

LHV Group

Financial plan 2021 update
17 August 2021

The assumptions for key drivers are presented in the comments



LHV Group – forecast

Financial plan assumptions

- Macroeconomic situation has exceeded expectations. The economy has recovered fast, customer activity is high. As a result of that:
 - grace periods of existing loans have mostly ended and customers have returned to their regular payment schedule
 - lower credit losses
 - deposits growing faster
 - income from mainly currency exchange and settlements growing faster than expected
- No significant changes can be foreseen in the macroeconomic situation
- Number of customers leaving II pillar lower than expected resulting in smaller additional amortisation
- No performance fee in Asset Management forecast
- Only expenses related to establishment planned for UK bank
- Raising of the share capital by 25.34 EURm has been added to the financial plan

LHV Group – forecast

Increase in revenue from high customer activity

Financial results, EURt	Updated FP2021	2020	Δ YoY	Previous FP2021	Δ upd. FP
Total revenue, incl.	131,500	103,547	+27,953	121,498	+10,002
Net interest income	95,100	68,492	+26,608	87,955	+7,145
Net fee and commission income	34,822	33,351	+1,471	30,777	+4,045
Other income	1,578	1,704	-126	2,766	-1,188
Total operating expenses	61,273	1,704	+59,569	60,257	+1,016
Earnings before impairment	70,227	43,975	+26,252	61,241	+8,987
Impairment losses on loans	6,357	59,572	-53,215	11,914	-5,557
Earnings before taxes	63,870	10,898	+52,972	49,327	+14,543
Income tax expense	10,019	48,674	-38,654	7,578	+2,442
Net profit	53,851	8,827	+45,024	41,749	+12,102
Net profit w/o amortisation from leaving customers	57,306	8,827	+48,479	46,160	+11,145
Attr. to shareholders	51,801	39,847	+11,954	39,465	+12,336
Business volumes, EURm	Updated FP2021	2020	Δ YoY	Previous FP2021	Δ upd. FP
Deposits from customers	5,076	4,120	+956	4,101	+975
Loans (net)	2,619	2,209	+410	2,604	+16
Assets under management	1,354	1,537	-183	1,221	+132
Key figures	Updated FP2021	2020	Δ YoY	Previous FP2021	Δ upd. FP
Cost / Income ratio (C/I)	46.6%	42.5%	+ 4.1 pp	49.6%	- 3.0 pp
pre-tax ROE*	23.3%	21.0%	+ 2.2 pp	18.7%	+ 4.6 pp
ROE*	19.6%	17.8%	+ 1.8 pp	15.8%	+ 3.8 pp
T1 capital adequacy	16.1%	15.6%	+ 0.5 pp	14.1%	+ 1.9 pp
Total capital adequacy	20.2%	20.5%	- 0.3 pp	18.2%	+ 2.0 pp

- Increase in net interest income resulting from higher customer account maintenance fees and lower interest expenses
- Increase in net fee and commission income mainly due to higher currency exchange and settlement income
- Financial plan does not include any extraordinary income nor performance fee for Asset Management
- Smaller than expected decrease in Asset Management funds' volume
- Group's ROE approaching long-term goal
- Further improvement of capital adequacy resulting from raising of the share capital and profit

LHV Bank – forecast

Profit growth from increased business volumes

Financial results, EURt	Updated FP2021	2020	Δ YoY	Previous FP2021	Δ upd. FP
Total revenue, incl.	121,653	88,519	+33,134	111,167	+10,486
Net interest income	95,585	69,046	+26,538	88,646	+6,939
Net fee and commission income	26,118	18,385	+7,733	22,178	+3,940
Other income	-49	1,088	-1,137	343	-392
Total operating expenses	46,640	36,268	+10,372	45,333	+1,307
Earnings before impairment	75,013	52,251	+22,762	65,834	+9,179
Impairment losses on loans	6,357	10,898	-4,542	11,914	-5,557
Earnings before taxes	68,656	41,353	+27,303	53,920	+14,736
Income tax expense	9,532	6,750	+2,782	7,578	+1,954
Net profit, incl.	59,124	34,603	+24,521	46,343	+12,782
Attr. to shareholders	56,843	32,514	+24,329	44,062	+12,782
Business volumes, EURm	Updated FP2021	2020	Δ YoY	Previous FP2021	Δ upd. FP
Deposits from customers	5,122	4,141	+980	4,118	+1,004
Loans (net)	2,619	2,209	+410	2,604	+16
Key figures	Updated FP2021	2020	Δ YoY	Previous FP2021	Δ upd. FP
Cost / Income ratio (C/I)	38.3%	41.0%	- 2.6 pp	40.8%	- 2.4 pp
pre-tax ROE*	28.2%	20.5%	+ 7.7 pp	22.5%	+ 5.7 pp
ROE*	24.3%	17.7%	+ 6.6 pp	19.4%	+ 4.9 pp
T1 capital adequacy	15.1%	16.2%	- 1.1 pp	14.4%	+ 0.7 pp
Total capital adequacy	17.9%	19.7%	- 1.8 pp	17.5%	+ 0.4 pp

- Increase in net interest income resulting from growth in deposits and lower interest expenses
- More expensive deposits through deposit platforms are reduced in greater extent than planned, deposits growing in other segments, financial intermediaries' deposits stabilising on 2 EURb level
- Increase in net fee and commission income due to growing business volumes in financial intermediaries' segment
- Expenses growing due to higher business volumes, however, slower than revenues
- Quality of the loan portfolio remains good and loan provisions booked last year due to COVID are reduced

LHV Asset Management – forecast

Less customers leaving II pillar than expected

Financial results, EURt	Updated FP2021	2020	Δ YoY	Previous FP2021	Δ upd. FP
Total revenue	9,135	15,578	-6,443	8,965	+170
Total expenses, incl.	10,043	6,389	+3,654	10,933	-890
Amortisation from leaving customers	3,455	0	+3,455	4,411	-956
Earnings before taxes	-908	9,189	-10,097	-1,968	+1,060
Income tax expense	1,241	844	+397	1,241	+0
Net profit	-2,150	8,345	-10,494	-3,209	+1,060
Net profit w/o amortisation from leaving customers	1,354	0	+1,354	1,221	+132
Business volumes	Updated FP2021	2020	Δ YoY	Previous FP2021	Δ upd. FP
Assets under management, EURm	1,354	1,537	-183	1,221	+132
Active customers of PII funds, thous.	142	180	-38	129	+13
Key figures	Updated FP2021	2020	Δ YoY	Previous FP2021	Δ upd. FP
Cost / Income ratio (C/I)	109.6%	42.7%	+ 66.9 pp	122.0%	- 12.4 pp
pre-tax ROE	-3.4%	34.0%	- 37.4 pp	-7.3%	+ 3.9 pp
ROE	-8.0%	30.9%	- 38.8 pp	-11.8%	+ 3.9 pp

- Lower than expected number of customers leaving II pillar reduces amortisation by 1 EURm and thus increases net profit by the same amount
- Compared to previous financial plan funds' volume by the end of the year 130 EURm higher
- Smaller number of customers leaving the second pillar increases the expected customer base, more than 140 thousand active customers of II pillar funds by the end of the year
- Larger customer base and asset volume results in a somewhat bigger management fee compared to previous financial plan

LHV Insurance – forecast

Wide product portfolio launched during the first year in business

Financial results, EURt	Updated FP2021	2020	Δ YoY	Previous FP2021	Δ upd. FP
Total revenue, incl.	1,306	0	+1,306	2,134	-828
Total operating expenses	1,966	551	+1,416	2,124	-158
Earnings before taxes	-660	-551	-110	10	-670
Income tax expense	0	0	+0	0	-0
Net profit, incl.	-660	-551	-110	10	-670
Attr. to shareholders	-429	-358	-71	6	-436
Business volumes, EURt	Updated FP2021	2020	Δ YoY	Previous FP2021	Δ upd. FP
Gross premiums	7,318	0	+7,318	13,031	-5,712
Key figures	Updated FP2021	2020	Δ YoY	Previous FP2021	Δ upd. FP
Cost / Income ratio (C/I)	150.6%	na	na	99.5%	+ 51.0 pp
pre-tax ROE*	-9.4%	-48.1%	+ 38.8 pp	0.1%	- 9.5 pp
ROE*	-9.4%	-48.1%	+ 38.8 pp	0.1%	- 9.5 pp

- Home, casco, MTPL, bank card travel insurance, extended warranty and purchase insurance have been launched. By the end of the year, travel insurance will be added to online sales channel
- 132 thousand customers and 201 thousand signed insurance contracts
- Customer satisfaction with claim handling high
- Slower than expected growth in insurance portfolio due to delayed start of sales, thus smaller than expected net earned premiums and claims volumes

LHV Group
2021 forecast

TOTAL REVENUE
131.5 EURm

+10 EURm vs current FP
Annual growth +27%

NET PROFIT
53.8 EURm

+12.1 EURm vs current FP
Annual growth +35%

19.6%

Return on
equity

Madis Toomsalu

LHV Group Managing Director
madis.toomsalu@lhv.ee

Meelis Paakspuu

LHV Group CFO
meelis.paakspuu@lhv.ee