

LHV Group

Q4 2020 results
9 February 2021

Busy quarter, the effects of the crisis were modest

For customers

- Reduction of transaction fees for foreign shares
- Apartment association loans
- Agency Banking
- Best Bank recognition from The Banker

Records in business volumes

- Customer numbers
- Loans
- Deposits
- Funds

Pension funds

- Pension fund Roheline strong return. Other funds with a positive return

Other

- Changes in the management boards of the Bank and LHV Finance
- Finalisation of Danske portfolio acquisition
- LHV Kindlustus was granted the authorisation
- Preparations for founding a bank in the UK
- Best Green Office

LHV Group

Quarter with strong results and growth

Financial results, EURt	9 quarters	Q4-20	Q3-20	Δ quarter
Net interest income		19,893	16,731	+3,163
Net fee and commission income		14,183	6,472	+7,711
Other income		1,373	379	+994
Total revenue		35,449	23,582	+11,868
Total expenses		11,427	10,713	+714
Earnings before impairment		24,023	12,869	+11,154
Impairment losses on loans		2,243	-27	+2,270
Income tax expense		3,741	2,122	+1,618
Net income		18,039	10,774	+7,265
Business volumes, EURm	9 quarters	Q4-20	Q3-20	Δ quarter
Deposits from customers		4,120	3,215	+904
Loans (net)		2,209	1,856	+353
Assets under management		1,537	1,496	+41
Customers, thous.		411	382	+29
Key figures	9 quarters	Q4-20	Q3-20	Δ quarter
Cost / income ratio (C/I)		32.2%	45.4%	- 13.2 pp
pre-tax ROE*		36.1%	21.7%	+ 14.5 pp
ROE*		31.3%	18.9%	+ 12.4 pp

- Loans, deposits and funds grew during the quarter
- Credit portfolio remains strong, grace periods due as planned
- Asset Management earned performance fee due to high return and outperforming benchmark index
- All-time high quarterly revenue in financial intermediation segment
- LHV Group efficiency is improving. ROE exceeds plans and is approaching long-term goal
- Quarterly profit of 18.0 EURm

* ROE is based on LHV Group net profit and equity attributable to the owners of AS LHV Group

LHV Group – comparison with financial plan

Net profit ahead of financial plan by +7.2 EURm

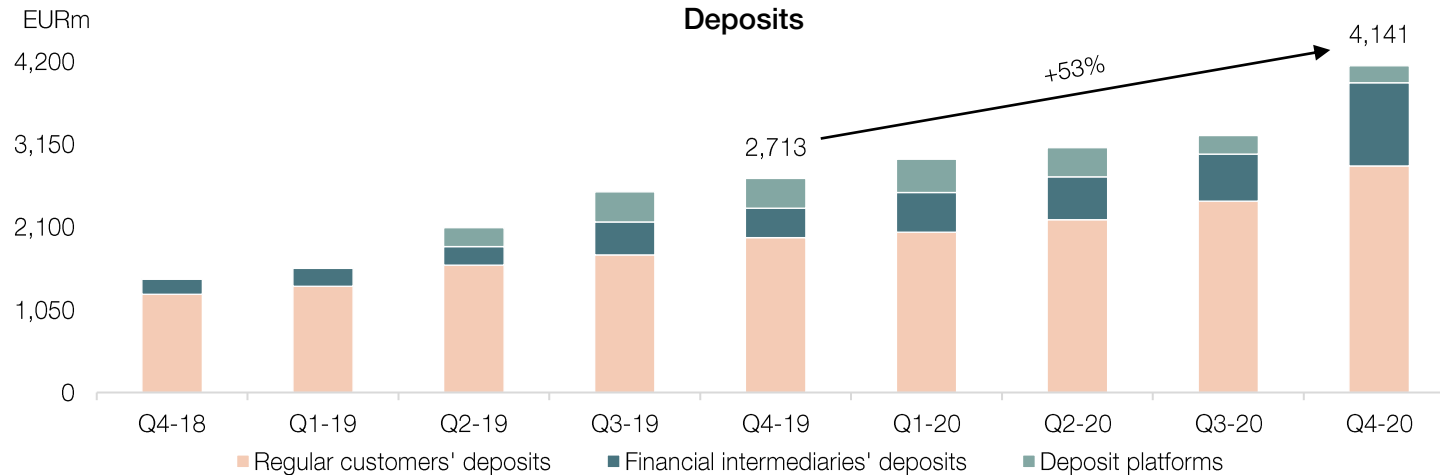
Financial results, EURt	13 months	Dec-20	YTD20	YTD19	FP YTD	Δ YTD FP
Total revenue, incl.		16,318	103,547	73,818	95,398	+8,149
Net interest income		6,664	68,492	47,388	69,251	-759
Net fee and commission income		8,929	33,351	25,677	25,703	+7,648
Total operating expenses		3,114	43,975	39,266	43,752	+223
Earnings before impairment		13,204	59,572	34,552	51,646	+7,926
Impairment losses on loans		-2	10,898	3,209	11,950	-1,051
Income tax		2,145	8,827	4,250	7,085	+1,741
Net profit, incl.		11,060	39,847	27,092	32,611	+7,236
attr. to shareholders		11,315	37,950	24,797	30,208	+7,743
Business volumes, EURm	13 months	Dec-20	YTD20	YTD19	FP YTD	Δ YTD FP
Deposits from customers		4,120	4,120	2,701	3,301	+818
Loans (net)		2,209	2,209	1,687	2,227	-18
Assets under management		1,537	1,537	1,374	1,531	+6
Key figures	13 months	Dec-20	YTD20	YTD19	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		19.1%	42.5%	53.2%	45.9%	- 3.4 pp
pre-tax ROE*		66.5%	20.5%	16.2%	16.7%	+ 3.8 pp
ROE*		57.6%	17.3%	14.0%	14.1%	+ 3.3 pp
Net interest margin (NIM)		1.7%	1.9%	2.2%	1.9%	- 0.1 pp
ROA		2.8%	1.1%	1.2%	0.9%	+ 0.2 pp

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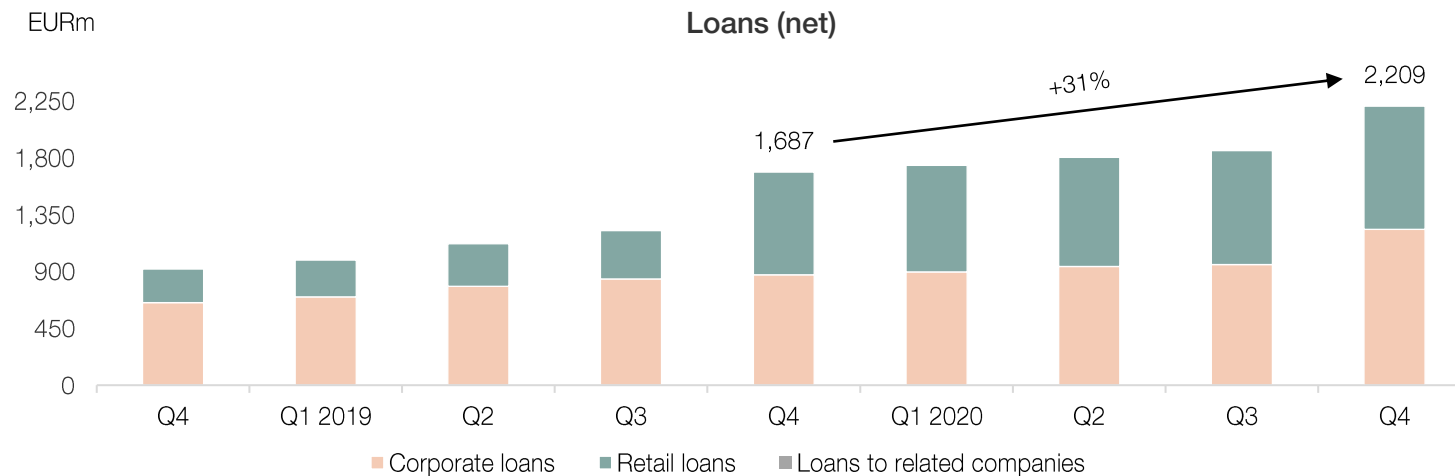
- Commission income significantly exceeds financial plan mainly as a result of 6.2 EURm performance fee
- Loan provisions mainly model-based and lower than the financial plan
- Increased risks are partly offset by growing revenues from the acquired corporate and public sector credit portfolio
- LHV Group booked 2.4 EURm of additional costs in 2020 arising from changes in interpretation of IAS 12
- Financial plan was outperformed by 7.2 EURm

LHV Banking

Deposits volume above 4 EURb and loans volume above 2 EURb



- 23,300 new customers. Record levels in retail customer activity and business volumes. Customer activity was affected by the changes related to the pension reform
- Deposits increased by 884 EURm, incl. retail customers by 445 EURm, financial intermediaries by 457 EURm and deposits from deposit platforms by -17 EURm
- Loan growth 353 EURm, including 280 EURm in corporate loans and 73 EURm in retail loans. Transaction for the purchase of Danske Bank's Estonian corporate and public sector loan facility finalised in October with a volume of 273 EURm at a discount of 19 EURm. Launch of apartment association loans
- New product Google Pay



LHV Banking

Record levels in business volumes, net profit and efficiency indicators

Financial results, EURt	9 quarters	Q4-20	Q3-20	Δ quarter
Net interest income		20,420	16,837	+3,583
Net fee and commission income		5,719	4,243	+1,476
Other income		1,079	228	+851
Total revenue		27,218	21,309	+5,909
Total expenses		9,260	8,762	+498
Earnings before impairments		17,958	12,547	+5,411
Impairment losses on loans		2,243	-27	+2,270
Income tax expense		2,709	1,920	+789
Net income		13,005	10,654	+2,352
Business volumes, EURm	9 quarters	Q4-20	Q3-20	Δ quarter
Deposits from customers		4,141	3,257	+884
Loans (net)		2,209	1,856	+353
Customers, thous.		283	260	+23
Key figures	9 quarters	Q4-20	Q3-20	Δ quarter
Cost / income ratio (C/I)		34.0%	41.1%	- 7.1 pp
pre-tax ROE*		29.3%	24.6%	+ 4.7 pp
ROE*		25.5%	21.5%	+ 4.1 pp
Net interest margin		1.8%	1.7%	+ 0.1 pp

- All-time high net profit of 13.0 EURm and a high ROE of 25.5%
- Loan provisions increased by 2.2 EURm. The credit rating of some corporate banking customers directly affected by the crisis has worsened. The quality of the loan portfolio as a whole has remained strong and the share of overdue loans remains low
- Grace periods granted to 1,170 customers (50% retail, 50% corporate) in total for 155 EURm (16% retail, 84% corporate)

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LHV Banking – comparison with financial plan

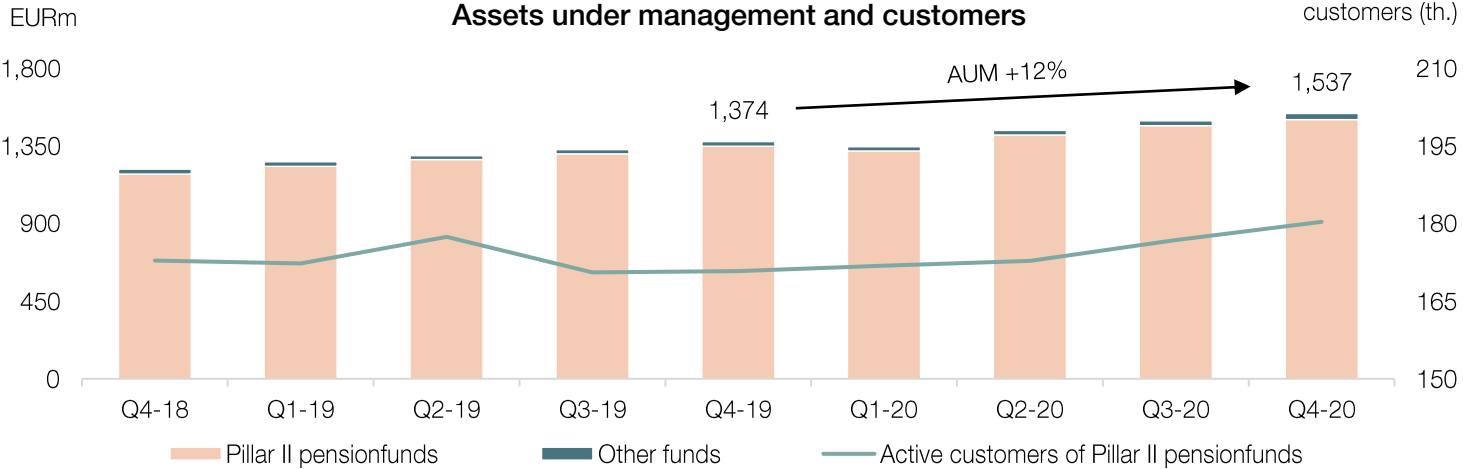
Net profit ahead of financial plan by +2.2 EURm

Financial results, EURt	13 months	Dec-20	YTD20	YTD19	FP YTD	Δ YTD FP
Total revenue, incl.		9,345	88,519	61,104	86,648	+1,872
Net interest income		6,770	69,046	47,915	69,575	-529
Net fee and commission income		1,978	18,385	12,808	17,030	+1,355
Total operating expenses		2,384	36,268	32,515	36,409	-141
Earnings before impairment		6,961	52,251	28,589	50,239	+2,013
Impairment losses on loans		-2	10,898	3,209	11,950	-1,051
Income tax		1,314	6,750	3,278	5,851	+898
Net profit		5,648	34,603	22,102	32,438	+2,165
Business volumes, EURm	13 months	Dec-20	YTD20	YTD19	FP YTD	Δ YTD FP
Deposits from customers		4,141	4,141	2,713	3,318	+823
Loans (net)		2,209	2,209	1,687	2,227	-18
Key figures	13 months	Dec-20	YTD20	YTD19	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		25.5%	41.0%	53.2%	42.0%	- 1.0 pp
T1 capital adequacy		15.3%	15.3%	14.0%	13.4%	+ 1.9 pp
Total capital adequacy		18.8%	18.8%	17.6%	16.6%	+ 2.1 pp
Net interest margin (NIM)		1.7%	1.9%	2.1%	1.9%	- 0.1 pp

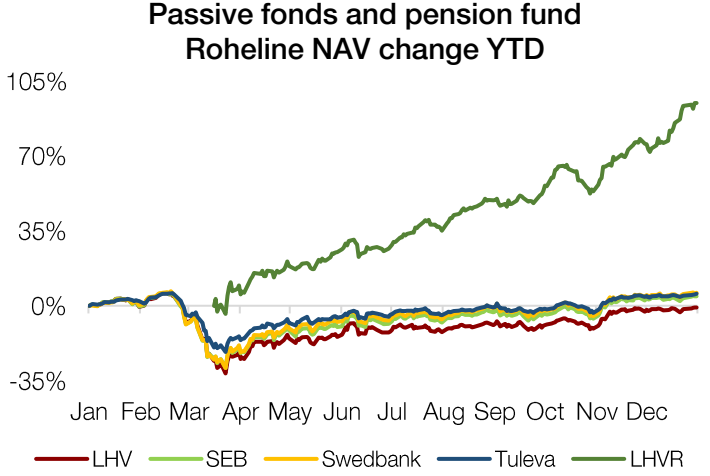
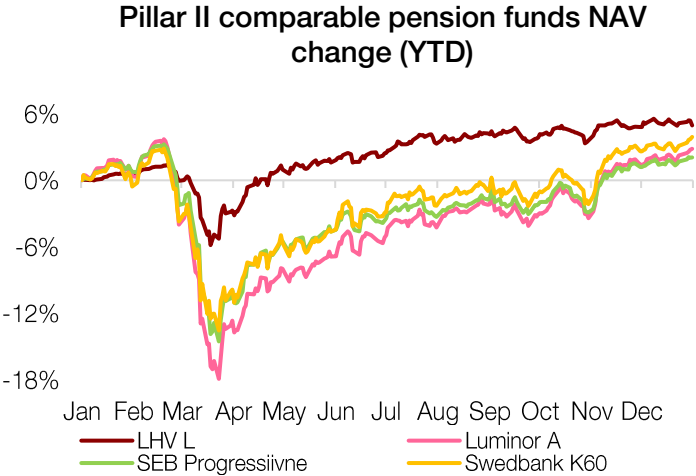
- Deposits exceeded financial plan by 823 EURm
- Net profit exceeded financial plan in all business lines, positive impact from cost savings and significantly lower loan provisions
- Strong annual cost-income ratio of 41%
- Due to implementation of changes in Capital Requirements Regulation (CRR II Art. 501), RWA decreased by 159.4 EURm and 25.5 EURm of capital was freed up

LHV Asset Management

2020 best performing pension funds managed by LHV
















- The volume of assets under management above 1.5 EURb by the end of Q4, with a 12% YoY increase mainly resulting from positive return
- Stock markets showed strong growth during the last quarter, being led by high-performing technology sector
- Positive return for all LHV pension funds. Returns of the largest funds M, L and XL were 0.7%, 1.1% and 1.8%, respectively
- Unit value of pension fund Roheline, with a market-leading return, grew 26.8% in Q4



LHV Asset Management

Q4 Net profit 7.1 EURm, client base keeps growing

Financial results, EURt	9 quarters	Q4-20	Q3-20	Δ quarter
Total revenue		8,464	2,229	+6,236
Total expenses		1,686	1,543	+142
EBIT		6,778	685	+6,093
Net financial income		305	153	+152
Income tax expense		0	0	+0
Net profit		7,084	838	+6,246
Business volumes	9 quarters	Q4-20	Q3-20	Δ quarter
Pillar II pension funds		1,502	1,468	+34
Pillar III pension funds		31	24	+7
Eurofunds		4	4	+0
Active customers of PII funds, th.		180	177	+4
Key figures	9 quarters	Q4-20	Q3-20	Δ quarter
Cost / income ratio (C/I)		19.9%	69.3%	- 49.3 pp
pre-tax ROE		95.5%	13.1%	+ 82.4 pp
ROE		95.5%	13.1%	+ 82.4 pp

- Net profit for Q4 strongly influenced by the performance fee taken based on the results of funds L and XL in the amount of 6.2 EURm
- Pillar II pension funds AUM increased by 34 EURm in Q4
- Number of active customers in II pillar funds grew by around 4000 people. Strong client growth in III pillar, growth of AUM more modest
- The increase in pension related social tax receipts for 2020 was 2.5%

LHV Asset Management – comparison with financial plan

Net profit, number of customers and volume of funds ahead of the financial plan

Financial results, EURt	13 months	Dec-20	YTD20	YTD19	FP YTD	Δ YTD FP
Total revenue		7,083	15,578	13,189	9,056	+6,522
Total expenses		546	6,389	6,097	6,266	+123
Earnings before taxes		6,538	9,189	7,092	2,790	+6,399
Income tax		0	844	972	844	+0
Net profit		6,538	8,345	6,120	1,946	+6,399
Business volumes	13 months	Dec-20	YTD20	YTD19	FP YTD	Δ YTD FP
Assets under management, EURm		1,537	1,537	1,374	1,531	+6
Active customers of PII funds, thous.		180	180	171	178	+2
Key figures	13 months	Dec-20	YTD20	YTD19	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		7.8%	42.7%	47.4%	72.2%	- 29.6 pp
Funds average return		0.4%	4.9%	5.8%	4.0%	+ 1.0 pp

- II pillar fund LHV XL and III pillar fund LHV Täiendav were performing best among funds with at least one year track record
- Net profit for the year exceeded financial plan by 6.4 EURm, mostly due to the performance fee in the amount 6.2 EURm
- AUM of pension funds increased by around 12% YoY, being more than 1,500 EURm by the end of the year
- Pension reform will most probably have a negative effect on AUM in 2021, but 2020 year-end levels expected to be achieved again by the end of 2023

LHV Group
12 months

39.8 EURm

Net profit

20.5%

Pre-tax ROE

**Growth in business
volumes**

Acquisition of Danske portfolio

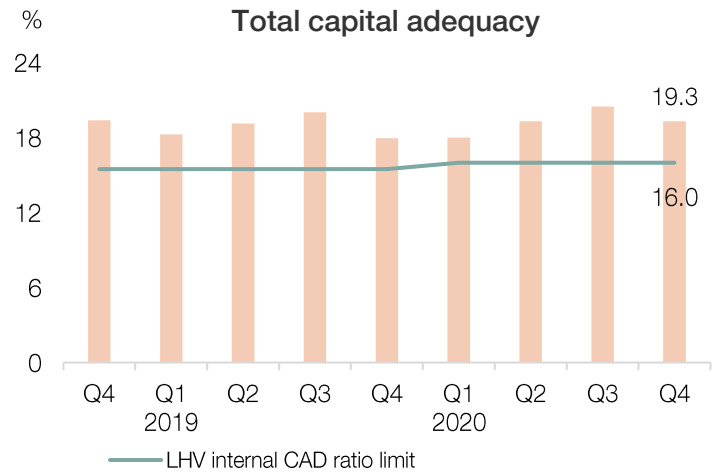
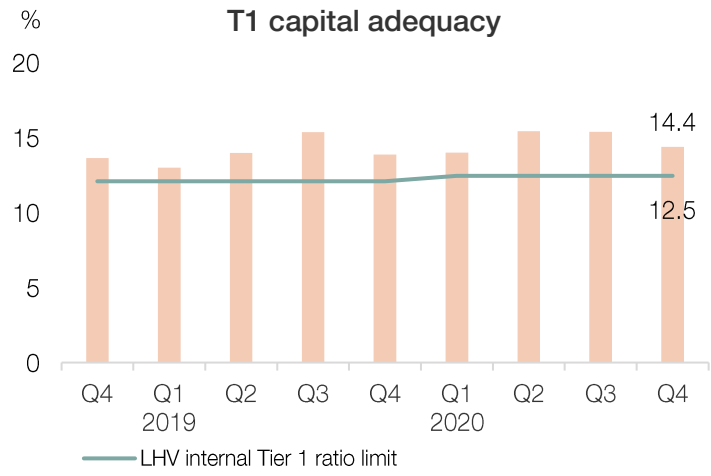
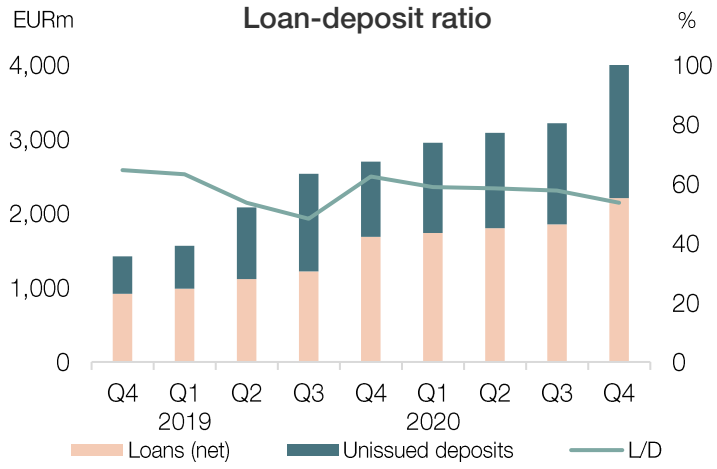
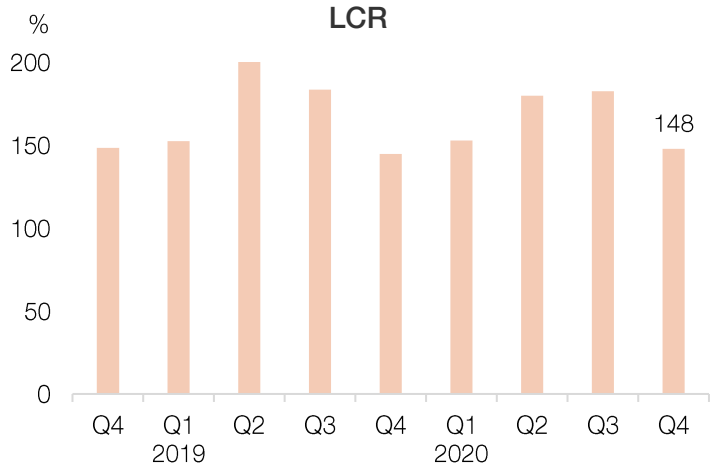
56,800

Bank customers increase

Annexes

LHV Group

Strong liquidity and capitalization

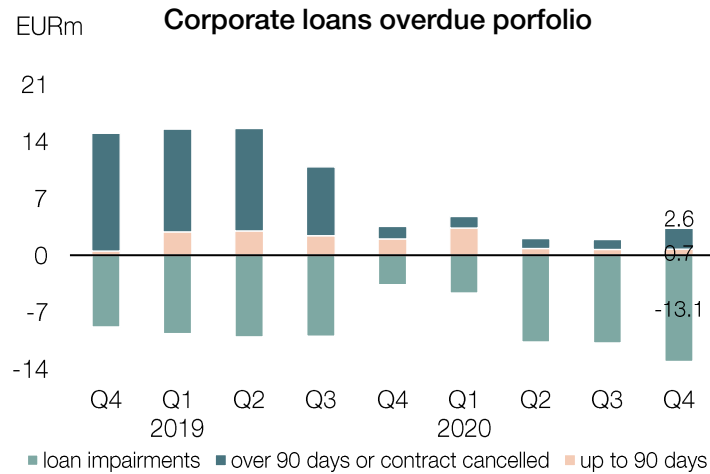
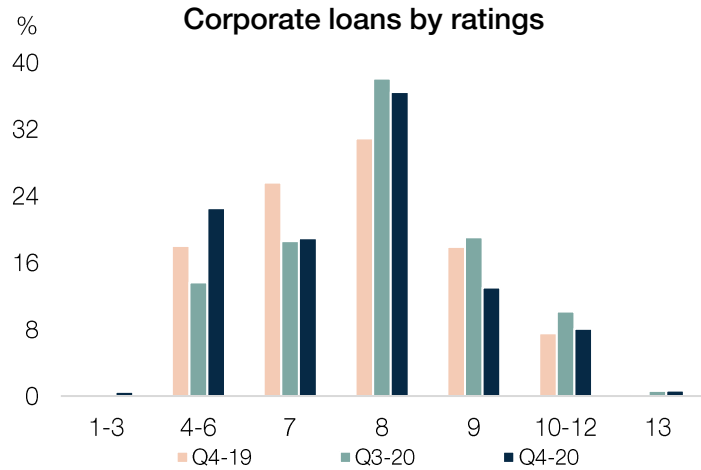


- Liquidity and capitalization of the Group remain strong
- Fast growth in deposits from financial intermediaries negatively impacts the computed LCR ratio, without actually affecting liquidity. It also affects own funds and eligible liabilities ratio to total liabilities
- Both liquidity and capital adequacy ratios exceed regulatory and internal targets

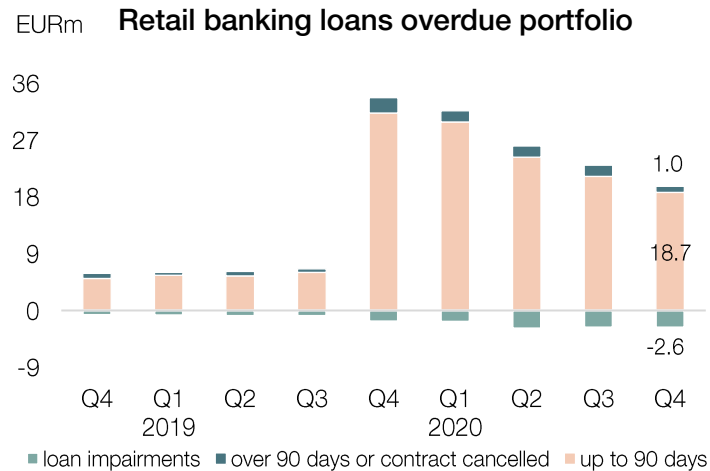
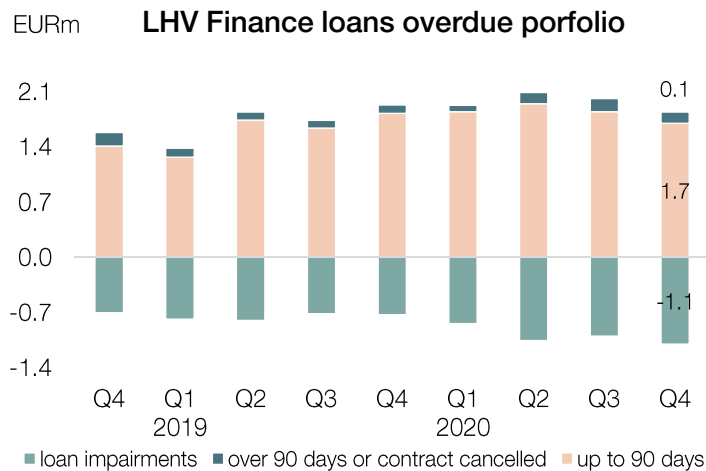


LHV Group

The debt ratio remains low

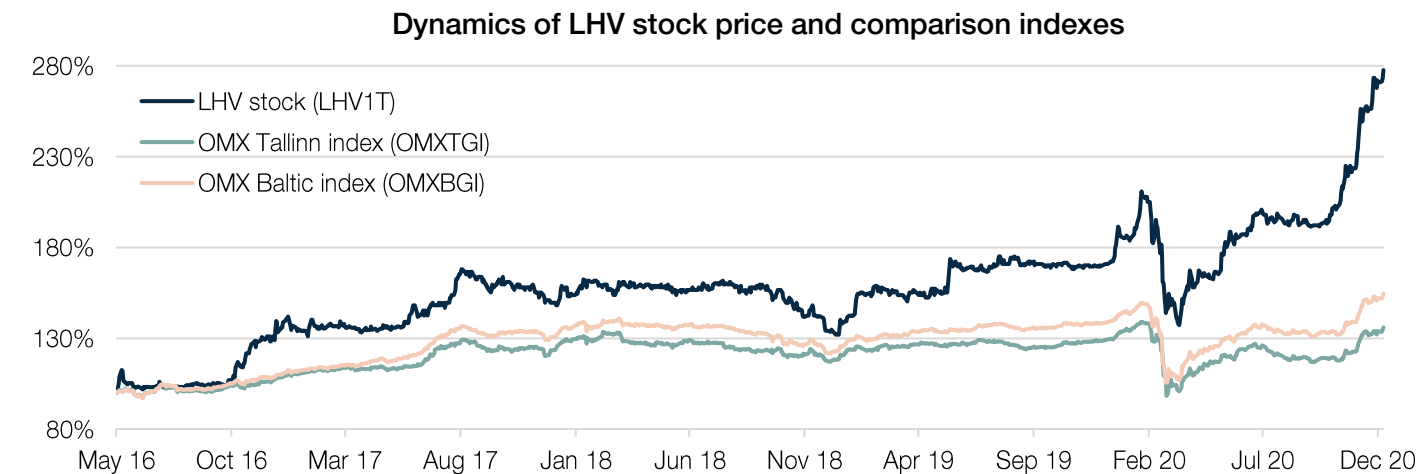


- More than half of grace periods offered in spring have come to an end, 90% of all customers have returned to the usual payment schedule
- Despite a very small amount of loans overdue in all portfolios, additional provisions were made to cover possible credit losses in the future
- LHV continues to offer customers flexible solutions for mitigation of the effects caused by the crisis



LHV Group

Stock information



- Q4 closing share price 19.50 EUR
- 8,735 trades were made with LHV shares during Q4 on the market with a turnover of 8.1 EURm, which gave the stock an average price of 16.26 EUR
- 12 month shareholders earnings per share (EPS) is 1.32 EUR
- As of 31 December 2020 LHV had 10,714 shareholders and 48.26% of shares belonged to supervisory and management board members and parties associated with them
- Market capitalization based on closing price of 31/12/2020 was 562 EURm

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