

LHV Group

Q3 2021 results
19 October 2021

Decent growth along with strong results

Continuously good growth in business volumes, customer activity and revenues

All-time high quarterly profit, excluding performance fee

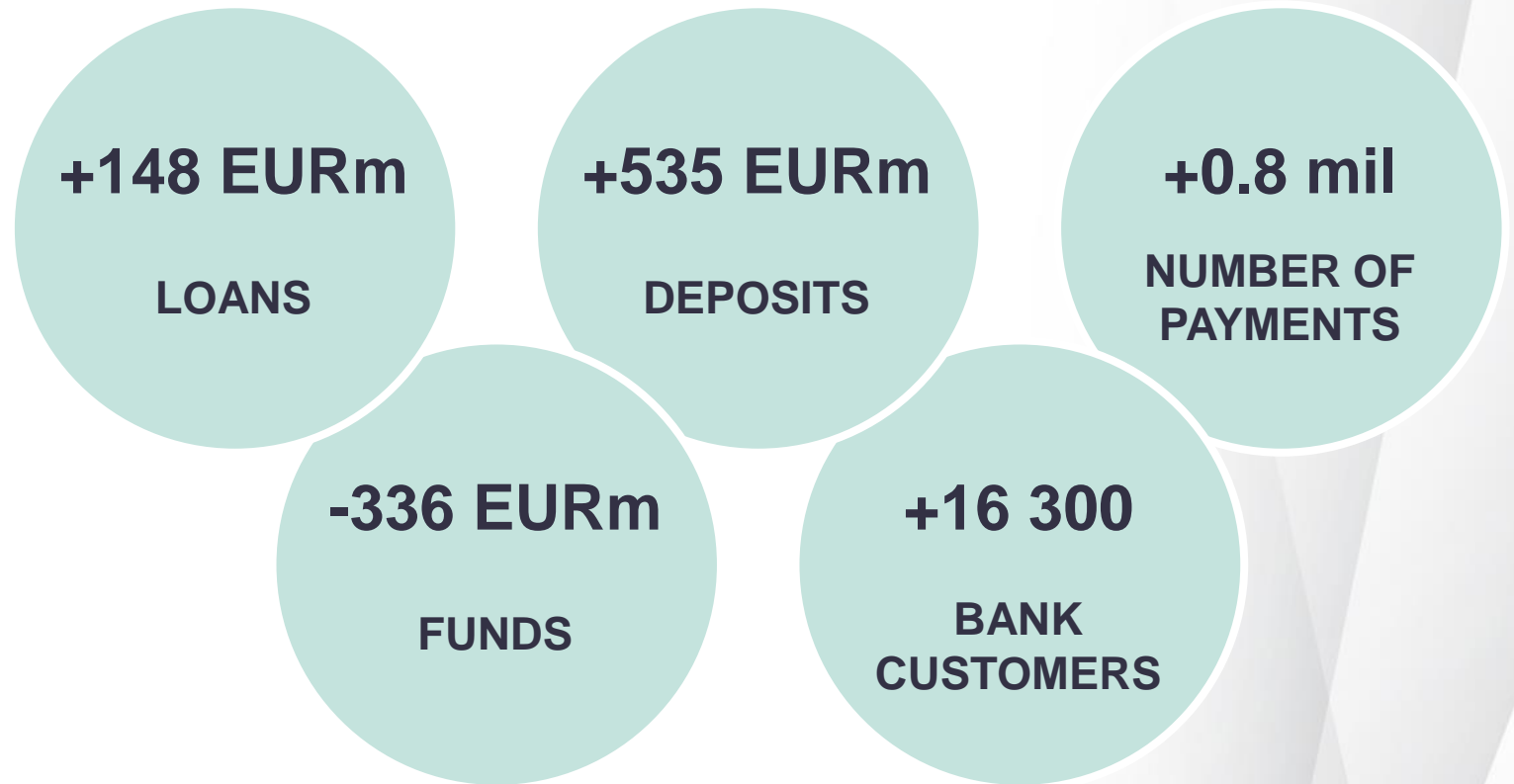
Continuing growth in investing activity

Funds impacted by pension reform

Preparation of documents for obtaining a licence in UK

Investment into a 9.9% share in Bank North

Moody's assigned a Baa3 rating to LHV Group



Strong quarter in bank's business volumes, volume of funds decreased

Financial results, EURt	9 quarters	Q3-21	Q2-21	Δ quarter
Net interest income		25,857	22,927	+2,929
Net fee and commission income		9,546	9,098	+447
Other income		700	809	-108
Total revenue		36,103	32,834	+3,268
Total expenses		15,251	17,925	-2,674
Earnings before impairment		20,852	14,910	+5,942
Impairment losses on loans		1,444	-791	+2,235
Income tax expense		2,819	2,785	+34
Net income		16,589	12,916	+3,674
Business volumes, EURm	9 quarters	Q3-21	Q2-21	Δ quarter
Deposits from customers		5,457	4,921	+535
Loans (net)		2,549	2,401	+148
Assets under management		1,284	1,620	-336
Customers, thous.		488	490	-2
Fin. intermediaries' payments, thous. pcs		5,926	6,054	-127
Key figures	9 quarters	Q3-21	Q2-21	Δ quarter
Cost / income ratio (C/I)		42.2%	54.6%	- 12.3 pp
pre-tax ROE*		28.4%	24.0%	+ 4.4 pp
ROE*		24.3%	19.7%	+ 4.5 pp

- Customer loans, deposits and number of payments grew during the quarter, while the number of customers of pension funds decreased due to pension reform. Activity of customers is increasing
- Credit portfolio remains strong, lending activity is financed with deposits
- Group issued 100 EURm of MREL worthy bonds, in order to comply with regulatory requirements
- ROE exceeds plans and is approaching long-term goal
- Quarterly profit of 16.6 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 +1.7 EURm

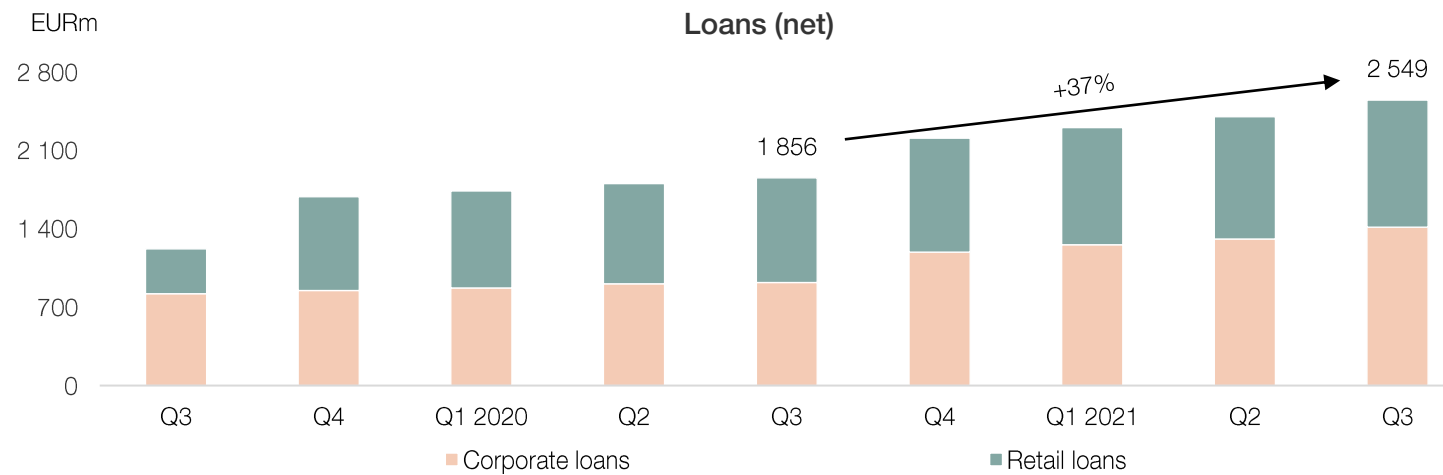
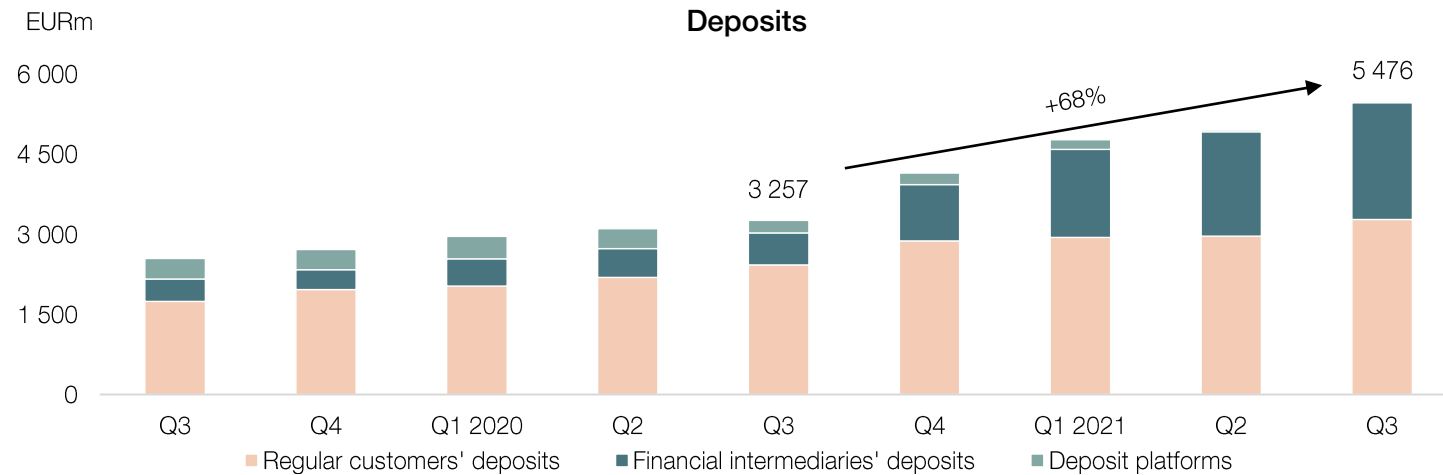
Financial results, EURt	13 months	Sep-21	YTD21	YTD20	FP YTD	Δ YTD FP
Total revenue, incl.		12,628	97,702	68,098	96,926	+776
Net interest income		9,056	69,156	48,599	69,576	-420
Net fee and commission income		3,275	27,284	19,168	26,343	+941
Total operating expenses		6,449	46,936	32,548	46,293	+643
Earnings before impairment		6,179	50,766	35,550	50,633	+133
Impairment losses on loans		-603	2,254	8,655	4,009	-1,756
Income tax		1,050	7,591	5,086	7,360	+231
Net profit, incl.		5,731	40,921	21,808	39,264	+1,658
attr. to shareholders		5,421	39,405	20,111	37,945	+1,460
Business volumes, EURm	13 months	Sep-21	YTD21	YTD20	FP YTD	Δ YTD FP
Deposits from customers		5,457	5,457	3,215	5,044	+413
Loans (net)		2,549	2,549	1,856	2,481	+68
Assets under management		1,284	1,284	1,496	1,323	-39
Fin. intermediaries' payments, thous. pcs		2,136	18,005	10,576	na	na
Key figures	13 months	Sep-21	YTD21	YTD20	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		51.1%	48.0%	47.8%	47.8%	+ 0.3 pp
Net interest margin (NIM)		1.8%	1.6%	2.0%	1.6%	- 0.0 pp
pre-tax ROE*		29.2%	24.5%	15.4%	23.6%	+ 0.9 pp
ROE*		24.6%	20.7%	12.8%	20.0%	+ 0.7 pp
ROA		1.1%	0.9%	0.9%	0.9%	+ 0.0 pp

- Revenue and expenses are in line with the financial plan
- Loan provisions are lower than planned mainly due faster economic growth
- Financial plan was outperformed by 1.7 EURm
- Additional capital in the amount of 25.3 EURm was raised at the end of September. This additional share issue enables further growth

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

LHV Banking

Strong quarterly growth



- 16,300 new bank customers. Record levels in regular customers' activity
- Deposits increased by 529 EURm, incl. private individuals by 110 EURm and corporates by 203 EURm, financial intermediaries by 230 EURm. Quarter-end balance of deposits from deposit platforms amounted to 18 EURm
- Loan growth of 148 EURm, including 108 EURm in corporate loans and 40 EURm in retail loans
- Pension Investment Account (PIA), option to save for a home deposit in Growth Account and option for companies to open a bank account in mobile app and internet bank were launched

LHV Banking

High customer activity and very good quality of loan portfolio

Financial results, EURt	9 quarters	Q3-21	Q2-21	Δ quarter
Net interest income		25,271	23,313	+1,959
Net fee and commission income		7,461	6,814	+647
Other income		226	226	+1
Total revenue		32,959	30,352	+2,607
Total expenses		11,690	11,931	-241
Earnings before impairment		21,269	18,421	+2,848
Impairment losses on loans		1,444	-791	+2,235
Income tax expense		2,713	2,680	+33
Net income		17,112	16,532	+580
Business volumes, EURm	9 quarters	Q3-21	Q2-21	Δ quarter
Deposits from customers		5,476	4,947	+529
Loans (net)		2,549	2,401	+148
Customers, thous.		321	307	+14
Key figures	9 quarters	Q3-21	Q2-21	Δ quarter
Cost / income ratio (C/I)		35.5%	39.3%	- 3.8 pp
pre-tax ROE*		31.5%	33.0%	- 1.6 pp
ROE*		27.1%	28.4%	- 1.3 pp
Net interest margin		1.6%	1.6%	+ 0.0 pp

- High customer activity was affected by pension reform, autumn campaign, new solutions and additional subscription of LHV Group shares
- Loan provisions increased by 2.2 EURm. The quality of the loan portfolio as a whole has remained strong and the share of overdue loans remains low
- Grace periods end as planned and customers continue paying loan instalments
- Net profit amounted to 17.1 EURm and ROE 27.1%

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LHV Banking – comparison with financial plan

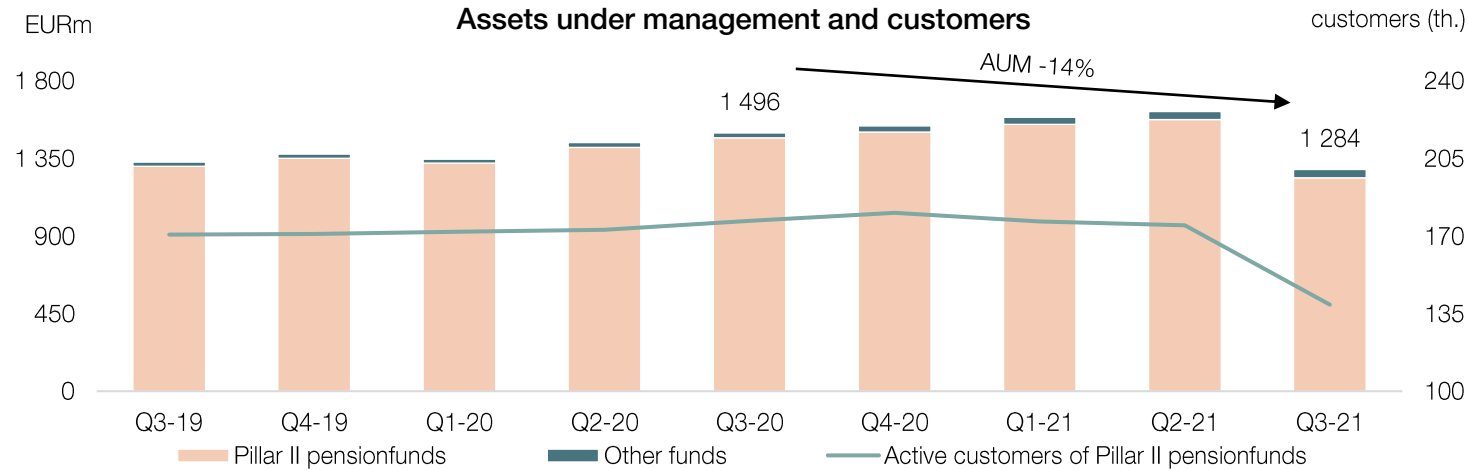
Net profit ahead of financial plan by +2 EURm

Financial results, EURt	13 months	Sep-21	YTD21	YTD20	FP YTD	Δ YTD FP
Total revenue, incl.		12,040	89,996	61,301	89,285	+711
Net interest income		9,108	69,340	48,626	69,838	-497
Net fee and commission income		2,764	20,640	12,666	19,579	+1,061
Total operating expenses		5,027	35,069	27,008	34,861	+208
Earnings before impairment		7,013	54,927	34,294	54,423	+503
Impairment losses on loans		-603	2,254	8,655	4,009	-1,756
Income tax		1,015	7,268	4,040	7,007	+260
Net profit		6,601	45,406	21,598	43,407	+1,998
Business volumes, EURm	13 months	Sep-21	YTD21	YTD20	FP YTD	Δ YTD FP
Deposits from customers		5,476	5,476	3,257	5,064	+412
Loans (net)		2,549	2,549	1,856	2,481	+68
Key figures	13 months	Sep-21	YTD21	YTD20	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		41.7%	39.0%	44.1%	39.0%	- 0.1 pp
Net interest margin (NIM)		1.8%	1.6%	1.9%	1.6%	- 0.0 pp
T1 capital adequacy		14.6%	14.6%	14.8%	15.1%	- 0.5 pp
Total capital adequacy		17.4%	17.4%	18.7%	18.1%	- 0.7 pp

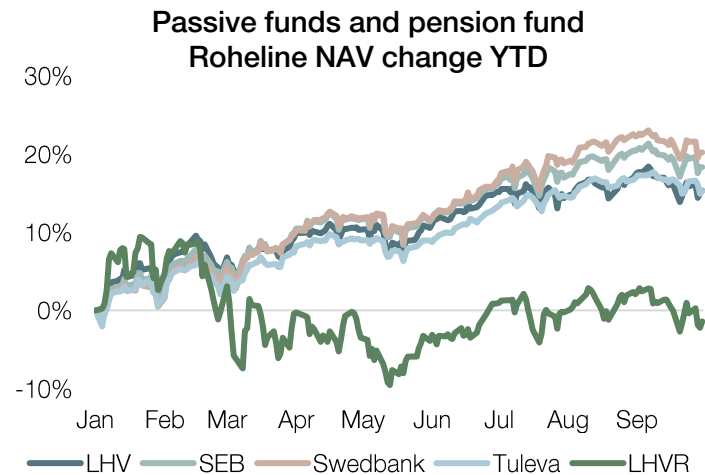
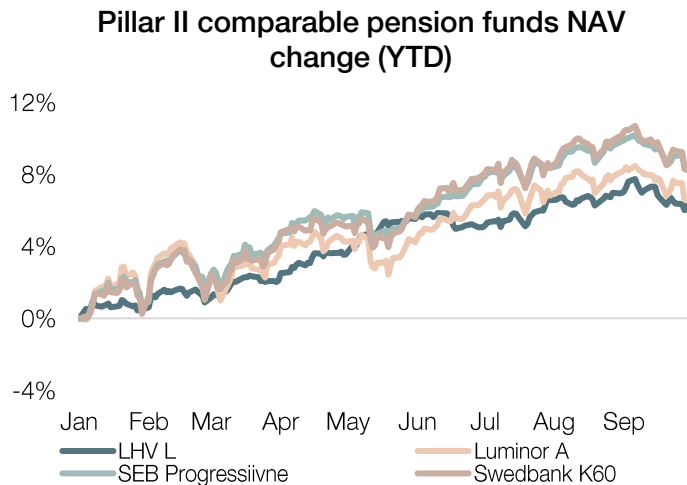
- Deposits exceeded financial plan by 412 EURm
- Net profit exceeds financial plan mainly due to higher customer activity and smaller loan provisions. In addition, interest income was affected by additional interest arising from TLTRO in September
- Slightly higher than planned expenses resulting from one-off expenses
- Bank's cost-income ratio remains on good level at 39%
- LHV Bank was recognised as the most attractive employer among Estonian economics students in 2021

LHV Asset Management

Negative impact of pension reform more modest than expected



- The volume of assets under management was about 1.3 EURb by the end of September. At the beginning of September, the volume of II pillar pension funds decreased by about 320 EURm due to customers leaving II pillar
- Returns of the largest LHV pension funds M, L and XL were 1.1%, 1.3% and 0.7%, respectively
- Unit value of LHV pension fund Indeks increased by 0.2% in three months, pension fund Roheline decreased by 2.3%
- High return of pension funds earned fund customers a net profit of 18 EURm during the quarter



LHV Asset Management

Quarterly profit amounted to 0.6 EURm

Financial results, EURt	9 quarters	Q3-21	Q2-21	Δ quarter
Total revenue		2,215	2,310	-95
Total expenses		1,699	4,784	-3,085
EBIT		515	-2,474	+2,990
Net financial income		50	179	-129
Income tax expense		0	0	+0
Net profit		565	-2,296	+2,861
Business volumes	9 quarters	Q3-21	Q2-21	Δ quarter
Pillar II pension funds		1,237	1,575	-338
Pillar III pension funds		41	39	+2
Eurofunds		6	6	+0
Active customers of PII funds, th.		139	175	-36
Key figures	9 quarters	Q3-21	Q2-21	Δ quarter
Cost / income ratio (C/I)		75.0%	192.3%	- 117.2 pp
pre-tax ROE		9.3%	-36.6%	+ 45.9 pp
ROE		9.3%	-36.6%	+ 45.9 pp

- Largest expenses arising from pension reform occurred in the second quarter, net profit in the third quarter amounted to 0.6 EURm
- Number of customers of II pillar pension funds around 140 thousand by the end of September, which significantly exceeds projections made at the beginning of the year
- State 4% payments recover from the fourth quarter for customers continuing in II pillar, compensation for suspended payments with return in 2023 and 2024
- Continuing stable growth in the number of customers and volume of III pillar pension funds

LHV Asset Management – comparison with financial plan

Results largely in line with financial plan

Financial results, EURt	13 months	Sep-21	YTD21	YTD20	FP YTD	Δ YTD FP
Total revenue		533	7,173	6,809	7,154	+20
Total expenses		659	8,238	4,703	8,267	-29
Earnings before taxes		-126	-1,065	2,105	-1,113	+49
Income tax		0	1,241	844	1,241	+0
Net profit		-126	-2,306	1,261	-2,355	+49
Business volumes	13 months	Sep-21	YTD21	YTD20	FP YTD	Δ YTD FP
Assets under management, EURm		1,284	1,284	1,496	1,323	-39
Active customers of PII funds, thous.		139	139	177	140	-1
Key figures	13 months	Sep-21	YTD21	YTD20	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		123.7%	114.8%	72.3%	115.6%	- 0.7 pp
Funds average return		-0.7%	6.2%	3.3%	7.0%	- 0.8 pp

- Revenue and expenses largely in line with the financial plan, expenses arising from customers leaving II pillar occurred mostly in the second quarter
- Volume of funds slightly behind the updated financial plan, but higher than planned at the beginning of the year
- The proportion of alternative asset classes is higher than before and close to long-term goal after II pillar money withdrawals from M, L and XL pension funds
- Monthly increase in pension related social tax receipts was around 10% in the third quarter, economic recovery has been rapid

LHV Insurance

Expanding product selection and increasing number of partners

Financial results, EURt	9 quarters	Q3-21	Q2-21	Δ quarter
Total revenue		344	417	-73
Total expenses		566	530	+37
Net technical result		-222	-112	-110
Net investments income		0	0	+0
Net profit		-222	-112	-110
Business volumes	9 quarters	Q3-21	Q2-21	Δ quarter
Gross written premium, EURt		1,412	1,640	-228
No of Customers (thous.)		139	128	+11
Key figures	9 quarters	Q3-21	Q2-21	Δ quarter
Net loss ratio		46.5%	19.5%	+ 27.0 pp
Net expense ratio		84.9%	101.9%	- 17.0 pp
pre-tax ROE		-12.7%	-6.3%	- 6.4 pp
ROE		-12.8%	-6.3%	- 6.5 pp

- Dwelling insurance for business customers was added to the product selection
- Increasing interest from insurance intermediaries. Number of cooperation partners, including insurance brokers and agents, increased from 11 to 27
- Number of customers reached 139 thousand, number of effective insurance contracts at the end of the quarter 212.8 thousand
- Customer satisfaction with claims handling remains high at 97%
- Key figures as planned
- No changes in the number of employees during the quarter

LHV Insurance – comparison with financial plan

Record sales volumes of appliance insurances, customer satisfaction remains high

Financial results, EURt	13 months	Sep-21	YTD21	YTD20	FP YTD	Δ YTD FP
Total revenue, incl.		125	851	0	845	+6
Net earned premiums		258	1,323	0	1,345	-22
Net incurred losses		119	433	0	391	+42
Total expenses		218	1,461	289	1,411	+49
Earnings before taxes		-93	-610	-289	-566	-44
Net profit		-93	-610	-289	-566	-44
Business volumes	13 months	Sep-21	YTD21	YTD20	FP YTD	Δ YTD FP
Gross written premium, EURt		499	5,188	0	5,435	-247
No of Customers (thous.)		139	139	0	na	na
Key figures	13 months	Sep-21	YTD21	YTD20	FP YTD	Δ YTD FP
Net loss ratio		46.1%	32.7%	na	29.0%	+ 3.7 pp
Net expense ratio		89.8%	113.4%	na	113.1%	+ 0.3 pp

- All-time high sales volumes of extended warranty insurance and equipment insurance resulting from money withdrawn from pension funds being spent in electronics stores
- More than 8 thousand different insurance contracts were signed in total
- Rapidly growing volume of net earned premiums reached 258 EURt, +10.2% compared to August
- Volume of gross written premium 0.5 EURm, of which 41% comes from casco and MTPL insurances
- Less claims incurred than in August, resulting from lower travelling activity
- Key figures as planned

LHV Group
9 months

40.9 EURm

NET PROFIT

24.5%

PRE-TAX ROE

37%

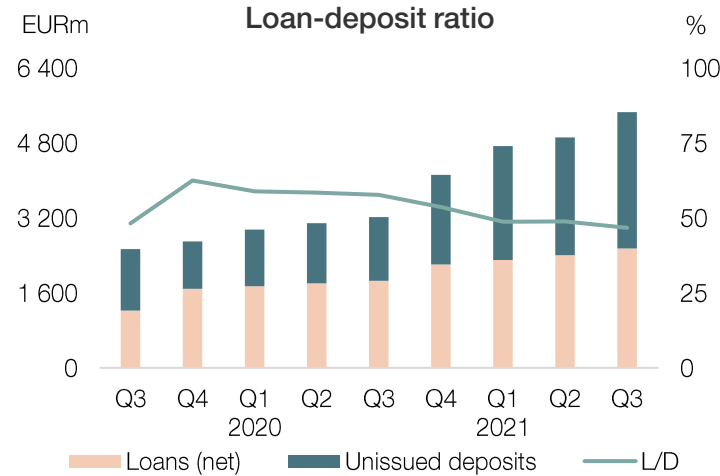
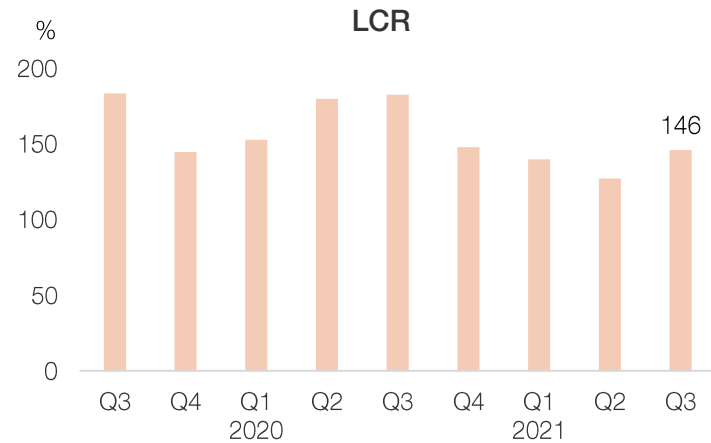
LOAN VOLUMES
ANNUAL GROWTH

+43,700

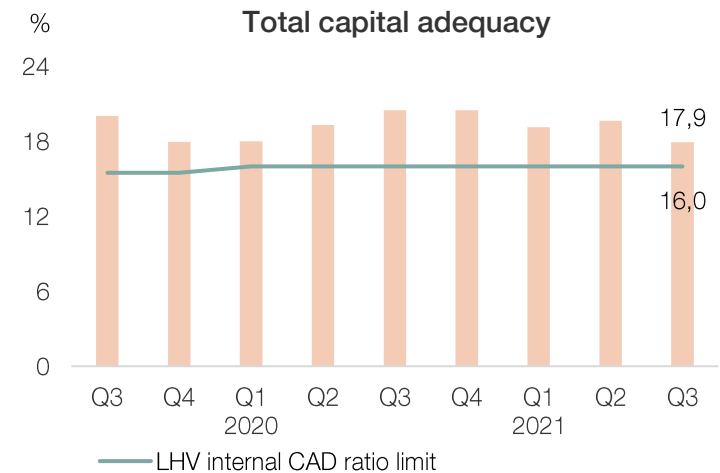
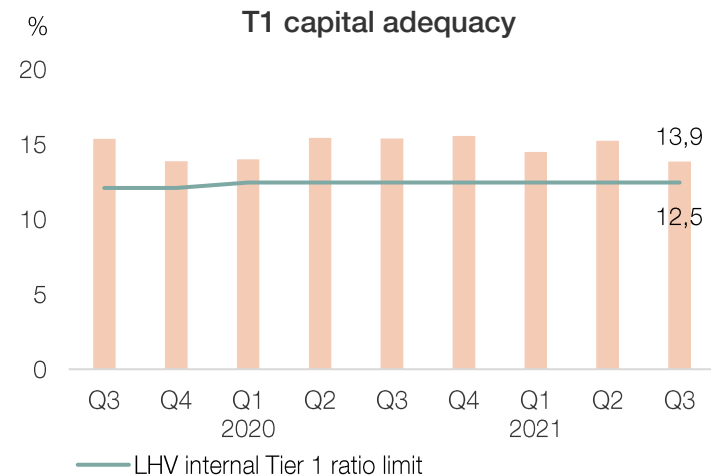
BANK
CUSTOMERS
INCREASE

Annexes

Liquidity and capitalization strong as planned

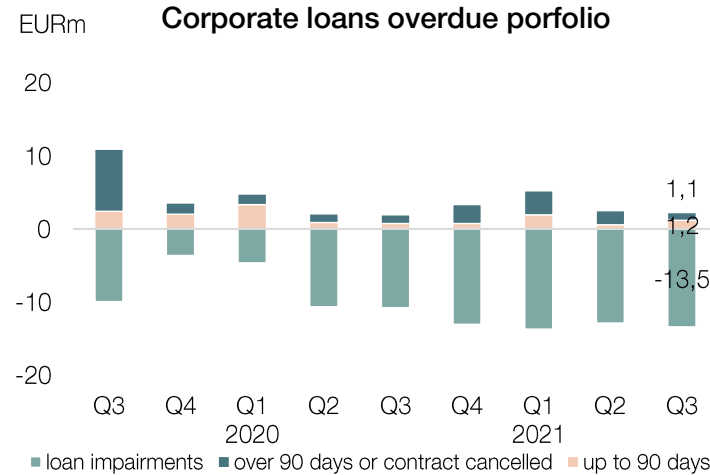
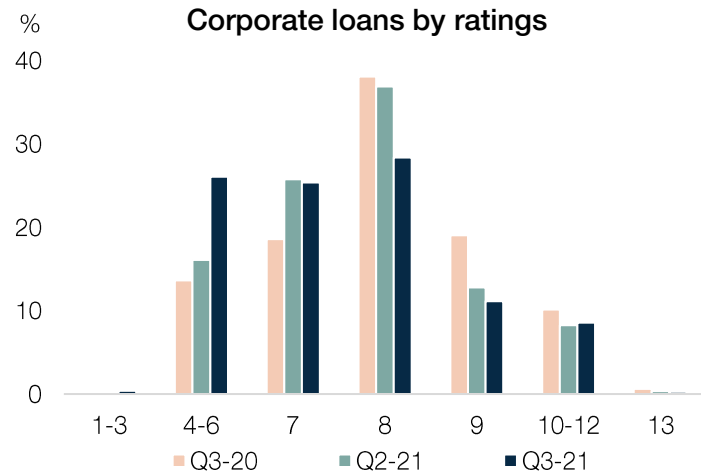


- Liquidity and capitalization of the Group remain strong
- The negative impact to LCR ratio arising from growth in deposits from financial intermediaries was compensated with a growth in private individuals' and corporates' deposits, allowing the regulative ratio to improve
- Both liquidity and capital adequacy ratios exceed regulatory and internal targets
- Finantsinspektsioon (Financial Supervision Authority) imposed new MREL levels with a 2.5 year transitional period. LHV fulfilled the requirements already in September

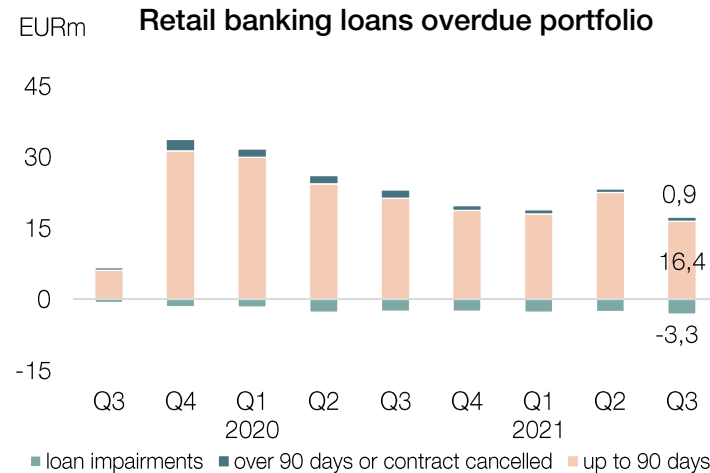
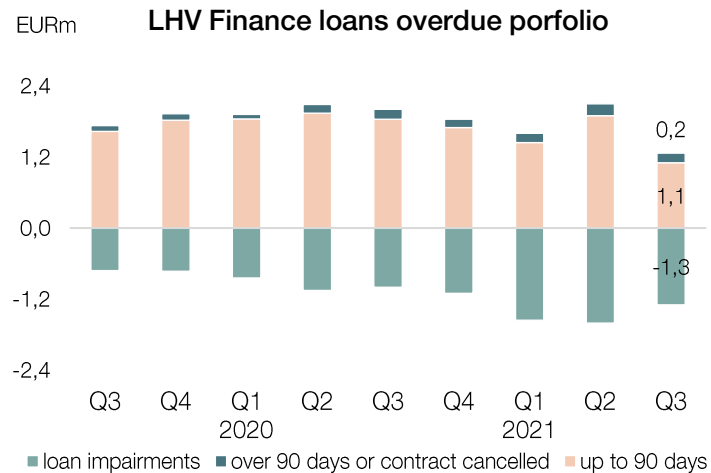


LHV Group

Strong quality of portfolio



- 90% of grace periods offered last year have come to an end, 95% of customers have returned to the regular payment schedule
- Despite a very small amount of loans overdue in all portfolios, additional provisions have been made to cover possible credit losses in the future

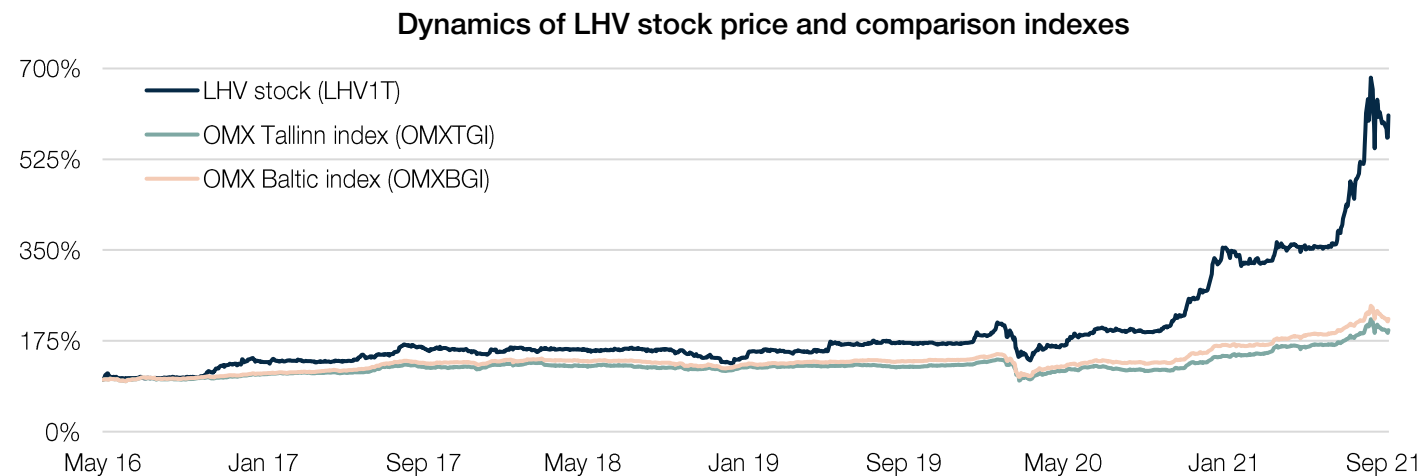


LHV Group

Stock information



- Q3 closing share price 42.80 EUR
- 32,753 trades were made with LHV shares during Q3 on the market with a turnover of 47.5 EURm, which gave the stock an average price of 39.26 EUR
- 12 month shareholders earnings per share (EPS) is 1.97 EUR
- As of 30 September 2021 LHV had 17,582 shareholders and 47.86% of shares belonged to supervisory and management board members and parties associated with them
- Market capitalization based on closing price of 30/09/2021 was 1246 EURm



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