

LHV Group

Financial plan and forecast 2025-2029
13 February 2025

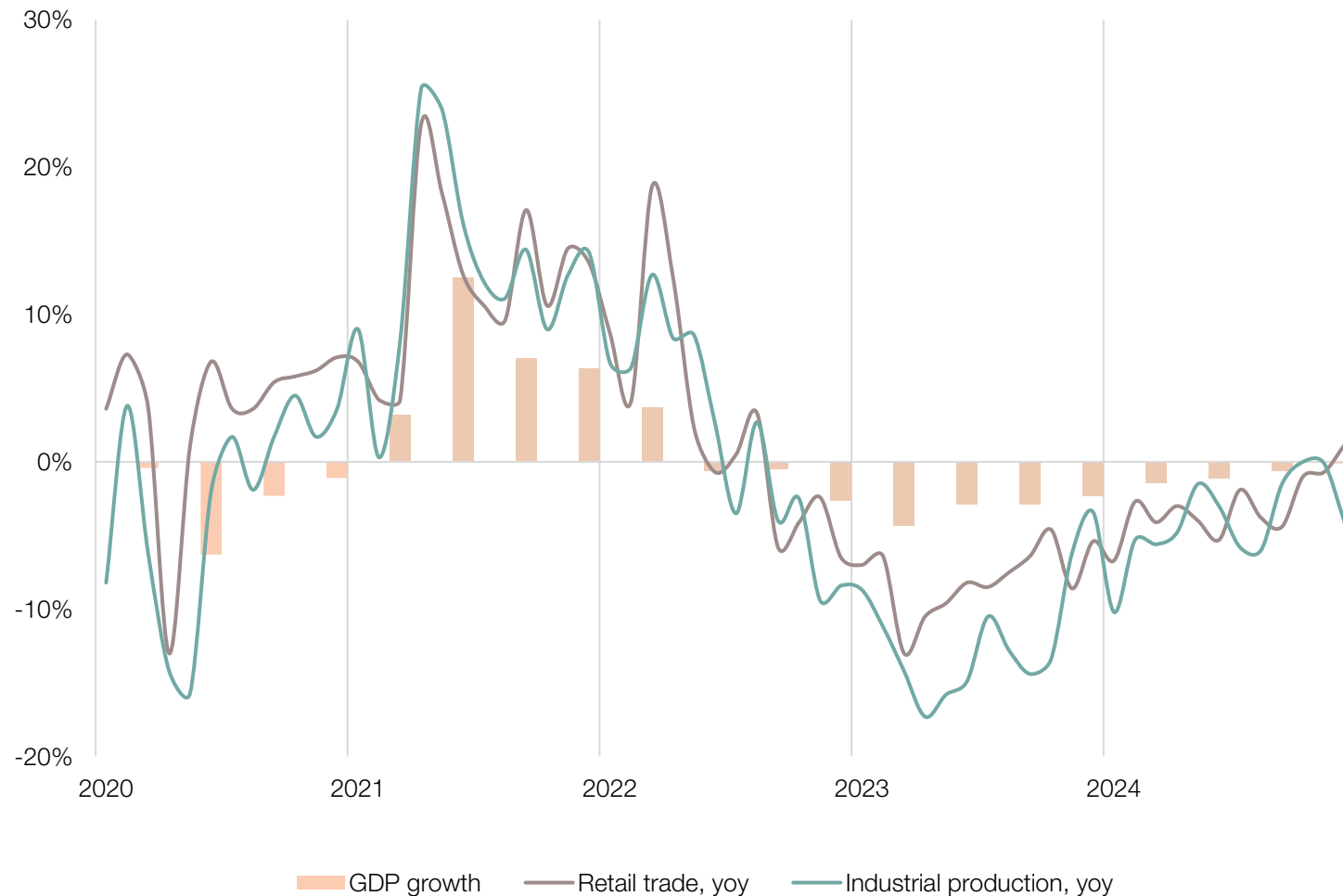
The assumptions for key drivers are presented in the comments



Business environment

Business environment

A slow progress towards the recovery phase

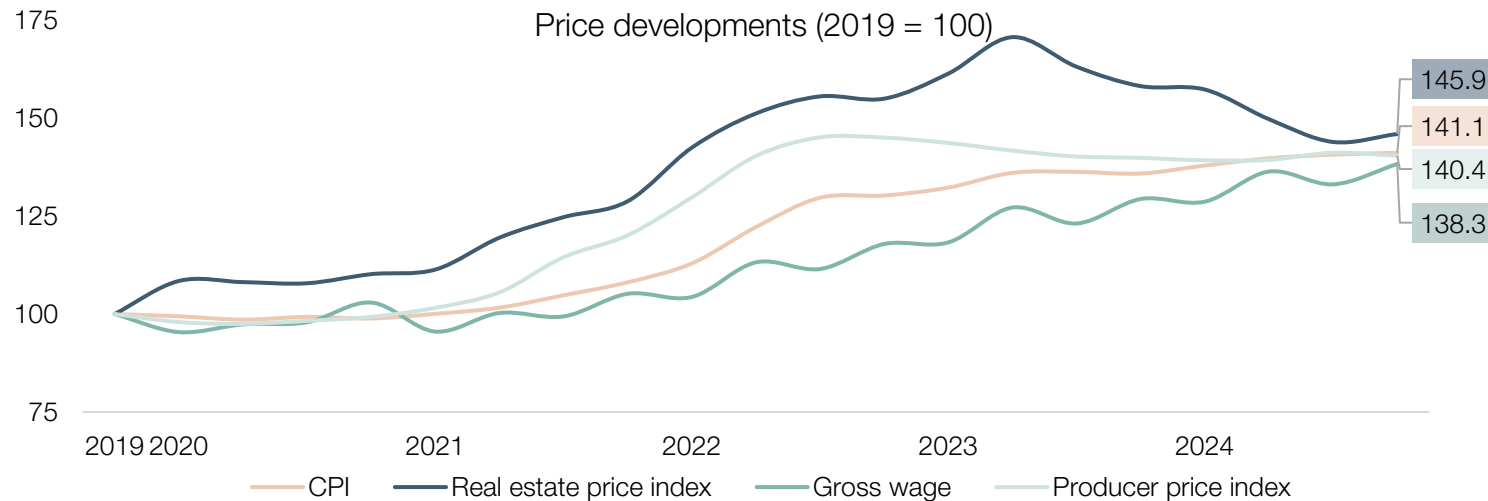


- Economy contracted 1.0% in 2024, with a decline of 0.1% in Q4
- Economic sentiment remains low but has bottomed out in some sectors, mainly in services and manufacturing
- Business confidence has weakened in Germany
- Investment growth remains below the historical average
- The recovery will be very slow and will depend on external environment:
 - domestic demand is weak
 - (geo)political uncertainty

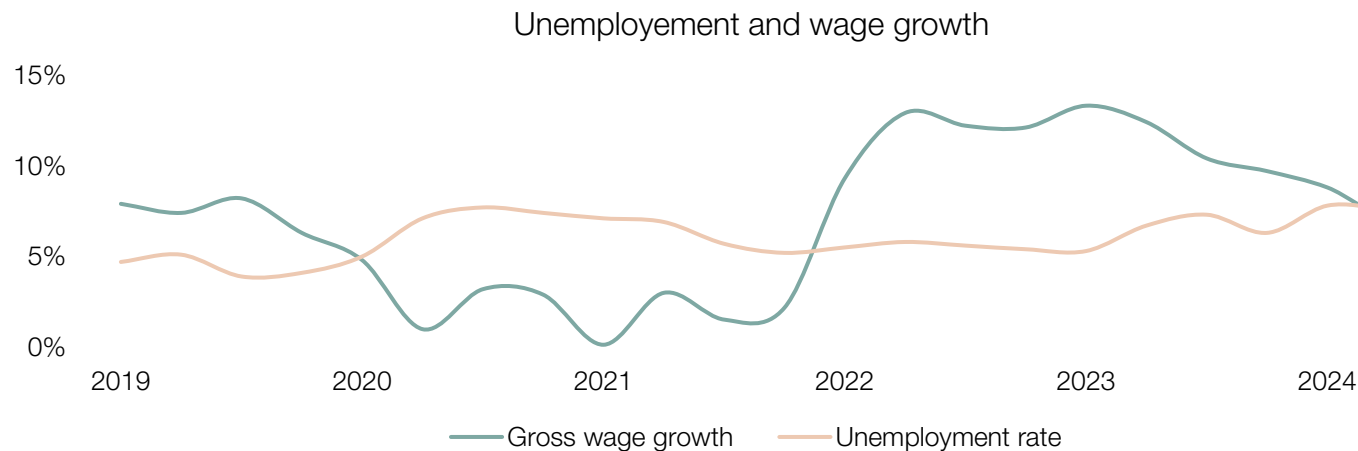
Source: Statistics Estonia, LHV

Business environment

Tax hikes will contribute to faster price growth



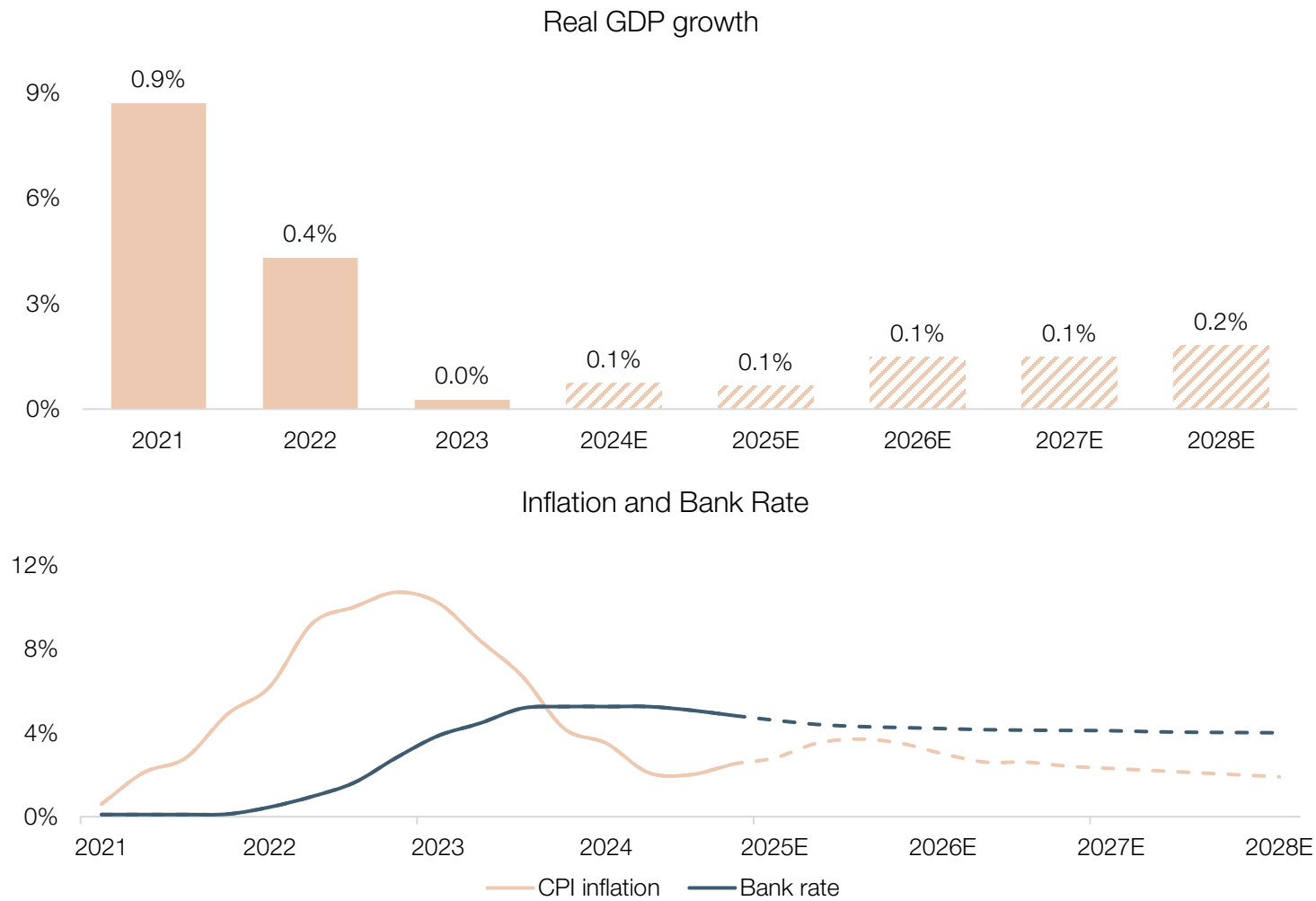
- Producer prices have resumed growth in some sectors
- Core inflation, which excludes energy and food, remains relatively high due to persistent services inflation
- Unemployment is expected to stay slightly elevated for a few years
- Gross wage growth is expected to slow:
 - the purchasing power of 2020 will recover by late 2026 to early 2027



Source: Statistics Estonia, LHV

Business environment

UK: slow economic recovery

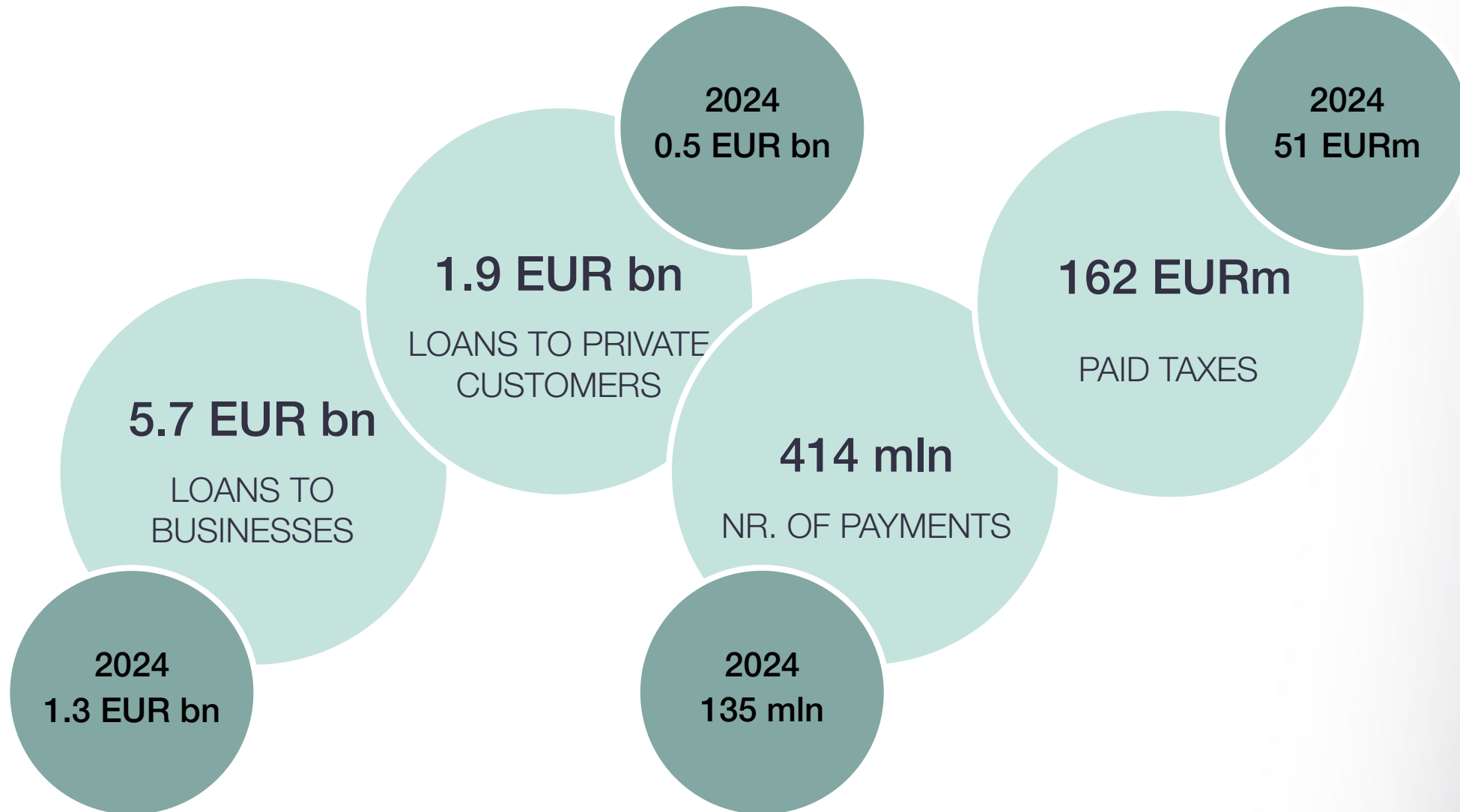


- Economic growth remains constrained by global uncertainty and sluggish productivity gains
- In 2025, inflation will be primarily driven by rising energy prices
- Unemployment rate is expected to stabilize at 4.5% in 2025 before rising to 4.8% by 2027
- The property market is recovering at a slow pace

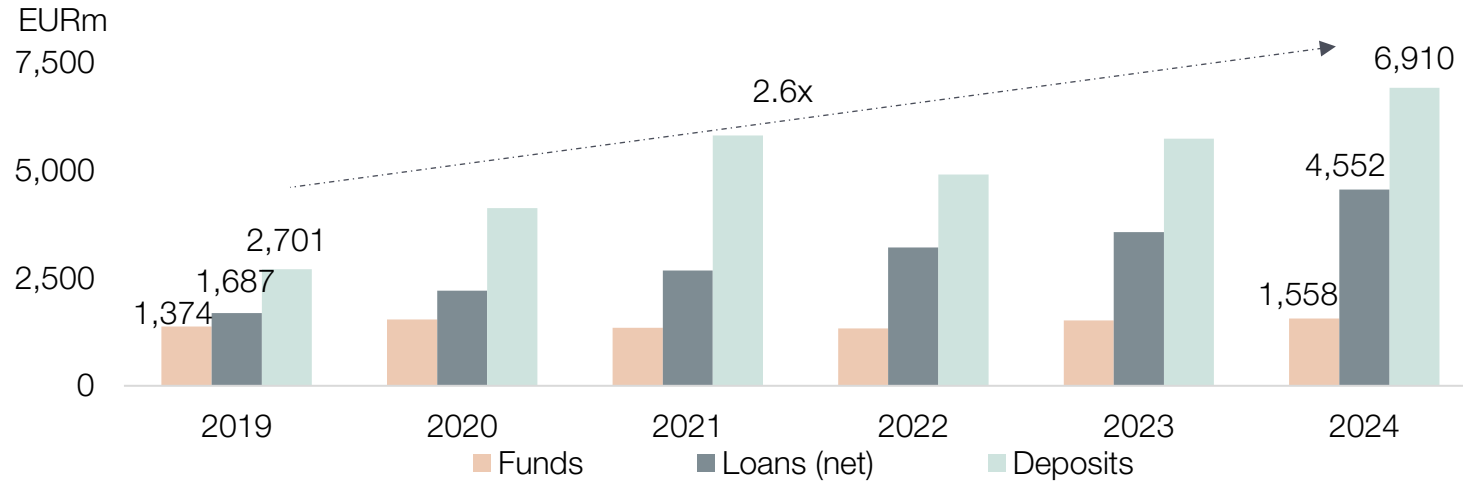
Source: Bank of England, LHV

The impact of LHV on the economy

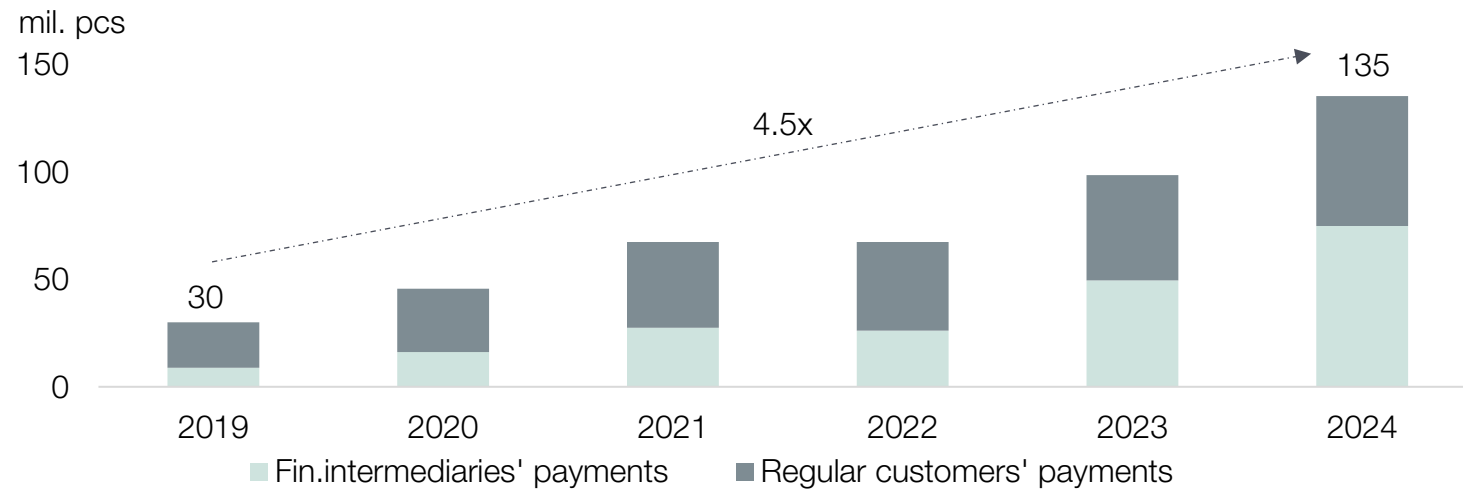
LHV impact on economy 2020-2024

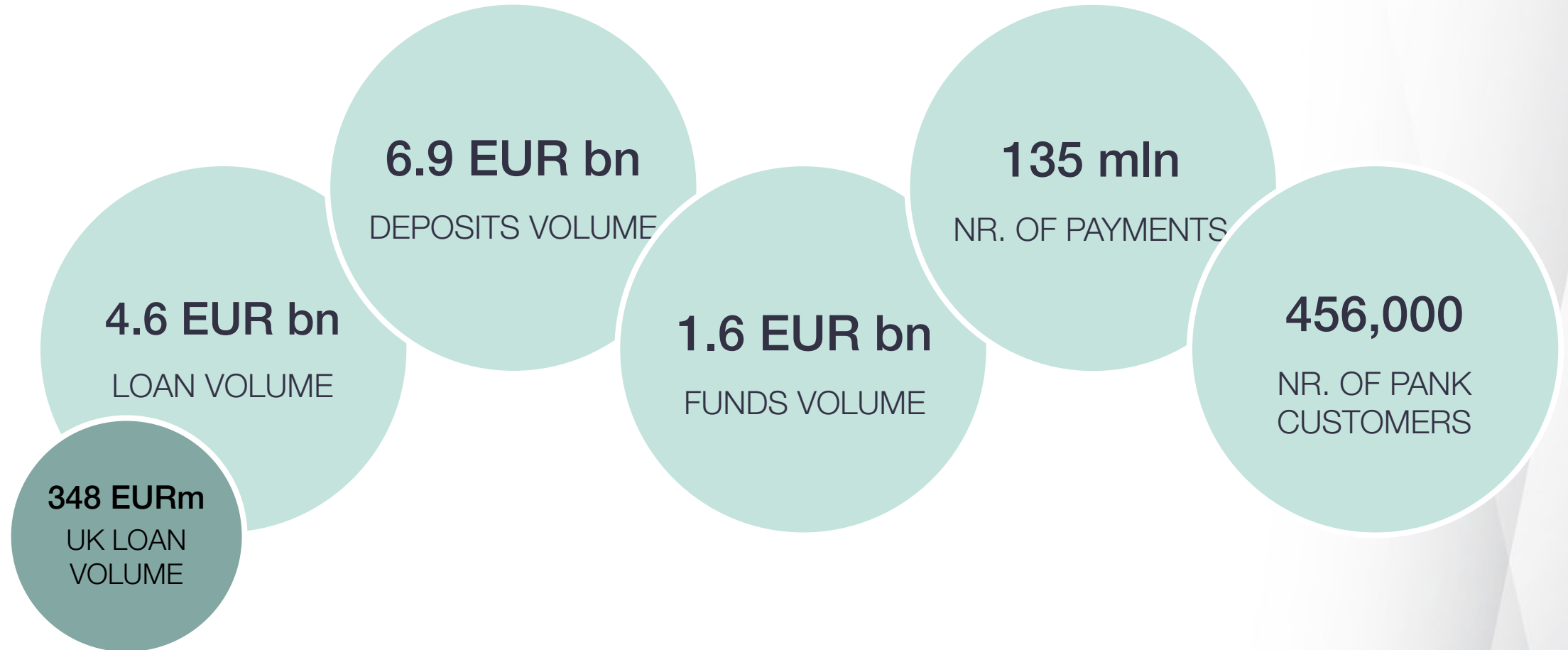


Multiple increase in business volumes over the last five years



- Over five years, loan and deposit volumes have grown 2.6 times
- The average annual growth rate is 21% for loans, 22% for deposits, 3% for fund volumes, and 35% for payments
- Loan portfolio growth is primarily driven by corporate banking loans and mortgages
- LHV Bank's loan portfolio share has reached 8% and continues to grow





Strategy

LHV Group

Focus on high-quality relationships



The best
service

Euromoney / The best bank in Estonia in
2018-2022
Dive / The bank with the best customer
services in Estonia in 2015-2016, 2018-2025



The best
employer

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



The best
investor
relations

Nasdaq / The best investor relations in the Baltics
2019, 2020, 2023, 2025

Mission and strategy

Our mission is better access to financial services and capital

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

LHV Bank – A bank in the United Kingdom focusing on payments and corporate loans

LHV Varahaldus – Most important institutional investor in Estonia. At least a 6% return on actively managed funds

LHV Kindlustus – Reliable insurance partner with the highest customer satisfaction

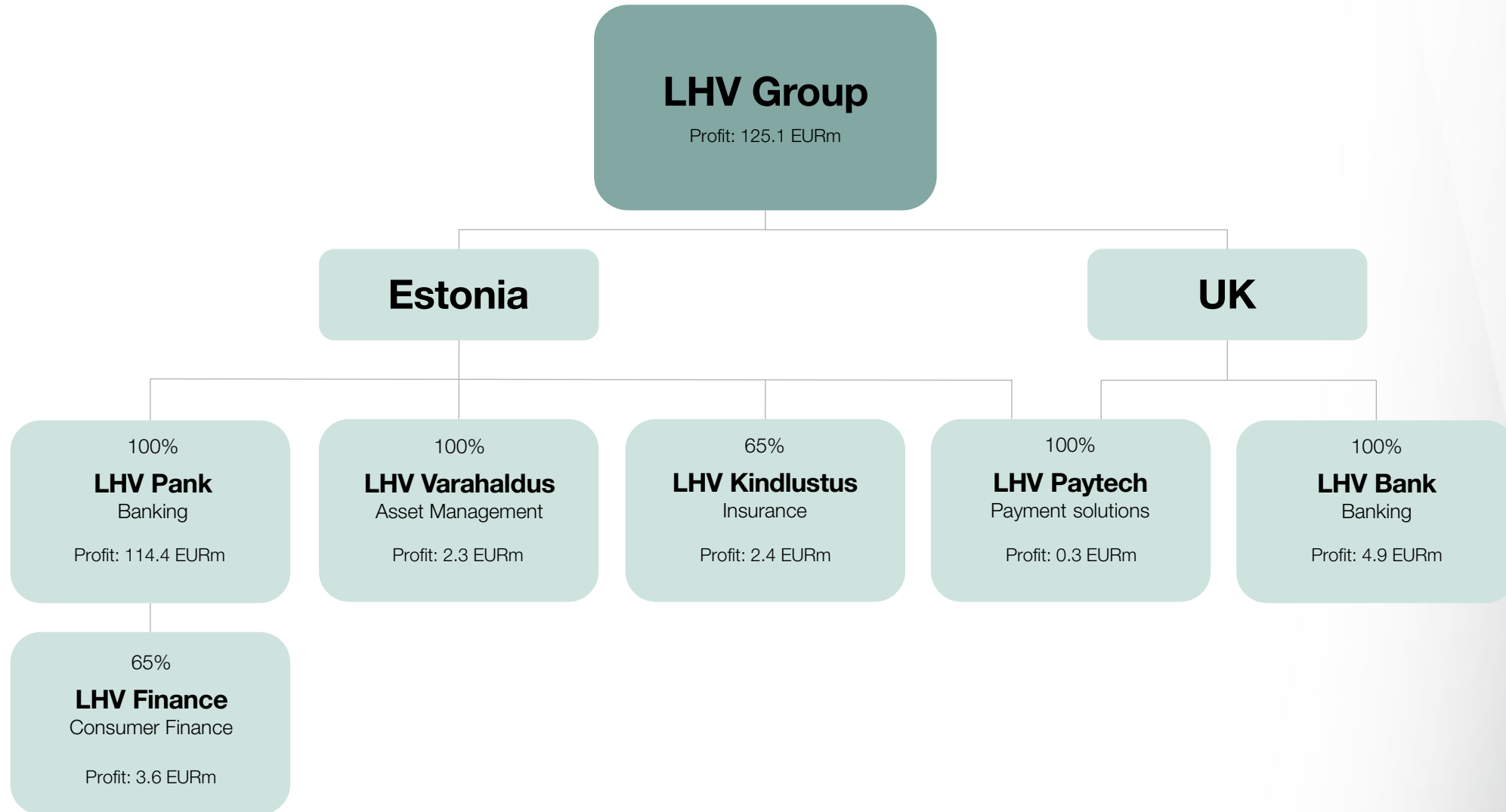
Financial projection and action plan

Growth in business volumes and activity in the whole group

Focus points

- Launching retail banking at LHV Bank
- Cloud strategy at LHV Bank
- Growth across all business lines
- Customer activation and cross-selling
- Increasing efficiency
- Implementation of artificial intelligence capabilities

LHV Group Structure



Projected profits for 2025

LHV Group – financial plan for 2025

Growth helps mitigate the impact of declining interest income

Financial results, EURt	2024	FP2025	Δ YoY	Δ %
Total revenue, incl.	338,299	312,950	-25,349	-7%
Net interest income	273,326	246,034	-27,292	-10%
Net fee and commission income	60,301	64,041	+3,740	+6%
Total expenses	146,920	149,351	+2,431	+2%
Earnings before impairment	191,379	163,599	-27,781	-15%
Impairment losses	16,256	10,234	-6,021	-37%
Earnings before taxes	175,124	153,364	-21,759	-12%
Income tax expense	24,820	28,244	+3,424	+14%
Net profit	150,304	125,120	-25,183	-17%
Attr. to shareholders	148,969	123,007	-25,962	-17%
Business volumes, EURm	2024	FP2025	Δ YoY	Δ %
Deposits from customers	6,910	7,558	+648	+9%
Loans (net)	4,552	5,345	+793	+17%
Fin.intermediaries' payments, mil. pcs	75	75	+0	+0%
Assets under management	1,558	1,735	+177	+11%
Key figures	2024	FP2025	Δ YoY	
Cost / Income ratio (C/I)	43.4%	47.7%	+ 4.3 pp	
pre-tax ROE*	28.7%	22.1%	- 6.6 pp	
ROE*	24.7%	18.1%	- 6.6 pp	
T1 capital adequacy	18.0%	17.8%	- 0.1 pp	
Total capital adequacy	20.7%	21.0%	+ 0.3 pp	

- In 2025 the decrease in base interest rates affects revenue
- Profitability will be negatively affected by changes in liability pricing, interest expense from volume growth, and higher tax rates, while supported by net fee and commission income growth and lower impairments due to an improving economic environment
- Cost growth will slow with increased efficiency
- Focus is on deposit growth. Significant growth in retail client deposits
- Capitalization remains strong

LHV Group – long-term financial plan for 2025-2029

Nearly doubling business volumes

Financial results, EURt	2024	2025	2026	2027	2028	2029	
Total income, incl.	338,299	312,950	363,848	411,713	474,661	526,017	9%
Net interest income	273,326	246,034	288,972	326,230	372,787	413,051	
Net fee and commission income	60,301	64,041	71,012	80,048	94,352	102,964	
Total expenses	146,920	149,351	154,016	157,790	165,127	173,140	3%
Operating profit	191,379	163,599	209,832	253,922	309,535	352,877	
Impairment losses on loans	16,256	10,234	17,310	20,826	21,900	24,350	
Earnings before taxes	175,124	153,364	192,522	233,097	287,635	328,527	
Income tax expense	24,820	28,244	38,553	48,383	58,450	59,987	
Net profit, incl.	150,304	125,120	153,970	184,714	229,185	268,540	12%
attr. to shareholders	148,969	123,007	150,904	180,990	224,527	262,326	
Business volumes, EURm	2024	2025	2026	2027	2028	2029	
Deposits	6,910	7,558	8,473	9,485	10,339	11,375	
Loans (net)	4,552	5,345	6,227	7,099	7,956	8,865	
Fin.intermediaries' payments, thous. pcs	75	75	75	75	76	76	
Assets under management	1,558	1,735	1,978	2,233	2,497	2,774	
Key figures	2024	2025	2026	2027	2028	2029	
Cost / income ratio (C/I)	43.4%	47.7%	42.3%	38.3%	34.8%	32.9%	
pre-tax ROE*	28.7%	22.1%	25.1%	26.8%	29.1%	29.6%	
ROE*	24.7%	18.1%	20.1%	21.2%	23.2%	24.1%	
CT1 capital adequacy	18.0%	17.8%	17.4%	18.1%	17.9%	17.5%	
Total capital adequacy	20.7%	21.0%	20.4%	20.8%	20.6%	20.3%	

- Assumptions: economic growth from 2025 onwards, rising tax rates in Estonia, a rapid decline in base interest rates until mid-2025, maintaining long-term dividend policy, optimization of capital structure, performance fee for LHV Varahaldus from year 2026
- Organic growth in all key business volumes over a 5-year period:
 - Corporate loans +1.2 bn euros
 - Home loans +1.4 bn euros
 - UK loans +1.4 bn euros
 - Pension funds +1.2 bn euros
- Revenue growth outpacing cost growth, with an increasing share of revenue from the UK. Cost growth driven primarily by rising employee and IT expenses

Broad-based business volume growth and IT system development

Focus points

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

LHV Pank – financial plan for 2025

Growth in business volumes and efficiency

Financial results, EURt	2024	FP2025	Δ YoY	Δ %
Total revenue, incl.	276,113	241,444	-34,669	-13%
Net interest income	237,050	202,338	-34,711	-15%
Net fee and commission income	36,443	38,449	+2,006	+6%
Total expenses	95,374	93,146	-2,228	-2%
Earnings before impairment	180,739	148,297	-32,442	-18%
Impairment losses	15,777	8,120	-7,657	-49%
Earnings before taxes	164,963	140,178	-24,785	-15%
Income tax expense	24,443	25,927	+1,483	+6%
Net profit, incl.	140,519	114,251	-26,268	-19%
attr. to shareholders	139,604	112,993	-26,611	-19%
Business volumes, EURm	2024	FP2025	Δ YoY	Δ %
Deposits from customers	6,294	6,595	+302	+5%
Loans (net)	4,204	4,704	+501	+12%
Key figures	2024	FP2025	Δ YoY	
Cost / Income ratio (C/I)	34.5%	38.6%	+ 4.0 pp	
pre-tax ROE*	30.4%	24.7%	- 5.8 pp	
ROE*	25.9%	20.1%	- 5.8 pp	
T1 capital adequacy	17.2%	16.9%	- 0.3 pp	
Total capital adequacy	19.9%	19.6%	- 0.3 pp	

- Continued financing of clients. Growth of Corporate Banking loans by 223 EURm, retail loans growth by 278 EURm
- Net interest income decline due to the decrease in base interest rates and delay in repricing of liabilities
- Net fee and commission income growth mainly driven by increased business volumes resulting from client activation
- Cost reduction due to changes in the deposit guarantee fund rate, lower one-time and marketing expenses, and efficiency improvements. Salary and IT expenses continue to rise
- Impairments decrease as a result of improving economic conditions

Expanding the customer base and launching new products

Focus points

- Expanding business volumes across all segments
- Adding deposits, direct debits, debit cards, and multiple currencies to the mobile bank for retail clients
- Launching a broader public communication and marketing campaign
- Adding accounts for business clients
- Applying for a consumer credit license and developing an overdraft facility as the first product
- Joining the real-time euro payments scheme and partially transitioning euro payments for financial intermediaries
- Developing additional payment collection solutions

LHV Bank – financial plan for 2025

Revenue growth driven by rapid loan portfolio expansion

Financial results, EURt	2024	FP2025	Δ YoY	Δ %
Total revenue, incl.	44,625	53,131	+8,506	+19%
Net interest income	34,715	42,005	+7,289	+21%
Net fee and commission income	9,378	11,126	+1,749	+19%
Total expenses	39,095	44,568	+5,472	+14%
Earnings before impairment	5,529	8,563	+3,034	+55%
Impairment losses	479	2,115	+1,636	+342%
Earnings before taxes	5,050	6,449	+1,399	+28%
Income tax expense	-794	1,612	+2,407	na
Net profit	5,845	4,837	-1,008	-17%
Business volumes, EURm	2024	FP2025	Δ YoY	Δ %
Deposits from customers	705	1,093	+388	+55%
Loans (net)	348	640	+292	+84%
Fin.intermediaries' payments, mil. pcs	74.8	74.9	+0	+0%
Key figures	2024	FP2025	Δ YoY	
Cost / Income ratio (C/I)	87.6%	83.9%	- 3.7 pp	
pre-tax ROE*	6.5%	7.3%	+ 0.8 pp	
ROE*	7.5%	5.5%	- 2.0 pp	
Total capital adequacy	22.5%	21.9%	- 0.6 pp	

- Rapid loan portfolio growth
- Deposit growth driven by retail banking deposits; necessary mobile banking launch at the end of 2024
- Fee and commission income growth primarily due to changes in principals of financial intermediaries' profit sharing with LHV Bank
- Positive impact of business volume growth across all client segments outweighs the negative impact of declining base interest rates
- Cost increase mainly driven by higher labor, marketing, and outsourced service expenses

LHV Varahaldus – financial plan for 2025

Growth in fund volumes and profitability

Financial results, EURt	2024	FP2025	Δ YoY	Δ %
Total revenue	8,936	9,823	+888	+10%
Total expenses	7,079	7,005	-73	-1%
Earnings before taxes	2,416	2,818	+401	+17%
Income tax expense	801	564	-236	-30%
Net profit	1,616	2,254	+638	+39%
Business volumes	2024	FP2025	Δ YoY	Δ %
Assets under management, EURm	1,558	1,735	+177	+11%
Active customers of PII funds, thous.	114	115	+1	+1%
Key figures	2024	FP2025	Δ YoY	
Cost / Income ratio (C/I)	74.6%	71.3%	- 3.2 pp	
pre-tax ROE*	12.2%	14.4%	+ 2.2 pp	
ROE*	8.2%	11.5%	+ 3.4 pp	

- In addition to strong pension fund returns, the focus is on more effective sales and communication, as well as continued growth in II pillar contributions
- Fund volumes and business revenues continue to grow, along with profitability
- Continued investment strategy clearly distinguishing itself from competitors in the market, focusing on various high-return asset classes
- We expect a significant slowdown in the growth of the benchmark index, but performance fee in 2025 is unlikely
- LHV Varahaldus has generated returns for clients totalling over half a billion euros over the years, we continue to grow customers' assets

LHV Kindlustus – financial plan for 2025

Efficient growth in sales volumes

Financial results, EURt	2024	FP2025	Δ YoY	Δ %
Insurance service revenue	34,969	41,204	+6,235	+18%
Insurance service expenses	33,035	37,474	+4,439	+13%
Net result from reinsurance contracts held	-962	-1,302	-339	+35%
Total result from insurance activities	971	2,428	+1,456	+150%
Interest income	585	642	+57	+10%
Other financial income and expense	204	0	-204	-100%
Neto investeeringute tulu	789	642	-147	-19%
Interest expense	291	301	+10	+3%
Other operating income and expense	-272	-325	-53	+19%
Earnings before taxes	1,198	2,444	+1,247	+104%
Income tax expense	0	0	+0	na
Net profit, incl.	1,198	2,444	+1,247	+104%
attr. to shareholders	778	1,589	+810	+104%
Business volumes	2024	FP2025	Δ YoY	Δ %
Contract premiums written, EURm	38	42	+4	+11%
Key figures	2024	FP2025	Δ YoY	
Net loss ratio	66.6%	65.5%	- 1.1 pp	
Net expense ratio	13.2%	13.6%	+ 0.3 pp	
pre-tax ROE*	20.3%	32.0%	+ 11.7 pp	
ROE*	20.3%	32.0%	+ 11.7 pp	

- LHV Kindlustus aims to position itself as the preferred insurance partner in the market, characterized by simplicity and speed in policy issuance, renewal, and claims handling
- Increasing sales volumes through a lower cost base and more efficient processes
- A slight adjustment in the reinsurance strategy compared to the previous period, aiming to reduce the share of risk premiums ceded to reinsurers
- Improving capital efficiency metrics

LHV Group
5 year targets

LHV Pank

Second largest bank

LHV Bank

Profitable business with
rapid growth

4,500 / 4,300 EURm

Growth in group's deposits and
loans

1,200 EURm

Growth in assets under
management of pension funds

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