# **LHV** Group

Financial plan 2019-2023 July 25, 2019

The assumptions for key drivers are presented in the comments

# Strategy



## LHV Group today

### Largest and fastest growing financial group and capital provider in Estonia

Fourth-largest bank in Estonia Second-largest pension fund manager in Estonia 4.8 EURb of customer assets

## LHV Group Strategy

Solid growth in corporate loans

- Best skills in structuring
- Local and swift decision making

Increase in private customer base and activity

- Strong growth in home loans
- Beneficial everyday banking
- ATM network covering whole Estonia
- Best service

First choice in investment services

Complete product portfolio, investor education

Relevant partner for financial intermediaries

- Comprehensive product portfolio
- Real-time pound payments

Pension funds with best returns

Development of Estonian capital markets



BEST BANK IN CUSTOMER SERVICE EMPLOYER OF DREAMS - 9th PLACE BEST INVESTOR RELATIONS ASDAQ BALTIC AWARDS - BEST MEMBER

# Historically rapid growth

## LHV Group Business volumes have multiplied in past 5 years

Financial results, EURt	2014	2015	2016	2017	2018	6m 2019	
Total income, incl.	33,600	41,265	50,558	58,523	70,024	35,784	20%
Net interest income	20,343	23,232	29,976	35,502	39,770	22,573	
Net fee and commission	12,772	14,665	19,186	22,180	26,002	12,838	
Total expenses	21,738	24,241	28,914	31,945	33,807	18,508	12%
Operating profit	11,862	17,024	21,644	26,578	36,217	17,276	
Impairment losses on loans	2,644	1,367	1,480	3,154	5,269	1,649	
Earnings before taxes	9,218	15,656	20,164	23,424	30,947	15,627	
Income tax expense	-449	869	270	1,248	3,758	2,963	
Net profit, incl.	9,667	14,787	19,894	22,176	27,190	12,664	30%
attr. to shareholders	9,203	13,705	17,816	19,601	25,237	11,788	
Business volumes, EURb	2014	2015	2016	2017	2018	6m 2019	
Deposits	459	617	777	1,537	1,422	2,083	
Loans (net)	316	410	538	732	919	1,118	
Assets under management	504	570	974	1,103	1,214	1,294	
Key figures	2014	2015	2016	2017	2018	6m 2019	
Cost / income ratio (C/I)	64.7%	58.7%	57.2%	54.6%	48.3%	51.7%	
pre-tax ROE*	20.3%	22.9%	20.8%	18.6%	20.9%	18.4%	
ROE*	21.4%	21.8%	20.7%	17.6%	18.4%	15.0%	
CT1 capital adequacy	17.6%	16.0%	15.1%	14.0%	13.6%	14.0%	
Total capital adequacy	22.8%	23.4%	20.7%	18.3%	19.4%	19.2%	

- Both deposits and loans have more than tripled in the past five years.
  Funds volume has increased 2.5 times
- 5y average increase in revenues: 20% and expenses: 12%
- In 2018, record growth in loans and regular customer deposits. Record volumes in pension funds and private banking. Customer activity at all time high
- Group loan activity has been conservatively financed by deposits. Amount of deposits exceeds loans by 503 EURm
- Pre-tax ROE has generally been close to 20%

<sup>6</sup> \* ROE is based on LHV Group profit and equity attributable to the owners of AS LHV Group

LHV Group 6 month 2019 in brief

> 12.7 EURm Net profit

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**19.8%** pre-tax ROE

Best bank in Estonia Euromoney **8,600** Bank customer increase

# Financial projection 2019-2023

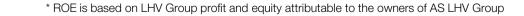


# LHV Group – long-term forecast

## Capital enriching high-value and high-quality growth in all business areas

Financial results, EURt	2019	2020	2021	2022	2023	
Total revenue, incl.	72,899	95,889	116,206	135,105	154,918	21%
Net interest income	48,150	66,708	80,010	93,105	105,516	
Net fee and commission inco	24,216	28,786	35,872	41,696	49,088	
Total operating expenses	37,525	42,420	47,264	51,744	56,387	11%
Operating profit	35,374	53,469	68,942	83,361	98,531	
Impairment losses on loans	5,742	8,291	10,417	12,328	13,959	
Earnings before taxes	29,631	45,178	58,525	71,033	84,572	
Income tax	4,059	5,973	8,494	9,913	12,049	
Net profit, incl.	25,572	39,204	50,031	61,119	72,523	30%
attr. to shareholders	23,482	36,980	47,472	58,315	69,559	
Business volumes, EURm	2019	2020	2021	2022	2023	
Deposits from customers	2,605	2,968	3,390	3,902	4,443	
Loans (net)	1,751	2,101	2,517	2,898	3,282	
Assets under management	1,407	1,663	1,946	1,893	1,962	
Key figures	2019	2020	2021	2022	2023	
Cost / income ratio (C/I)	51.5%	44.2%	40.7%	38.3%	36.4%	
pre-tax ROE*	15.6%	19.9%	22.0%	22.6%	22.6%	
ROE*	13.4%	17.3%	18.8%	19.4%	19.4%	
CT1 capital adequacy	13.5%	14.2%	14.2%	15.5%	16.2%	
Total capital adequacy	17.6%	17.9%	18.4%	19.3%	19.5%	

- The new forecast accounts for the following changes:
  - Acquisition of Danske private client loan portfolio
  - faster loans volume growth
  - Euribor decline
  - capital requirements caused by volumes
- All significant business volumes grow over five years: deposits grow by 3,021
  EURm, loans grow by 2,363 EURm and pension funds grow by 748 EURm.
  Volume of loans and deposits would double within two years
- Pre-tax return on equity will remain at 20% level, except for the year 2019 influenced by the Danske transaction costs



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# LHV Group **5 year targets**

LHV Bank Best bank in customer service 750 EURm Increase in fund volumes

# 3,000 / 2,400 EURm

Growth in deposits and loans

# LHV Asset Management

Enhancing current best long-term return

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