.4%	- 6.2 pp
pre-tax ROE		23.4%	29.2%	- 5.8 pp
ROE		23.4%	29.2%	- 5.8 pp

- Successful launch of deposit collection on Raisin and Flagstone platforms, nearing completion of joining the Hargreaves Lansdown platform
- Began preparations for the launch of our mobile bank in the autumn
- Growing loan portfolio with a good quality and securely collateralised
- Payment volumes of banking services segment at the historically highest level
- Recruited managers of several key areas and strengthened the team

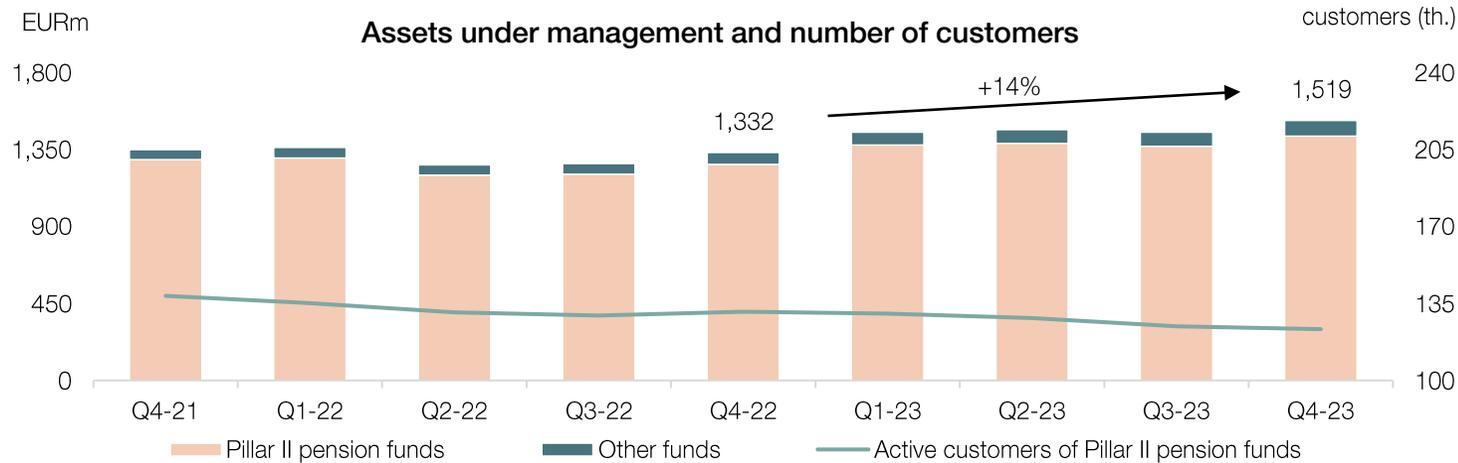
# LHV Bank – comparison with financial plan

## Growth faster than planned in both interest and fee income

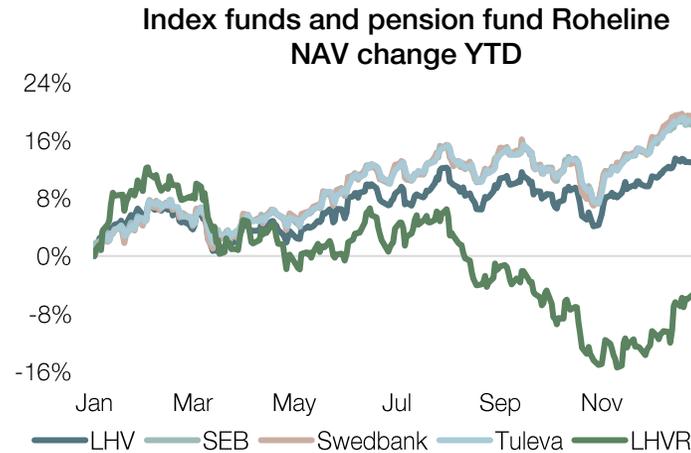
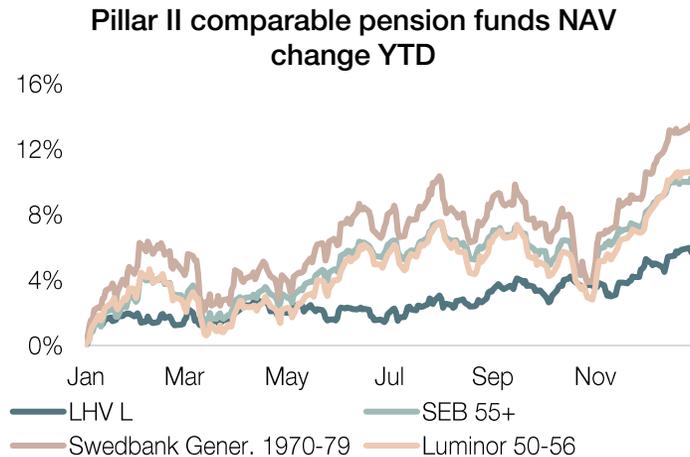
Financial results, EURt	13 months	Dec 23	YTD23	YTD22	FP YTD	Δ YTD FP
<b>Total net income, incl.</b>		4,248	36,755	67	33,544	+3,210
Net interest income		3,394	28,917	60	27,662	+1,255
Net fee and commission income		851	7,807	0	5,949	+1,858
Other net income		4	30	7	-67	+97
<b>Total operating expenses</b>		3,150	31,300	11,737	29,432	+1,868
<b>Earnings before impairment</b>		1,098	5,455	-11,670	4,113	+1,342
Impairment losses		7	176	0	864	-688
<b>Net profit</b>		1,091	5,279	-11,670	3,249	+2,030
<b>Business volumes, EURm</b>	<b>13 months</b>	<b>Dec 23</b>	<b>YTD23</b>	<b>YTD22</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Deposits from customers		239	239	0	347	-108
Loans (net)		79	79	22	129	-49
<b>Key figures</b>	<b>13 months</b>	<b>Dec 23</b>	<b>YTD23</b>	<b>YTD22</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Cost / income ratio (C/I)		74.2%	85.2%	17572.7%	87.7%	- 2.6 pp
Net interest margin (NIM)		11.2%	14.7%	0.3%	10.8%	+ 3.9 pp
T1 capital adequacy		28.7%	28.7%	na	24.7%	+ 4.0 pp
Total capital adequacy		28.7%	28.7%	na	24.7%	+ 4.0 pp

- Loan portfolio growth faster than initially planned, but slower than in the updated financial plan in autumn
- Raised deposits according to needs to keep interest expense optimal
- Interest income, and fee and commission income of banking services segment higher than planned
- Interest income from the loan portfolio on an upward trend due to portfolio growth and continuously high interest rates
- Expenses higher due to increased salary costs and one-off IT and legal expenses

## Strong quarter in stock markets, the large decline of 2022 was offset by 2023



- The volume of II pillar funds was nearly 1.4 EURbn by quarter-end, quarterly growth of 58 EURm
- A positive year for stock markets ended with strong last quarter – measured in euros, SP500, Euro Stoxx, and Nasdaq rose by 6.3%, 8.6%, and 8.6%, respectively
- Quarterly returns of LHV pension funds M, L and XL were 2.8%, 2.2% and 2.8%, respectively. Returns of more conservative funds XS and S were 3.7% and 3.6%
- Pension fund Indeks rose by 5.0%, pension fund Roheline declined by 0.9%



# LHV Varahaldus

## Quarterly net profit 0.5 EURm

Financial results, EURt	9 quarters	Q4-23	Q3-23	Δ quarter
Total net income		2,252	2,256	-4
Total operating expenses		1,838	1,639	+198
EBIT		415	617	-202
Net financial income		125	-12	+137
Net profit		539	605	-65
Business volumes, EURm	9 quarters	Q4-23	Q3-23	Δ quarter
Pillar II pension funds		1,428	1,370	+58
Pillar III pension funds		84	74	+9
Eurofunds		7	8	-0
Active customers of PII funds, th.		123	125	-1
Key figures	9 quarters	Q4-23	Q3-23	Δ quarter
Cost / income ratio (C/I)		77.3%	73.1%	+ 4.3 pp
pre-tax ROE		9.7%	11.3%	- 1.6 pp
ROE		9.7%	11.3%	- 1.6 pp

- Quarterly net profit 0.5 EURm
- Higher operating expenses related to the development of mobile and internet banking pension sections and the III pillar campaign
- Increased financial income due to the positive returns of funds
- Market share by fund volumes around 30% and by number of customers around 24% at quarter-end

# LHV Varahaldus – comparison with financial plan

## Net profit plan fulfillment was affected by lower financial income

Financial results, EURt	13 months	Dec 23	YTD23	YTD22	FP YTD	Δ YTD FP
Total net income		770	8,845	7,951	8,890	-46
Total operating expenses		630	6,997	7,077	6,953	+44
<b>EBIT</b>		140	1,848	874	1,937	-89
Net financial income		104	292	-146	583	-292
Income tax expense		0	488	830	488	+0
<b>Net profit</b>		244	1,652	-103	2,032	-381
<b>Business volumes</b>	<b>13 months</b>	<b>Dec 23</b>	<b>YTD23</b>	<b>YTD22</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Assets under management, EURm		1,519	1,519	1,332	1,541	-22
Active customers of PII funds, thous.		123	123	131	124	-0
<b>Key figures</b>	<b>13 months</b>	<b>Dec 23</b>	<b>YTD23</b>	<b>YTD22</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Cost / income ratio (C/I)		72.1%	76.6%	90.7%	73.1%	+ 3.4 pp
Funds average return		1.4%	6.4%	0.7%	6.9%	- 0.5 pp

- Fund volumes and financial income behind the plan mainly due to lower than expected returns, resulting in lower net profit than in the financial plan
- III pillar pension funds updated with new names - now Aktiivne III, Indeks III ja Roheline III
- Benchmark index grew by 11.3% in a year
- From 1 January, it is possible to submit an application for making larger contributions to the II pillar starting from the next year

## A quarter with stable growth and profitability

Financial results, EURt	9 quarters	Q4-23	Q3-23	Δ quarter
<b>Total net income</b>		1,705	1,489	+216
<b>Total expenses</b>		1,350	1,164	+186
<b>Technical result</b>		355	325	+30
Net investments income		73	-22	+95
Other operating income and expenses		-5	-4	-1
<b>Net profit</b>		423	299	+124
<b>Business volumes, EURt</b>	<b>9 quarters</b>	<b>Q4-23</b>	<b>Q3-23</b>	<b>Δ quarter</b>
Gross written premiums		8,198	7,525	+673
No of Customers (thous.)		161	160	+1
<b>Key figures</b>	<b>9 quarters</b>	<b>Q4-23</b>	<b>Q3-23</b>	<b>Δ quarter</b>
Net loss ratio		61.2%	64.8%	- 3.6 pp
Net expense ratio		32.1%	30.4%	+ 1.7 pp
pre-tax ROE		33.6%	25.6%	+ 8.0 pp
ROE		33.6%	25.6%	+ 8.0 pp

- Net income continues in growth trend, expenses are on a stable level and in line with the financial plan. Gross written premiums increased in Q4, yet were slightly below the financial plan
- During Q4 19,300 new claims were registered, claims handling was finished for 18,400 cases
- Customers had 229,000 valid insurance contracts at the quarter-end
- The net loss ratio and net combined ratio historically the best in a quarterly comparison. With a strong Q4, we met our annual targets

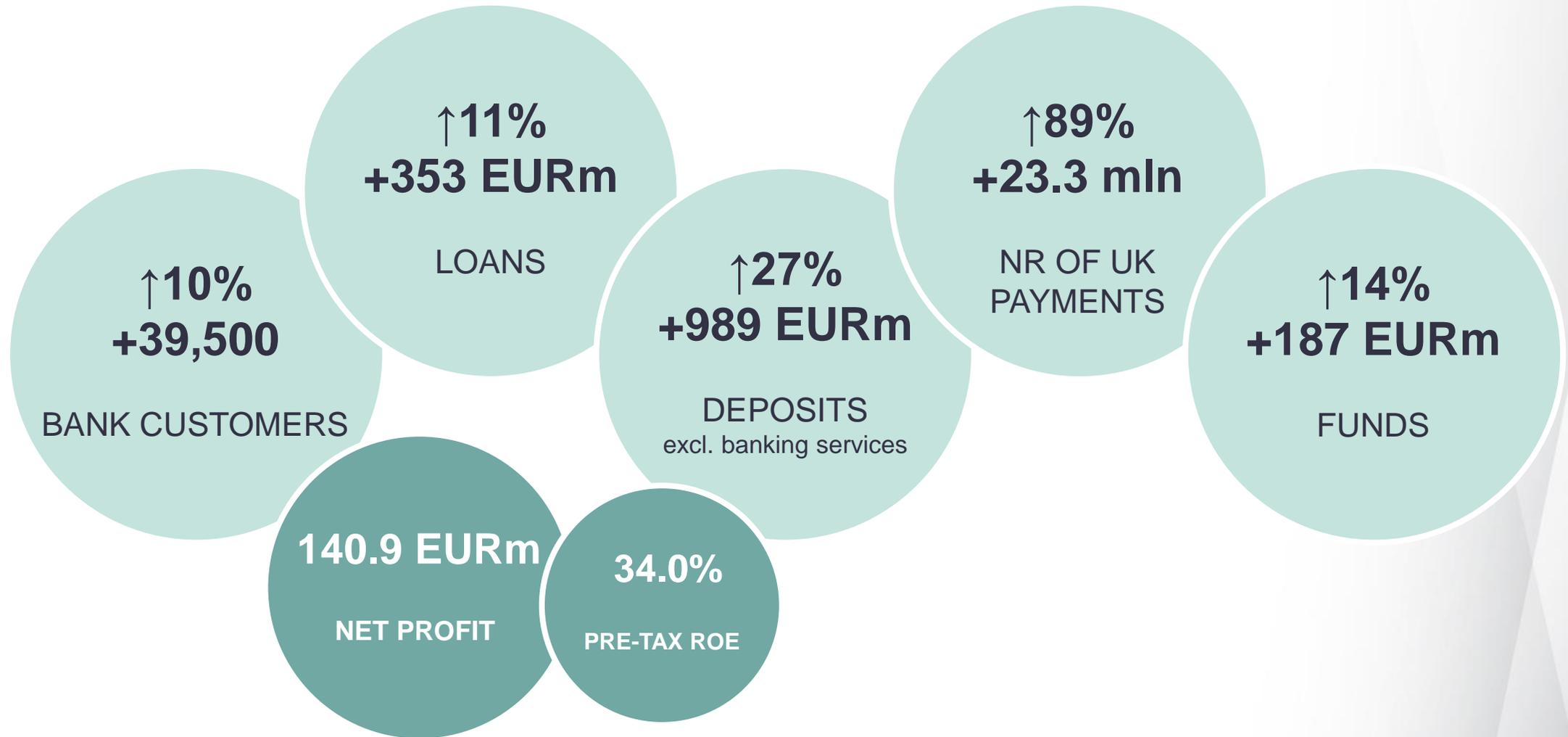
# LHV Kindlustus – comparison with financial plan

## A month with few incurred losses and a positive result

Financial results, EURt	13 months	Dec 23	YTD23	YTD22	FP YTD	Δ YTD FP
<b>Total net income, incl.</b>		682	5,006	1,487	4,715	+291
Net earned premiums		2,260	23,073	8,358	21,937	+1,136
Net incurred losses		1,222	15,410	6,176	14,900	+509
Other net income		-356	-2,657	-694	-2,322	-336
<b>Total expenses</b>		495	4,766	3,153	4,572	+194
<b>Technical result</b>		187	240	-1,666	144	+97
Net investment income		46	79	-22	169	-90
Other operating income and expenses		-2	-14	-5	-6	-8
<b>Net profit</b>		231	305	-1,693	307	-2
<b>Business volumes, EURt</b>	<b>13 months</b>	<b>Dec 23</b>	<b>YTD23</b>	<b>YTD22</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Gross written premiums		2,468	31,412	17,138	31,817	-405
No of customers (thous.)		161	161	150	na	na
<b>Key figures</b>	<b>13 months</b>	<b>Dec 23</b>	<b>YTD23</b>	<b>YTD22</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Net loss ratio		54.1%	66.8%	73.9%	67.9%	- 1.1 pp
Net expense ratio		33.5%	32.2%	46.0%	31.8%	+ 0.4 pp

- December gross written premiums on a stable level and according to the plan. Number of claims lower than usual, therefore, the amount of net incurred losses low
- 16.900 new insurance contracts were signed and 6.200 insurance cases were opened in December
- Net earned premiums grew by 3% in December, being in line with the financial plan
- December was the month with the best indicators in 2023

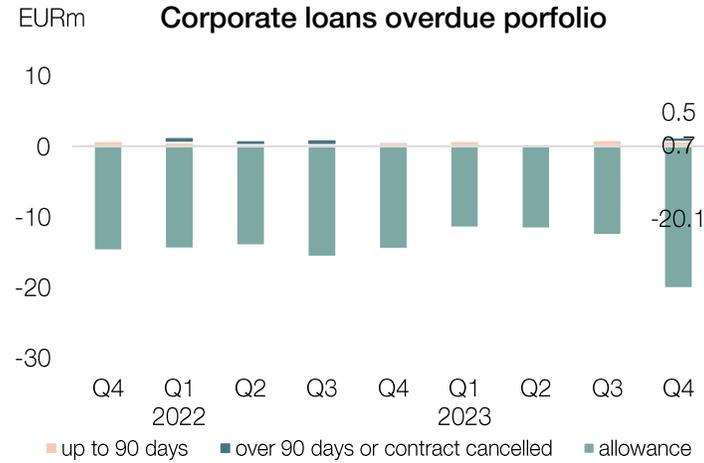
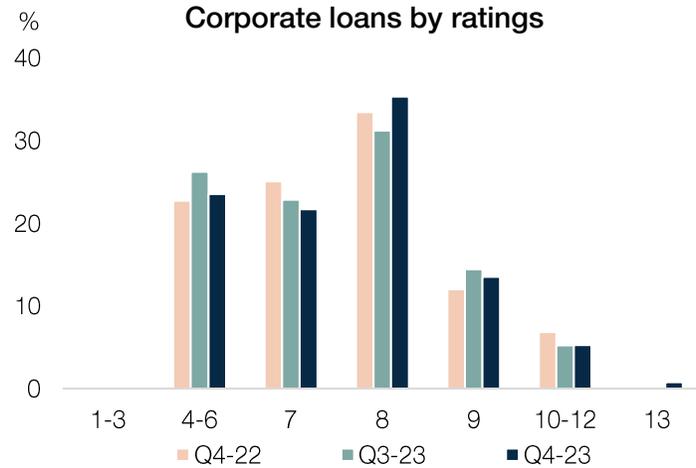
LHV Group  
12 months



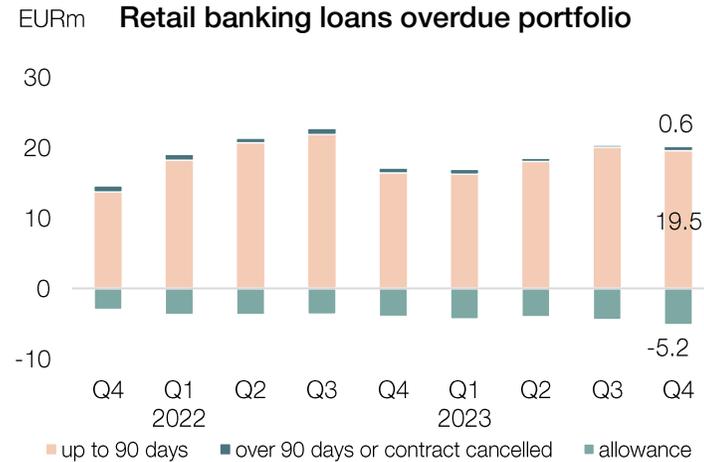
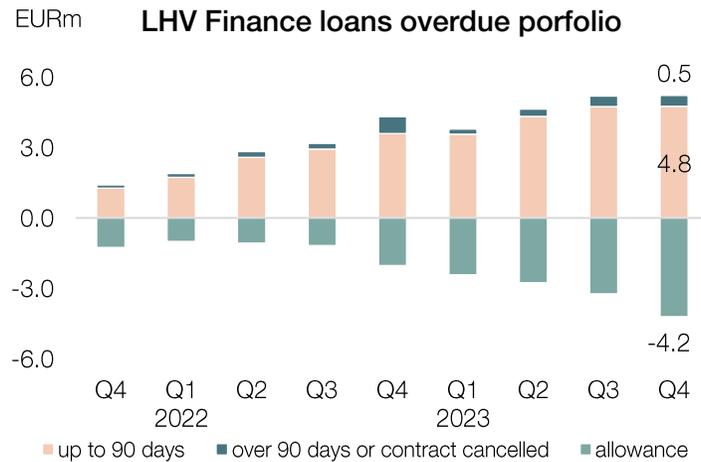
# Risks and capitalisation

# LHV Pank

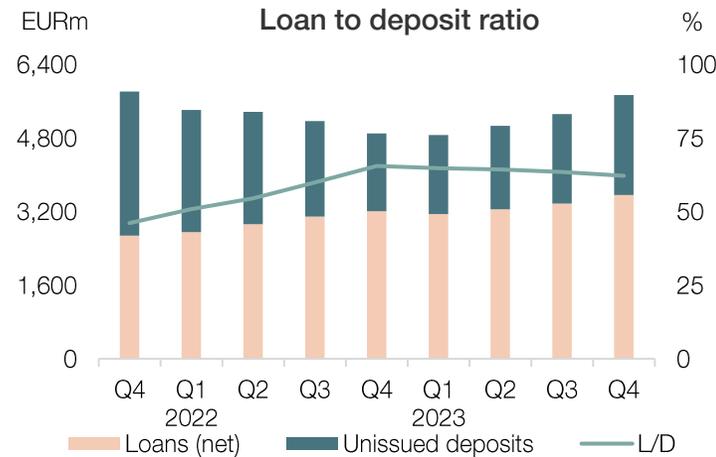
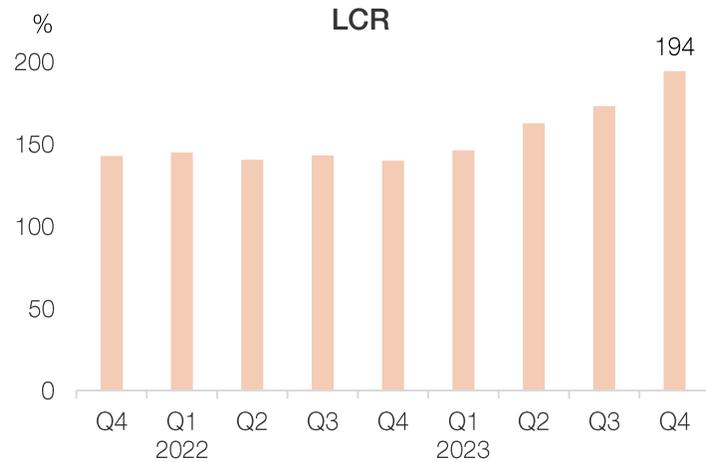
## Portfolio quality remains strong



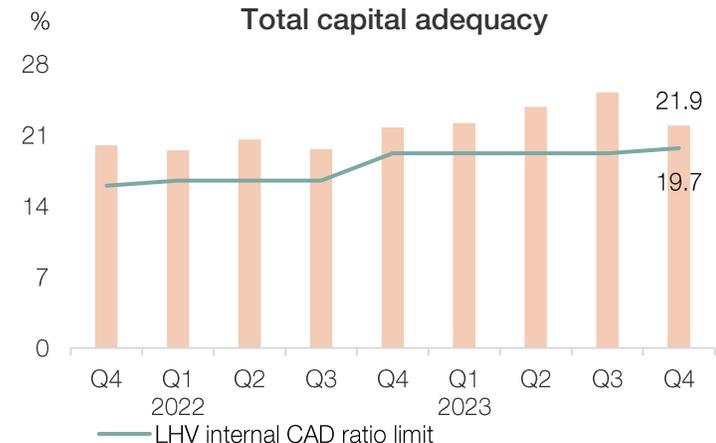
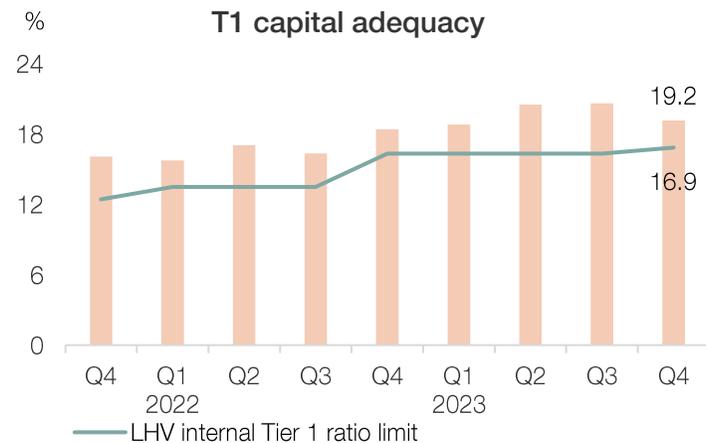
- Portfolio quality stays stronger than planned and is comparable to the end of Q3
- Due to declining GDP, we made models more conservative and therefore increased forward-looking impairments
- Ratings have improved a bit in corporate loan portfolio and overdue portfolio very low



# LHV's capitalisation and liquidity are strong



- Capitalization is at a very good level, considering that the last quarter's profit has not been included in own funds
- Liquidity exceeds the target by approximately 600 EURm. We have replaced larger deposits with smaller ones in the last quarter, which strengthens liquidity
- The Group's liquidity and capitalisation remain sufficient, but given the macroeconomic situation, are under careful monitoring

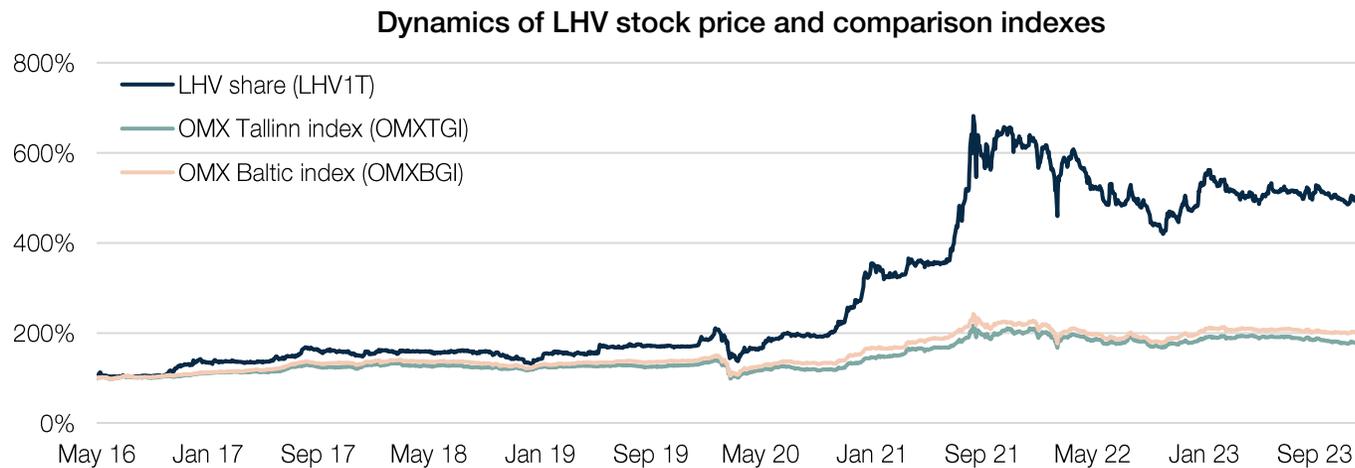


# LHV Group

## Share information



- Q4 closing share price 3.495 EUR and LHV had 37,500 shareholders
- Turnover of LHV shares in Q4 was 12.3 EURm, average price of 3.55 EUR
- Market capitalisation based on Q4 closing price 1,132 EURm



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