MOODY'S
INVESTORS SERVICE

CREDIT OPINION
16 May 2023

Update

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RATINGS

AS LHV Pank

Domicile	Estonia
Long Term CRR	A3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Baa1
Type	LT Bank Deposits - Fgn Curr
Outlook	Positive

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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AS LHV Pank

Update to credit analysis after rating action

Summary

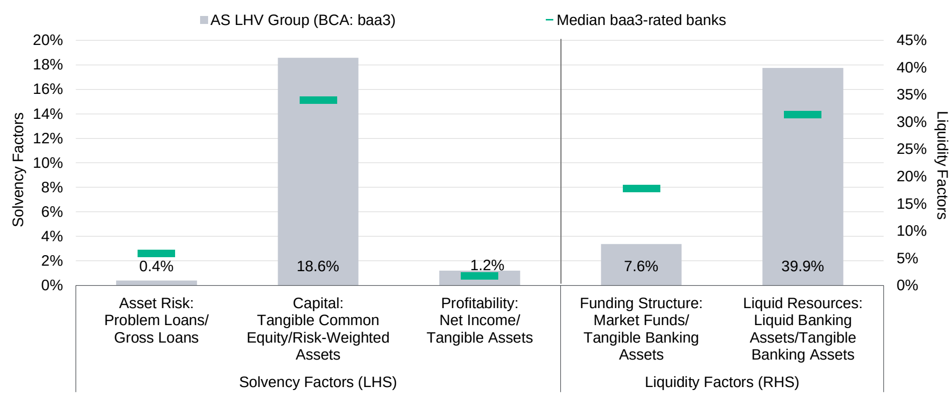
AS LHV Group (LHV Group) is the holding company of an Estonian financial services group, with AS LHV Pank (LHV Bank) as the main operating subsidiary.

LHV Bank's Baa1 deposit ratings reflect the bank's strong standalone solvency, balanced against its high growth and UK expansion, reflected in the Baseline Credit Assessment (BCA) of baa3 and two notches of uplift as indicated by Moody's Advanced Loss Given Failure (LGF) analysis.

LHV Group's Baa3 issuer and senior unsecured ratings reflect the lower ranking of the holding company's senior liabilities than those of the bank, which results in a moderate loss rate in the LGF, placing the ratings at the same level as the BCA.

The outlook on LHV Pank's long-term deposit ratings is positive, reflecting a potential one notch increase in LGF if balance sheet growth remains moderate and the level of subordinated debt is maintained.

Exhibit 1
Rating Scorecard - Key financial ratios
LHV Group data (Consolidated Financials)



These represent our Banks Methodology scorecard ratios. The problem loan and profitability ratios are the weaker of the average of the latest three year-end ratios and the latest reported ratio. The capital ratio is the latest reported figure. The funding structure and liquid resources ratios are the latest year-end figures.
Source: Moody's Investors Service

Credit strengths

» Strong digital capabilities, which result in good cost efficiency

» Strong liquidity and good market access, given the bank's successful issuance of subordinated debt and covered bonds

Credit challenges

» High loan growth indicates a high portion of unseasoned loans, which may lead to higher losses in a downturn

» Expansion in the UK small and medium-sized enterprise (SME) segment adds uncertainties regarding strategy, capitalisation and profitability

» Services to financial intermediaries increase balance sheet volatility and operational risks

Outlook

The positive outlook on LHV Pank’s long-term deposit ratings reflects a potential increase in the assigned LGF notching, in line with the current indication of three notches of uplift. Moody’s expects that the LGF will stabilize at three notches due to a slower growth of tangible banking assets and some additional issuances of MREL eligible liabilities over the coming 12 to 18 months.

The stable outlook on the senior and issuer ratings of LHV Group takes into account that the anticipated change in volume of more junior ranking instruments will not result in further rating uplift for these obligations.

Factors that could lead to an upgrade

» LHV Pank's and LHV Group’s ratings could be upgraded if the BCA is upgraded, which could occur if the stronger solvency is maintained combined with a reduction in business model risk as pace of loan growth slow and assets demonstrate resilience through the cycle. Furthermore, a balanced growth of volatile deposits needs to be matched by sufficient liquid assets, which has until date been the banks approach. more balanced growth of deposits related to financial intermediaries .

» Furthermore, LHV Pank’s deposit ratings could be upgraded if Moody’s forward looking view of LGF is maintained at three notches, which occurs when the volume of subordinated instruments is maintained above 8% of tangible banking assets share of loss absorbing liabilities increase as a share of tangible banking assets, likely as a result of more stable and lower volumes of deposits from financial intermediaries compared with previous years.

Factors that could lead to a downgrade

» The ratings could be downgraded in case of a significant deterioration in the BCA as a result of lower solvency ratios as a result of increasing asset risk, or if operational risk relating to its services to financial intermediaries increases substantially, for example because of materialising weaknesses in anti-money laundering monitoring; or lower volumes of liquid resources, leading to reduced liquidity buffers compared with the increasing volume of more volatile funding sources such as senior debt.

» Furthermore, lower levels of loss absorbing obligations could lead to a lower uplift of LHV Pank’s deposit ratings, as indicated by the advanced LGF analysis.

Key indicators

Exhibit 2

AS LHV Group (Consolidated Financials) [1]

	03-23[2]	12-22[2]	12-21[2]	12-20[2]	12-19[2]	CAGR/Avg.[3]
Total Assets (EUR Million)	6,090.5	6,135.0	6,844.9	4,971.4	3,031.9	23.9[4]
Total Assets (USD Million)	6,617.1	6,547.6	7,756.0	6,082.8	3,403.3	22.7[4]
Tangible Common Equity (EUR Million)	415.2	389.8	300.9	218.0	182.3	28.8[4]
Tangible Common Equity (USD Million)	451.1	416.0	341.0	266.8	204.6	27.5[4]
Problem Loans / Gross Loans (%)	0.2	0.2	0.6	0.6	0.2	0.4[5]
Tangible Common Equity / Risk Weighted Assets (%)	18.6	17.1	15.6	14.4	13.5	15.8[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	1.8	1.8	5.0	5.4	1.8	3.2[5]
Net Interest Margin (%)	3.7	2.0	1.6	1.8	2.0	2.2[5]
PPI / Average RWA (%)	6.7	3.9	4.4	4.2	3.2	4.5[6]
Net Income / Tangible Assets (%)	2.2	1.0	0.9	0.8	0.9	1.2[5]
Cost / Income Ratio (%)	44.8	51.7	46.4	42.5	53.2	47.7[5]
Market Funds / Tangible Banking Assets (%)	6.9	7.6	6.2	6.9	0.9	5.7[5]
Liquid Banking Assets / Tangible Banking Assets (%)	41.6	39.9	57.6	47.5	42.3	45.8[5]
Gross Loans / Due to Customers (%)	65.1	65.9	46.4	54.0	63.0	58.9[5]

[-] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

Profile

AS LHV Group is the fourth-largest financial services group in Estonia, with a market share of 13.5% in terms of assets as of the end of March 2023, and is considered a domestic systemically important institution. LHV Group wholly owns the subsidiary LHV Bank and, additionally, consolidates AS LHV Varahaldus, the second-largest pension fund manager in Estonia; LHV UK Limited, its UK subsidiary established in 2020; AS LHV Kindlustus (insurance), in which it holds a 65% stake; and AS LHV Finance, in which it also holds a 65% stake. In addition, the group acquired 100% of EveryPay AS shares during the first quarter of 2022. LHV Group's assets totalled €6,091 million as of March 2023, and LHV Bank accounted for around 99% of the group's assets. We base our analysis on the consolidated figures of the group, considering that these are a good representation of the bank's performance.

LHV Group was established in 1999 as an investment union offering brokerage and portfolio management services by Rain Lõhmus and Andres Viisemann. The addition of pension fund management services in 2005 led to the creation of LHV Group, and a full banking licence was obtained in 2009 when LHV Bank started offering banking products. In 2016, LHV Group's shares were listed on the Nasdaq Tallinn Stock Exchange.

Rain Lõhmus owned a 21.8% stake in AS LHV Group and Andres Viisemann owned an 11.3% stake as of the end of December 2022, while other shareholders' individual interests do not exceed 3.9% each.

Recent developments

On 03 May 2023 AS LHV Group announced that its subsidiary, LHV UK Limited, has been granted a banking license from the United Kingdom's Prudential Regulation Authority (PRA). The company will operate in the UK under the new name, LHV Bank Limited (LHV Bank). LHV Group now comprises two licensed banks, LHV Pank in Estonia and LHV Bank in the UK. A banking license enables LHV Bank to start taking deposits in the UK as a separate, authorised and regulated bank. Until now, LHV operated in the UK under the temporary permissions regime as a branch of Estonian-headquartered retail bank AS LHV Pank. In the coming months, LHV will move all UK-related operations from the UK branch of LHV Pank to LHV Bank Limited. Once the transfer is complete, the UK branch of LHV Pank will be deregistered, and LHV Bank will continue to operate as a separate entity.

On 3 October 2022, Bank North Limited (Bank North) announced that it was unsuccessful in gathering additional capital to meet its regulatory capital requirements and will therefore unwind. On 11 October 2022, LHV UK Limited, a subsidiary of LHV Group, announced that it had made an offer to Bank North to acquire its SME lending business. With this move, LHV UK Limited entered the UK SME lending market. The acquisition of the business included the loan portfolio of around £17.9 million, 20 employees, and IT systems for managing customer relationships and the loan portfolio, alongside agreements with commercial brokers. The transaction was financed with LHV's own funds.

In April 2022, LHV Group acquired 100% of EveryPay shares for €8 million, a platform focused on payment methods, which will strengthen the group's e-commerce segment. The payment was made by a share exchange; EveryPay shareholders received new shares issued by LHV Group.

Detailed credit considerations

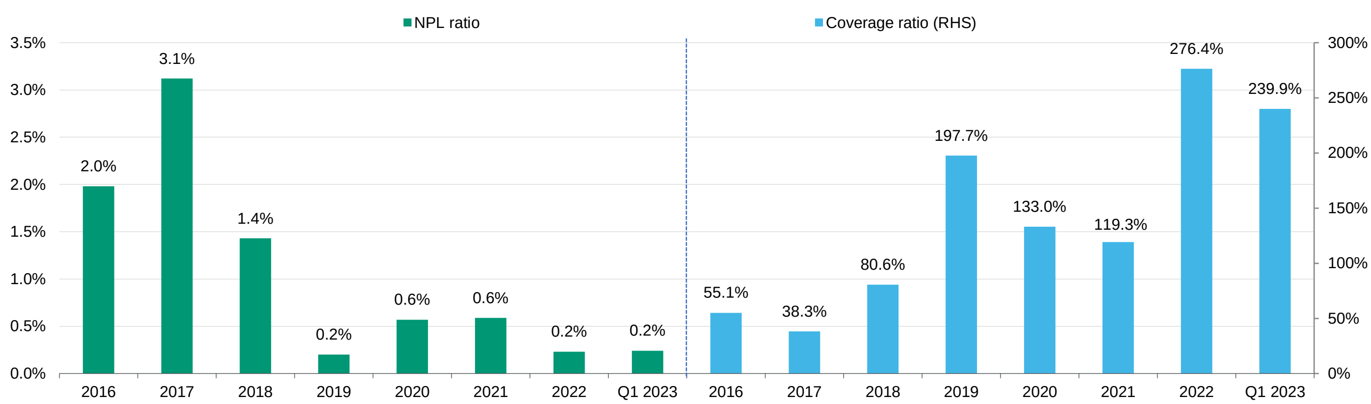
An increasingly diversified loan portfolio is credit positive, while high loan growth weighs on asset quality

After the 8% recovery of Estonia's economy in 2021 and a contraction in 2022, we expect a modest contraction in 2023 driven by the lasting effects of high inflation, interest rate hikes, supply chain constraints and still relatively high uncertainty stemming from Russia's invasion of Ukraine. Some corporate borrowers and financially weaker households will likely experience financial difficulties as a result, eroding Estonian banks' asset quality and triggering an increase in loan loss provisions.

Amid the economic recovery from the effects of the coronavirus pandemic, LHV Bank's problem loans improved to 0.2% of gross loans as of March 2023 from 0.6% as of December 2021 (see Exhibit 3). The low level of problem loans is a result of the acquisition of low-risk mortgages and limited legacy exposures. However, the bank's high loan growth caps our asset risk assessment. Asset quality is likely to remain high in 2023, although a slight increase in problem loans and provisions for credit losses is likely because of the high inflationary environment.

LHV Bank's lending portfolio comprised 53% corporate and SME loans, and 47% retail and mortgage loans as of March 2023, including the acquired Estonian mortgage portfolio of Danske Bank. The bank has been growing rapidly over a number of years, both organically and through the acquisition of Danske Bank's mortgage portfolio (completed in two tranches in November 2019 and October 2020), resulting in a threefold increase in the loan portfolio over the past four years. LHV Bank's high and above-market-average organic loan growth of around 20% in the past four years (systemwide Estonian loan growth is in the single-digit percentages) indicates a high portion of unseasoned loans, which we expect to lead to higher losses in a downturn. However, we consider the portfolio of mortgage and public sector loans acquired from Danske Bank low risk.

Exhibit 3
Asset quality of LHV Group



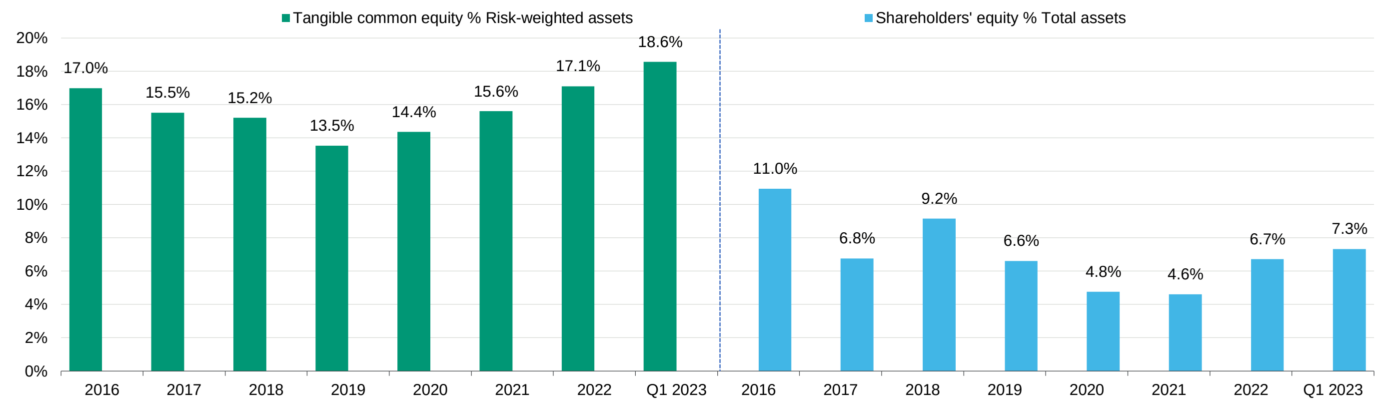
The ratios for 2018 and onwards follow the IFRS 9 reporting standards.
Sources: LHV's financial reports and Moody's Investors Service

LHV Group aims to grow in the fintech payment services' sector through its UK operations. Although the bank has the opportunity to carve out a niche in servicing the fintech sector, being a first mover in this market adds to operational risk. Although LHV Bank has rigorous onboarding routines, high transaction volumes stemming from the fintech companies' customers will require extra due diligence. In addition, LHV Group is planning to grow its UK SME segment once necessary licences are obtained. Although LHV aims to grow organically with prudent underwriting standards, the expansion increases credit and operational risks for the bank.

Strong capitalisation despite fast growth

LHV's Moody's-adjusted risk-weighted capitalisation has improved, with its TCE/RWA increasing to 18.6% as of March 2023, from 17.1% as of December 2022 and 15.6% as of December 2021 (see Exhibit 4). The leverage ratio (shareholders' equity/total assets) has deteriorated gradually since 2016 as balance sheet growth has been greater than the increase in TCE, driven by both loan growth and deposit inflow. However, because of bank's high profit in 2022 and Q1 2023, driven by a higher net interest margin following the repricing of floating rate loans, growth in TCE outpaced asset growth in both 2022 and Q1 2023. This translated into an improvement in the leverage ratio to 7.3%, back to the pre-pandemic level.

Exhibit 4
Capital adequacy levels are supportive of balance-sheet growth



Sources: LHV's financial reports and Moody's Investors Service

As of March 2023, the group's Common Equity Tier 1 (CET1) capital ratio and total capital ratio were 16.35% and 22.17%, respectively. These levels were comfortably above the regulatory requirements of 11.91% for the CET1 ratio and 16.90% for the total capital ratio. Regulatory requirements include a 2.0% buffer for other systemically important institutions, given the recognition of LHV Group as a domestic systemically important institution by the Estonian Financial Supervision Authority (FSA). The systemic risk buffer was temporarily lowered to 0% from 1% in May 2020 in response to the pandemic-induced crisis. The Estonian FSA has not restored the buffer yet.

Higher interest rates will support strong profitability

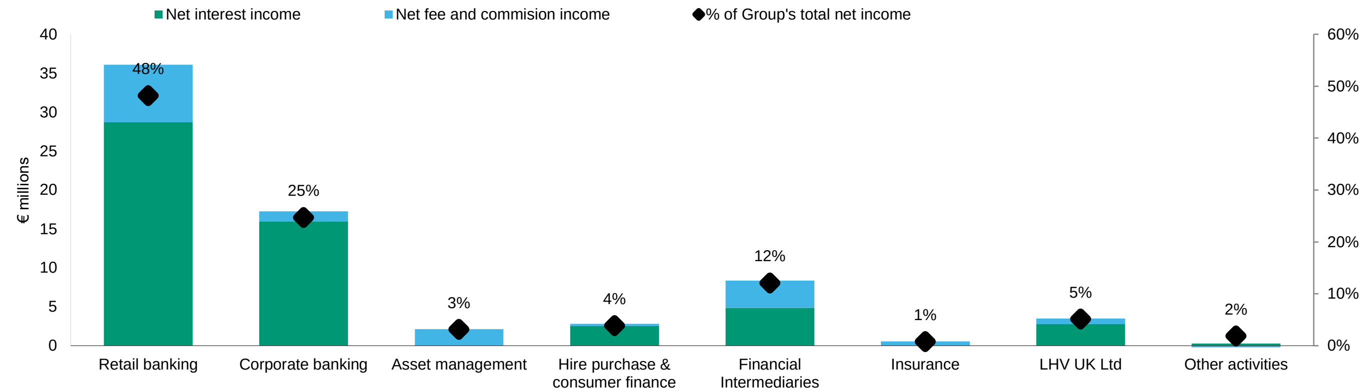
LHV Group includes the profitable segments of corporate and retail banking, consumer finance and financial intermediary servicing, as well as the less profitable asset management, insurance and UK operations (see Exhibit 5). LHV is small in terms of physical presence, with only three branches in Estonia as of March 2023 and one branch in the UK, and is characterised by a high degree of digitalisation. The bank has grown from about 13,000 bank customers in 2009 to 391,000 as of March 2023.

LHV Group's net income increased by 167% to €33.1 million in first three months of 2023 from €12.4 million during the same period in 2022, supported by high business volumes and increased interest rates. The growth in net income in 2022 was more modest, ending at 2% increase as of December 2022 comparing to December 2021. Due to a jump in net interest income and a slowdown in loan growth net income/tangible assets increased to historically high 2.2% in Q1 2023 from 0.8% in Q1 2022 and 1% in 2022. Loan loss provisions declined to -4.4% of pre-provision income (€-1.7 million) in first three months of 2023 from 4.6% (€0.7 million) during the same period in 2022.

Exhibit 5

LHV Group's income types by segment and their contribution to profit in first three months of 2023

As measured by net interest income and net fee and commission income (LHS, in € millions) and each segment's net income as a proportion of total Group's net income (RHS, in %)

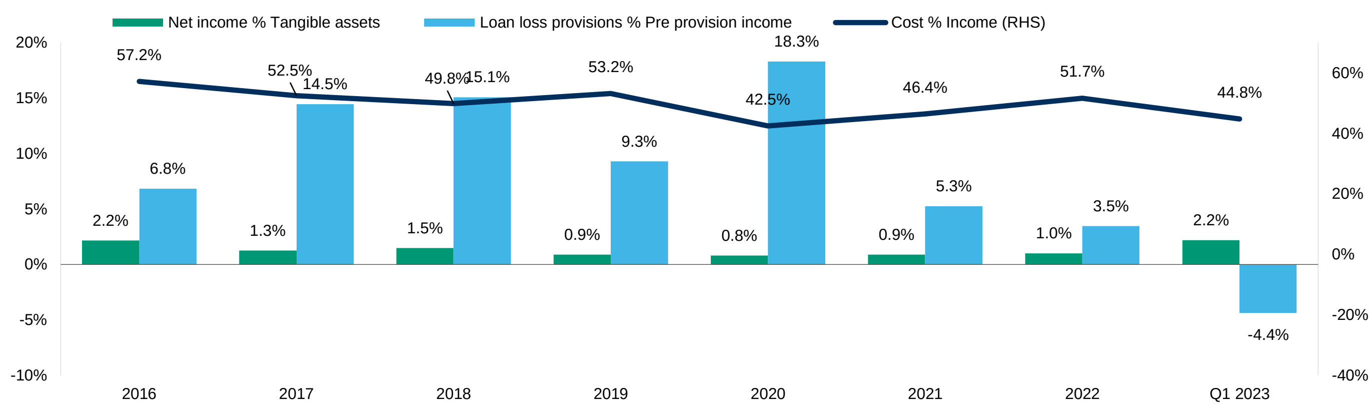


Sources: LHV's financial reports and Moody's Investors Service

While the scalability of LHV's banking platform is a strength, with its cost-to-income ratio improving to 45% during first three months of 2023 from 63% in 2015, the group's expansion plans, with higher costs relating to its UK operations and its insurance segment, together with high inflation, led to a deterioration in efficiency during 2022 (see Exhibit 6). As of Q1 2023, the insurance and UK operations bore losses of €3.0 million, compared with losses of €2.1 million in Q1 2022. In addition, in the "other activities" segment, which can be regarded as head office activities, the cost base increased to €2.8 million in Q1 2023 from -€0.1 million in Q1 2022. However, net interest income for the group increased to €55 million in Q1 2023 from €26 million in Q1 2022, sufficiently offsetting higher costs.

Exhibit 6

LHV Group's profitability and efficiency



Source: LHV's financial reports and Moody's Investors Service

We expect the expansion into the UK SME segment to add strain on cost efficiency during the next 12-18 months, but the significant increase in net interest margins to more than offset the higher cost base. We expect the bank's profitability in terms of net income/ tangible assets to remain around 1.5% during the next 12-18 months.

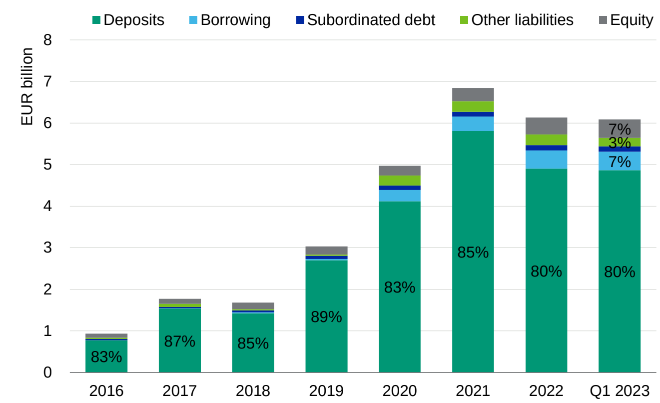
A high share of liquid funds is necessary to manage volatile deposits from financial intermediaries

LHV Bank's assets were primarily funded through deposits as of the end of March 2023 (see Exhibit 7), predominantly corporate and financial intermediary deposits (see Exhibit 8).

In September 2021, LHV Group completed the issuance of a senior unsecured bond for the amount of €100 million and an additional tap issuance of €100 million in November 2022. In June 2020, the bank successfully completed its inaugural issuance of a €250 million covered bond. The new instruments enabled the bank to attract international investors, and, thereby, diversify its funding sources and reduce its reliance on deposit platforms. As a result, LHV repaid almost all deposits collected from deposit platforms in 2022 (the amount outstanding in 2021 was €209 million), and only a small amount of rollovers with minimal rates remain. Deposits sourced from deposit platforms such as Raisin in Germany are generally more costly than local deposits and covered bonds, and have primarily been used as a short-term solution to finance the acquired Danske Bank portfolio.

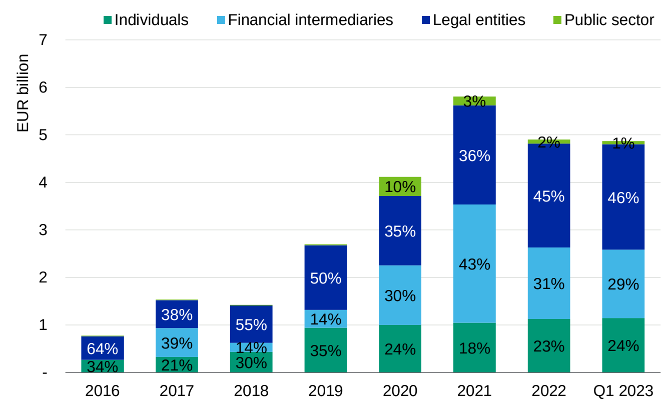
Deposits from financial intermediaries, mainly comprising fintech companies specialising in payments or cryptocurrencies, can be highly volatile. As a result, the bank maintains 100% liquidity coverage for these deposits at all times. Although LHV manages the volumes of deposits through pricing and other contracts, the volume of deposits from financial intermediaries is difficult to forecast and adds to balance-sheet volatility. Nevertheless, LHV managed to considerably reduce the volume of these deposits to €1.4 billion as of March 2023 from €2.5 billion in December 2021. The key driver is the increased distribution of deposits across banks by the largest customers due to policy shifts post events in US regional banks. As we don't expect the largest customers to increase their deposits at LHV beyond current volumes in the next 12 to 18 months, the deposit base becomes more granular, and thus also less volatile.

Exhibit 7
Funding breakdown for LHV Group
As a percentage of total assets



Sources: LHV's financial reports and Moody's Investors Service

Exhibit 8
Deposit breakdown by customer type
As a percentage of total deposits

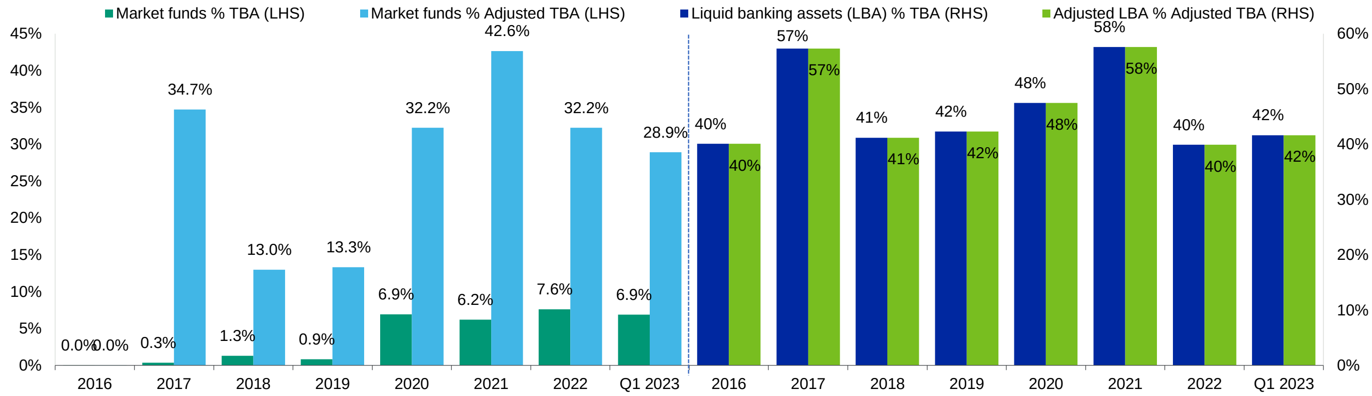


Source: LHV's financial reports and Moody's Investors Service

The group's market funds accounted for 6.9% of tangible banking assets as of the end of March 2023, significantly lower than the 17.8% global median for banks with baa3 BCAs. To better asses LHV's market funding, we include the inherently volatile deposits from the financial intermediaries in our assessment of market funds for the bank. Given that these deposits are highly volatile, LHV holds liquid reserves in the amount of 100% of the deposits value. To correctly assess LHV's liquidity and funding profile, we make no adjustments to the liquid assets (see Exhibit 9).

The Market Funding score is adjusted down by four notches to reflect the adjusted ratio.

Exhibit 9
Funding and liquidity



The adjusted metrics exclude the deposits from financial intermediaries.
Sources: LHV's financial reports and Moody's Investors Service

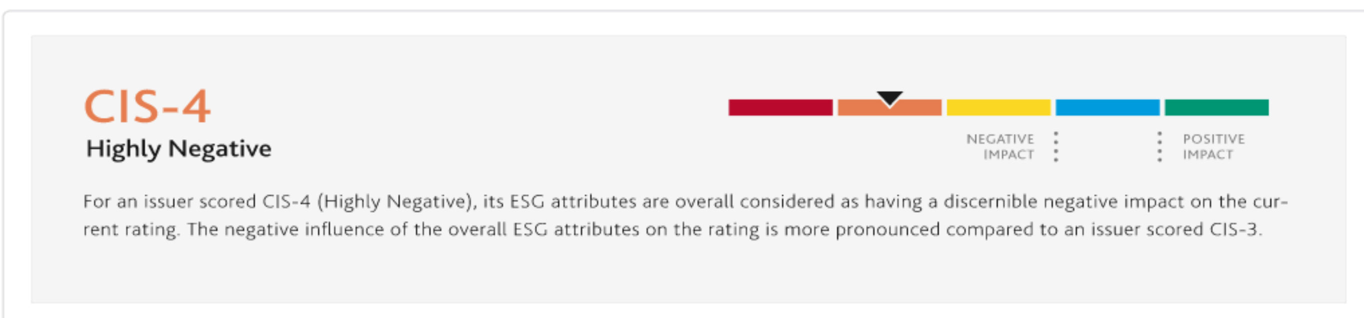
LHV's liquid assets accounted for 41.6% of tangible banking assets as of the end of March 2023 (2022: 40%), comfortably above the 31.3% global median for banks with baa3 BCAs. Cash and interbank placements constituted nearly 100% of liquid assets as of March 2023.

However, a part of cash placements cover intermediary deposits which are highly volatile. The one notch negative adjustment to the Liquid Assets score reflects this volatility risk.

ESG considerations

AS LHV Pank's ESG Credit Impact Score is Highly Negative CIS-4

Exhibit 10
ESG Credit Impact Score



Source: Moody's Investors Service

LHV Pank's ESG Credit Impact Score is highly negative (CIS-4). The score reflects the impact on the bank's ratings from rising governance risks associated with LHV's unfunded expansion entry into SME UK market through the acquisition of defunct Bank North's operations, in addition to its strategy to service UK financial intermediaries, which limits transparency regarding the nature and stability of deposits. Environmental and social factors have had a limited credit impact on the company's credit profile to date.

Exhibit 11
ESG Issuer Profile Scores

Source: Moody's Investors Service

Environmental
LHV Pank faces moderate environmental risks primarily because of its portfolio exposure to carbon transition risk as a diversified bank. In line with its peers, the bank is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, LHV is developing its climate risk and portfolio management capabilities.

Social
LHV Pank faces high industry-wide social risks related to customer relations and associated regulatory and litigation risks, requiring high compliance standards. These risks are mitigated by the bank's developed policies and procedures. High cyber and personal data risks are mitigated by the bank's investments in its IT framework.

Governance
LHV Pank faces high governance risks related to financial strategy and risk management, following its decisions to expand its SME lending operations in the UK through the former operations of Bank North, adding new credit risks as well as triggering increased capital needs and higher costs. The high risks to financial strategy and risk management also reflect the limited transparency regarding the nature and stability of deposits from financial intermediaries. To support its growth strategy to date, to become a leading Estonian banking group, LHV has successfully conducted a number of rights issues. The group has a clear and simple organizational structure, is listed on the Nasdaq Baltic stock exchange and has frequent and consistent reporting. Two of the founders hold large minority stakes in the group, together owning approximately 33% of shares, but the associated governance risks are mitigated by Estonia's developed institutional framework.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Loss Given Failure analysis
We apply our Advanced LGF analysis to LHV because the institution is subject to the EU Bank Resolution and Recovery Directive (BRRD), which we consider an operational resolution regime. For this analysis, we assume equity and losses at 3% and 8%, respectively, of tangible banking assets in a failure scenario. We also assume a 25% run-off of junior wholesale deposits, a 5% run-off in preferred deposits and a 26% proportion of junior deposits. These are in line with our standard assumptions.

LHV Group's senior unsecured debtholders will face moderate loss given failure based on our assessment that holding company senior liabilities are junior to the bank's senior liabilities, resulting in no uplift above the BCA.

LHV Group's senior unsecured debt rating does not benefit from any uplift from the LGF analysis, resulting in a Baa3 rating, in line with the standalone assessment.

LHV Bank's junior depositors are likely to face very low loss given failure because of the large buffers of loss-absorbing liabilities, primarily at the holding company level. LHV Group's deposits are rated two notches above the baa3 Adjusted BCA, in light of a significant buffer of liabilities eligible for bail-in. LHV Bank's deposit ratings incorporate two notches of LGF uplift from the bank's Adjusted BCA of baa3, resulting in a deposit rating of Baa1.

Government support considerations

LHV Group's rating reflects our low government support assumption, resulting in no uplift. The level of support assumption is driven by Estonia's adoption of the BRRD, whereby creditors and investors are likely to bear the cost of failures. In addition, although LHV Group is the fourth-largest banking group in Estonia and has a certain degree of interconnectedness, its deposits account for 14% of the market, which — in the context of Estonia being a small, open economy — does not constitute a reason to incorporate government support uplift into the ratings.

Counterparty Risk Ratings (CRRs)

LHV Bank's CRRs are A3/Prime-2

LHV Bank's CRRs are A3/Prime-2, incorporating three notches of uplift from the LGF analysis, given the considerable amount of debt outstanding that is junior to the CRR obligations.

Counterparty Risk (CR) Assessments

LHV Bank's CR Assessments are A3(cr)/Prime-2(cr)

LHV Bank's CR Assessments are A3(cr)/Prime-2(cr), based on the buffer against default provided to the senior obligations represented by the CR Assessment by subordinated instruments. The main difference between the CR Assessment and our Advanced LGF approach used to determine instrument ratings is that the CR Assessment captures the probability of default on certain senior obligations, rather than the expected loss. Therefore, we focus purely on subordination and take no account of the volume of the instrument class.

Sources of facts and figures cited in this report

Unless noted otherwise, we have sourced data relating to systemwide trends and market shares from the Estonian central bank. Bank-specific figures originate from banks' reports and Moody's Banking Financial Metrics. All figures are based on our own chart of account and may be adjusted for analytical purposes. Please refer to Financial Statement Adjustments in the Analysis of Financial Institutions, published on 9 August 2018.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 12

AS LHV Group

MACRO FACTORS						
WEIGHTED MACRO PROFILE	STRONG -	100%				

FACTOR	HISTORIC RATIO	INITIAL SCORE	EXPECTED TREND	ASSIGNED SCORE	KEY DRIVER #1	KEY DRIVER #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	0.4%	aa3	↔	ba1	Loan growth	Operational risk
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	18.6%	aa3	↓	a2	Expected trend	
Profitability						
Net Income / Tangible Assets	1.2%	baa2	↑↑	baa1	Expected trend	
Combined Solvency Score		a1		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	7.6%	a3	↓↓	ba1	Expected trend	Deposit quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	39.9%	a3	↑	baa1	Quality of liquid assets	
Combined Liquidity Score		a3		baa3		
Financial Profile				baa2		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				-1		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint				A1		
BCA Scorecard-indicated Outcome - Range				baa2 - ba1		
Assigned BCA				baa3		
Affiliate Support notching				0		
Adjusted BCA				baa3		

BALANCE SHEET	IN-SCOPE (EUR MILLION)	% IN-SCOPE	AT-FAILURE (EUR MILLION)	% AT-FAILURE
Other liabilities	690	11.4%	1 186	19.5%
Deposits	4 864	80.2%	4 368	72.0%
Preferred deposits	3 600	59.3%	3 420	56.4%
Junior deposits	1 265	20.8%	949	15.6%
Senior unsecured holding company debt	200	3.3%	200	3.3%
Dated subordinated holding company debt	75	1.2%	75	1.2%
Preference shares(holding company)	55	0.9%	55	0.9%
Equity	182	3.0%	182	3.0%
Total Tangible Banking Assets	6 066	100.0%	6 066	100.0%

DEBT CLASS	DE JURE WATERFALL		DE FACTO WATERFALL		NOTCHING		LGF NOTCHING GUIDANCE VS. ADJUSTED BCA	ASSIGNED LGF NOTCHING	ADDITIONAL NOTCHING	PRELIMINARY RATING ASSESSMENT
	INSTRUMENT VOLUME + SUBORDINATION	SUB-ORDINATION	INSTRUMENT VOLUME + SUBORDINATION	SUB-ORDINATION	DE JURE	DE FACTO				
Counterparty Risk Rating	24.1%	24.1%	24.1%	24.1%	3	3	3	3	0	a3
Counterparty Risk Assessment	24.1%	24.1%	24.1%	24.1%	3	3	3	3	0	a3 (cr)
Deposits	24.1%	8.4%	24.1%	8.4%	3	3	3	2	0	baa1
Senior unsecured holding company debt	8.4%	5.1%	8.4%	5.1%	0	0	0	0	0	baa3

INSTRUMENT CLASS	LOSS GIVEN FAILURE NOTCHING	ADDITIONAL NOTCHING	PRELIMINARY RATING ASSESSMENT	GOVERNMENT SUPPORT NOTCHING	LOCAL CURRENCY RATING	FOREIGN CURRENCY RATING
Counterparty Risk Rating	3	0	a3	0	A3	A3
Counterparty Risk Assessment	3	0	a3 (cr)	0	A3(cr)	
Deposits	2	0	baa1	0	Baa1	Baa1
Senior unsecured holding company debt	0	0	baa3	0	Baa3	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 13

Category	Moody's Rating
AS LHV PANK	
Outlook	Positive
Counterparty Risk Rating	A3/P-2
Bank Deposits	Baa1/P-2
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	A3(cr)/P-2(cr)
PARENT: AS LHV GROUP	
Outlook	Stable
Issuer Rating -Dom Curr	Baa3
Senior Unsecured -Dom Curr	Baa3

Source: Moody's Investors Service

REPORT NUMBER 1363189

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Moody's
INVESTORS SERVICE