

Company AS LHV Group
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Attachments:

- LHV Group Financial Plan 2024 EN.pdf (<http://oam.fi.ee/en/download?id=8007>)
- LHV Group Finantsplaan 2024 ET.pdf (<http://oam.fi.ee/en/download?id=8008>)

Currency

Title LHV Group financial plan for 2024 and the five-year financial forecast

According to the financial plan for 2024, LHV will respond to falling interest income this year by increasing business volumes, fee and commission income, and efficiency. However, projected write-downs and interest expenses will bring a more modest net profit compared to last year's record profit.

Key indicators	FP2024	2023	?
Profit before taxes	142.1	164.6	-14%
Net profit	120.1	140.9	-15%
Deposits	6,674	5,731	16%
Loans	4,037	3,562	13%
Volume of funds	1,668	1,519	10%
Number of payments related to financial intermediaries (million pcs)	62	47	32%
Cost/income ratio	46.4%	43.3%	+3.2 pp
ROE* (before taxes; owners' share)	24.0%	34.1%	-10.1 pp
ROE* (on net profit; owners' share)	20.3%	29.2%	-8.9 pp
Capital adequacy	22.5%	21.9%	+0.6 pp

* Calculated on the basis of the average end-of-month equity volumes for the period



Business volumes have been presented in millions of euros

The financial plan foresees a significant increase in LHV's business volumes for the current year. According to the plan, the volume of consolidated deposits will increase by EUR 943 million, i.e. 16% to EUR 6.67 billion. A significant part of the growth should come from the deposits of retail clients, both in Estonia and the United Kingdom.

LHV forecasts that the consolidated loan portfolio will increase by EUR 476 million this year, which would mark an increase of 13% and a portfolio volume of EUR 4.04 billion by the end of the year. The increase is expected to come at the expense of EUR 151 million from the growth of loans to Estonian corporate banking and EUR 105 million from the growth of retail loans. In the United Kingdom, the loan portfolio is expected to grow by EUR 220 million. The financial plan also forecasts an increase in loan impairment and write-downs to EUR 23.4 million.

The number of payments by financial intermediaries will continue to grow rapidly this year by 32% to 62 million payments. This year, LHV Bank Limited plans to join the euro payments system directly and start offering settlement services to retail clients on the United Kingdom market.

The volume of funds managed by LHV will increase by 10% in the financial plan this year to EUR 1.67 billion, i.e. by EUR 149 million. The forecast does not include earning performance fees from pension funds.

The gross premiums of LHV Kindlustus will increase by 15% to EUR 36 million in 2024. It is planned to increase the insurance portfolio in order to optimise the income base and reduce the volatility of the portfolio, as well as to improve all financial indicators.

In summary, the financial plan foresees a minimal decrease in AS LHV Group consolidation group revenues to EUR 309.1 million by 2024, mainly due to a 6% decrease in net interest income due to a decrease in interest rates, as net fee and commission income is projected to grow by 27%. The expenses will increase by 7% to EUR 143.6 million. The company's net profit for this year is forecast to be EUR 120.1 million, which means a decrease of 15% compared to the previous record year.

LHV Group's return on equity (ROE) ratio will remain at 20.3% in 2024 and the company forecasts a cost/income ratio of 46.4%. Profitability is affected by the significantly increased interest expense associated with instruments issued to meet capital requirements, the increase in net fee and commission income and loan write-downs due to the economic environment and the growth of the credit portfolio.

Although LHV's long-term dividend policy will hold, the 2024 financial plan takes into account the group's management boards proposal to the supervisory board to pay 35 per cent of the LHV Group shareholders' 2023 profit before taxes



in dividends, including income tax. That constitutes 0.13 euros per share.

Comment by Madis Toomsalu, the Chairman of the Management Board of LHV Group:
"Poorer economic prospects can be improved by investments. We want to contribute here and continue as one of the biggest financial providers of the Estonian economy. We have only just started as a bank in the United Kingdom, but we are already expecting the same growth in loan volumes as in Estonia for this year. In total, we want to increase loan volumes in the two markets by EUR 476 million in 2024. We also expect business volumes to grow from our other main businesses - payment services, pension funds, and insurance services. We also forecast an increase in fee and commission income from an increase in client activity.

Against the background of a general decrease in interest rates, we expect LHV's interest income to decrease in 2024. We want to respond to interest expenses that have grown with a lag by increasing efficiency and cost discipline. Our capital levels remain strong, but the main focus is on attracting the necessary financing for lending activities, especially in the form of deposits.

In the long term, we continue to define ourselves as a growth company. For the next five years, we have planned an increase of EUR 3.8 billion for loans, EUR 5.2 billion for deposits, and EUR 1.2 billion for funds. At the same time, we expect LHV Bank Ltd to grow three times faster than we achieved in the first five years when we started with LHV Pank in 2009.

The main keywords of the long-term plan are increased group-wide activity of the client and the broad-based use of artificial intelligence. There are already significant opportunities to use artificial intelligence in many areas today, and we plan to both search for and use these opportunities. It must keep us effective and efficient in the years to come."

Financial forecast for 2024-2028

AS LHV Group discloses its financial forecast for the next five years. In preparing the forecast, the assumptions have been made that initially the recession will continue in Estonia, but economic growth will recover from 2025, inflation will slow down, while uncertainty will remain. A significant decline in the base interest rates until mid-2025 and then stabilisation is expected. It is also assumed that LHV's dividend policy will remain, except for a one-off, larger dividend payment made in 2024, and Varahaldus will earn a performance fee from 2026.

Key indicators	FP2024	FP2025	FP2026	FP2027	FP2028
Profit before taxes	142.1	163.6	183.0	228.0	293.9
Net profit	120.1	132.3	147.5	183.0	233.8



Deposits	6,674	7,681	8,723	9,747	10,902
Loans	4,037	4,755	5,610	6,510	7,375
Volume of funds	1,668	1,900	2,160	2,432	2,716
Number of payments related to financial intermediaries (million pcs)	62	73	87	103	123
Cost/income ratio	46.4%	45.4%	44.7%	41.1%	36.8%
ROE (before taxes; owners' share)	24.0%	24.8%	24.9%	27.2%	30.6%
ROE* (on net profit; owners' share)	20.3%	20.0%	20.0%	21.8%	24.2%
Capital adequacy	22.5%	22.0%	21.5%	21.7%	22.6%

* Calculated on the basis of the average end-of-month equity volumes for the period

Business volumes have been presented in millions of euros

According to the long-term forecast, all significant business volumes of LHV will grow over the next five years. The volume of deposits will increase by 1.9 times to EUR 10.90 billion, while the volume of loans will double to EUR 7.38 billion, and the volume of funds will increase 1.8 times to EUR 2.72 billion.

With an emphasis on efficiency, it is planned to grow income faster than costs. For income, the company forecasts annual growth of 10%, while expenses will grow by an average of 6% per year. The income side is being affected by the increasing share of the income of the bank in the United Kingdom. The increase in costs will be mainly due to an increase in labour costs and IT costs. Due to changes in the economic environment and the growth in the volume of the credit portfolio, the forecast also takes into account the growth of write-downs.

According to the forecast, LHV's consolidated net profit will reach nearly EUR 233.8 million by 2028 with an average annual growth of 11%. In all years, it is planned to achieve the 20% target of return on equity (ROE). The Group's cost/income ratio will continue to decline over the next 5 years.

LHV Group will amend the financial plan for 2024 if it becomes likely that the planned net profit will differ by more than 10% from the financial plan. The company will update its five-year forecast in early 2025.

AS LHV Group's reports are available at: <https://investor.lhv.ee/en/reports>.



To introduce the financial plan, LHV will organise an investor meeting (in Estonian) on 13 February at 9.00 via Zoom, the online seminar environment. Investors and interested parties are invited to register at:
https://lhvbank.zoom.us/webinar/register/WN_9RW3tbKVTKC9ZSNi4y6mEg.

LHV Group is the largest domestic financial group and capital provider in Estonia. LHV Group's key subsidiaries are LHV Pank, LHV Varahaldus, LHV Kindlustus, and LHV Bank Limited. LHV employs more than 1,060 people. As at the end of December, LHV's banking services are being used by 417,000 clients, the pension funds managed by LHV have 123,000 active clients, and LHV Kindlustus is protecting a total of 161,000 clients. LHV Bank, a subsidiary of LHV Group, holds a banking licence in the UK and provides banking services to international financial technology companies, as well as loans to small and medium-sized enterprises.

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