

LHV Group

Q4 2021 results
8 February 2022

Strong growth along with strong results

Continuously good growth in business volumes, customer activity and revenues

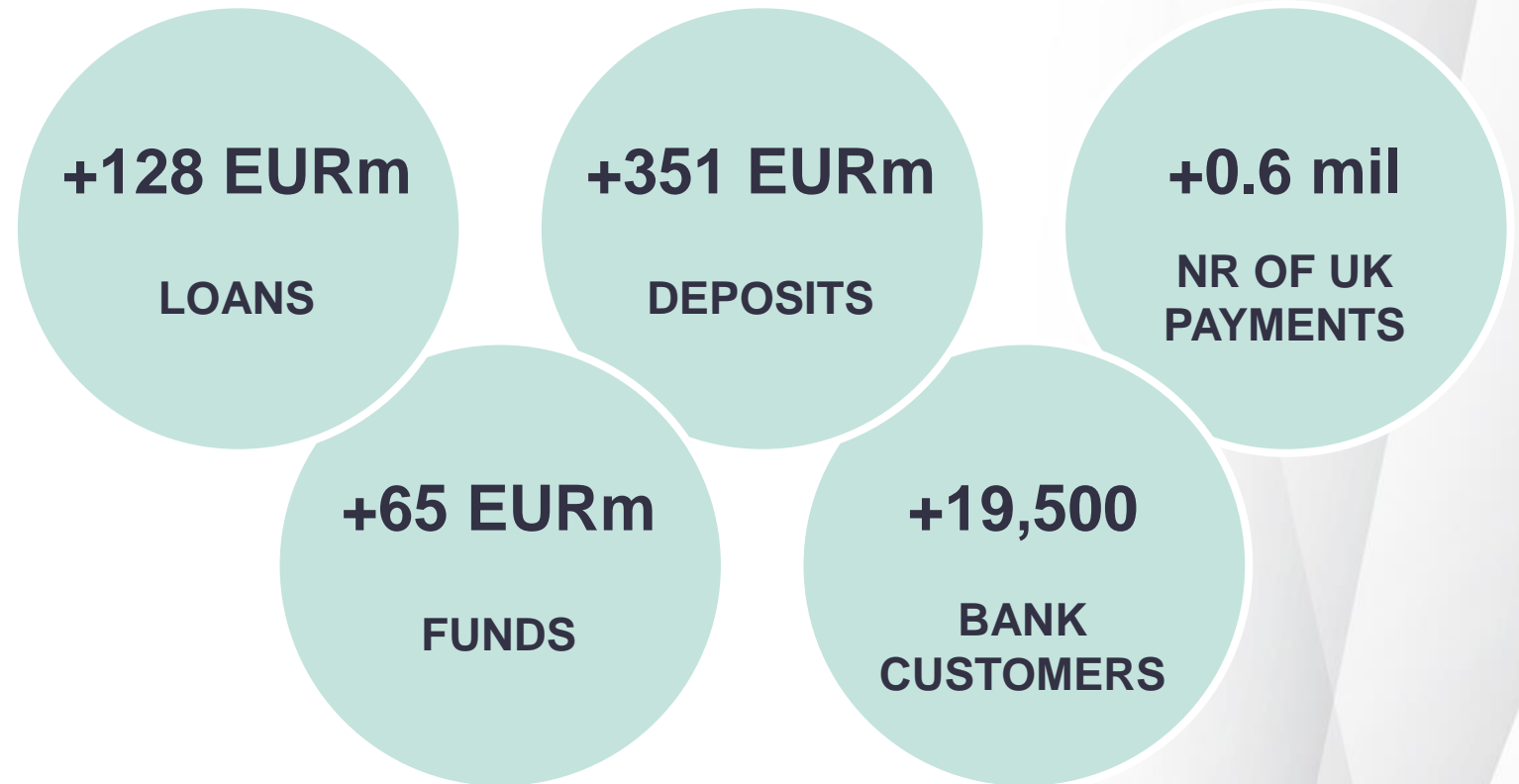
Pension funds' performance fee

Crypto asset trading service

Growth in insurance services

In UK, focus on preparations for obtaining a licence and recruiting

The best bank in Estonia / *The Banker*



Strong quarter in bank's business volumes, funds earned performance fee

Financial results, EURt	9 quarters	Q4-21	Q3-21	Δ quarter
Net interest income		28,163	25,857	+2,306
Net fee and commission income		15,251	9,981	+5,270
Other income		-737	265	-1,002
Total revenue		42,677	36,103	+6,575
Total expenses		18,247	15,251	+2,996
Earnings before impairment		24,431	20,852	+3,579
Impairment losses on loans		1,694	1,444	+250
Income tax expense		3,395	2,819	+576
Net income		19,342	16,589	+2,753
Business volumes, EURm	9 quarters	Q4-21	Q3-21	Δ quarter
Deposits from customers		5,808	5,457	+351
Loans (net)		2,677	2,549	+128
Assets under management		1,349	1,284	+65
Customers, thous.		513	488	+24
Fin. intermediaries' payments, thous. pcs		7,343	6,696	+648
Key figures	9 quarters	Q4-21	Q3-21	Δ quarter
Cost / income ratio (C/I)		42.8%	42.2%	+ 0.5 pp
pre-tax ROE*		30.1%	28.4%	+ 1.8 pp
ROE*		25.7%	24.3%	+ 1.4 pp

- Customer loans, deposits, fund volumes and the number of payments grew during the quarter. Activity of customers is increasing
- Credit portfolio remains good, lending activity is financed with deposits
- ROE exceeds plans
- Quarterly profit of 19.3 EURm includes 2.6 EURm performance fee earned during the year

* 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 +6.4 EURm

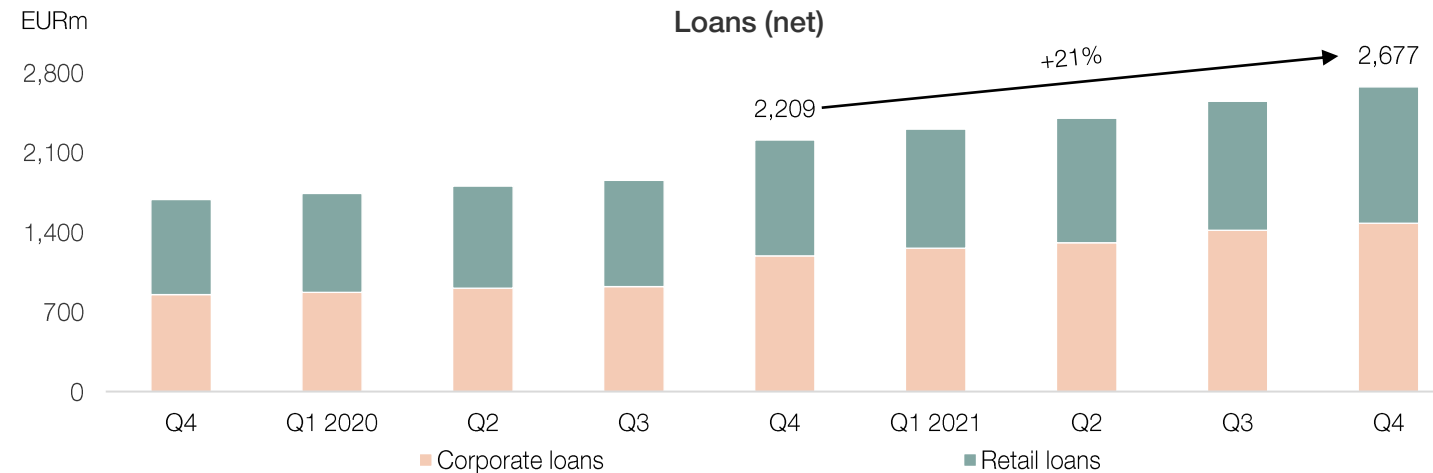
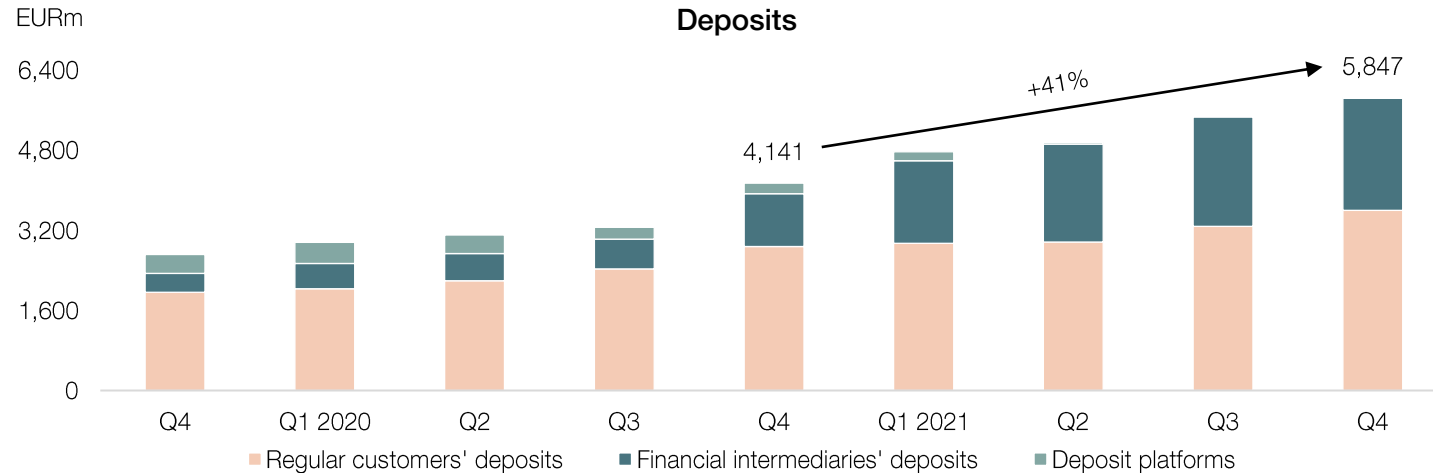
Financial results, EURt	13 months	Dec-21	YTD21	YTD20	FP YTD	Δ YTD FP
Total revenue, incl.		17,831	140,379	103,547	131,500	+8,879
Net interest income		10,918	97,319	68,492	95,100	+2,219
Net fee and commission income		6,868	43,478	33,351	36,129	+7,349
Total operating expenses		6,151	65,183	43,975	61,273	+3,910
Earnings before impairment		11,680	75,197	59,572	70,227	+4,969
Impairment losses on loans		1,586	3,948	10,898	6,357	-2,409
Income tax		1,410	10,986	8,827	10,019	+966
Net profit, incl.		8,685	60,263	39,847	53,851	+6,412
attr. to shareholders		8,519	58,261	37,950	51,801	+6,461
Business volumes, EURm	13 months	Dec-21	YTD21	YTD20	FP YTD	Δ YTD FP
Deposits from customers		5,808	5,808	4,120	5,076	+732
Loans (net)		2,677	2,677	2,209	2,619	+58
Assets under management		1,349	1,349	1,537	1,354	-5
Fin. intermediaries' payments, thous. pcs		2,261	27,401	16,145	na	na
Key figures	13 months	Dec-21	YTD21	YTD20	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		34.5%	46.4%	42.5%	46.6%	- 0.2 pp
Net interest margin (NIM)		1.9%	1.6%	1.9%	1.6%	- 0.0 pp
pre-tax ROE*		37.3%	24.9%	20.5%	22.5%	+ 2.4 pp
ROE*		32.2%	21.1%	17.3%	19.0%	+ 2.1 pp
ROA		1.5%	1.0%	1.1%	0.9%	+ 0.1 pp

- Revenue and expenses higher than planned due to increased business volumes
- Loan provisions are lower than planned mainly due to faster economic growth
- Asset management earned performance fee in the amount of 2.6 EURm, which was not included in the financial plan
- Year total, Group exceeded the financial plan by 6.4 EURm

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

LHV Banking

Very good quarterly growth



- 19,500 new bank customers. Record levels in regular customers' activity
- Deposits increased by 370 EURm, resulting mainly from an increase in regular customers' deposits. Financial intermediaries' deposits increased by 61 EURm. Deposits from deposit platforms have been repaid and the remaining balance is 7 EURm
- Loan growth of 128 EURm, including 63 EURm in corporate loans and 65 EURm in retail loans
- An option to trade crypto assets was introduced
- CV-Online named LHV Bank Top Employer

LHV Banking

High customer activity and very good quality of loan portfolio

Financial results, EURt	9 quarters	Q4-21	Q3-21	Δ quarter
Net interest income		28,322	25,271	+3,051
Net fee and commission income		10,531	7,461	+3,070
Other income		-955	226	-1,182
Total revenue		37,898	32,959	+4,939
Total expenses		14,270	11,690	+2,579
Earnings before impairment		23,628	21,269	+2,359
Impairment losses on loans		1,694	1,444	+250
Income tax expense		3,289	2,713	+576
Net income		18,645	17,112	+1,534
Business volumes, EURm	9 quarters	Q4-21	Q3-21	Δ quarter
Deposits from customers		5,847	5,476	+370
Loans (net)		2,677	2,549	+128
Customers, thous.		340	321	+19
Key figures	9 quarters	Q4-21	Q3-21	Δ quarter
Cost / income ratio (C/I)		37.7%	35.5%	+ 2.2 pp
pre-tax ROE*		32.5%	31.5%	+ 1.0 pp
ROE*		27.6%	27.1%	+ 0.5 pp
Net interest margin		1.7%	1.6%	+ 0.1 pp

- High customer activity was affected by pension reform and several IPOs
- Loan provisions increased by 0.25 EURm. The quality of the loan portfolio as a whole has remained strong and the share of overdue loans has stayed low
- Grace periods have almost all ended as planned and customers continue paying loan instalments
- Net profit amounted to 18.6 EURm and ROE 27.6%

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LHV Banking – comparison with financial plan

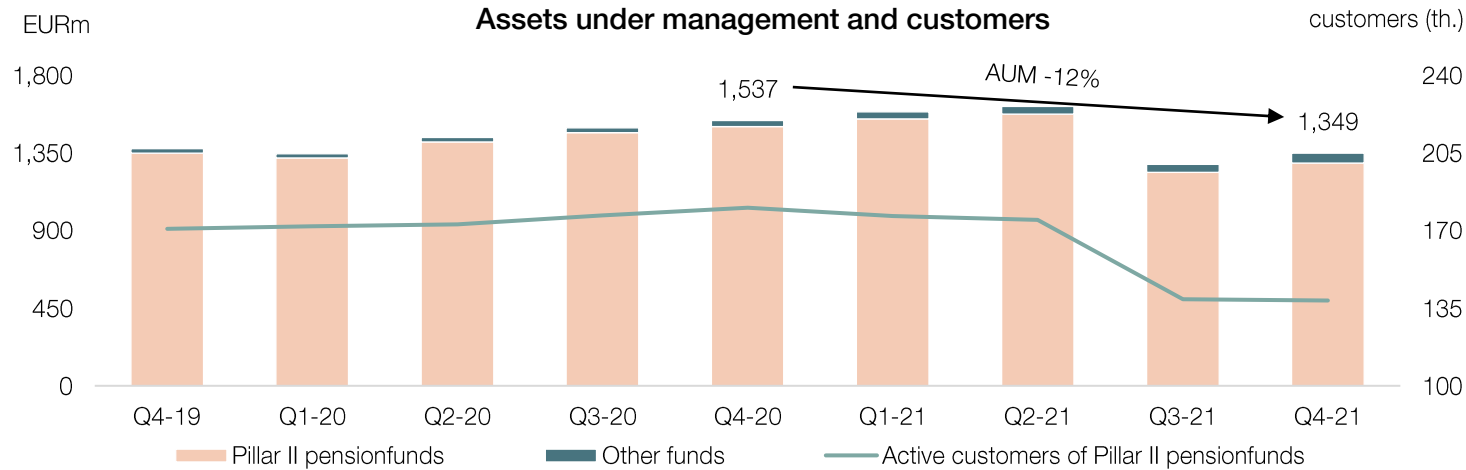
Net profit ahead of financial plan by +4.9 EURm

Financial results, EURt	13 months	Dec-21	YTD21	YTD20	FP YTD	Δ YTD FP
Total revenue, incl.		14,641	127,894	88,519	121,653	+6,241
Net interest income		10,969	97,662	69,046	95,585	+2,078
Net fee and commission income		3,579	31,172	18,385	26,118	+5,054
Total operating expenses		4,830	49,339	36,268	46,640	+2,699
Earnings before impairment		9,812	78,555	52,251	75,013	+3,542
Impairment losses on loans		1,586	3,948	10,898	6,357	-2,409
Income tax		1,374	10,556	6,750	9,532	+1,025
Net profit		6,852	64,051	34,603	59,124	+4,927
Business volumes, EURm	13 months	Dec-21	YTD21	YTD20	FP YTD	Δ YTD FP
Deposits from customers		5,847	5,847	4,141	5,122	+725
Loans (net)		2,677	2,677	2,209	2,619	+58
Key figures	13 months	Dec-21	YTD21	YTD20	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		33.0%	38.6%	41.0%	38.3%	+ 0.2 pp
Net interest margin (NIM)		1.9%	1.6%	1.9%	1.7%	- 0.0 pp
T1 capital adequacy		14.9%	14.9%	16.2%	15.1%	- 0.3 pp
Total capital adequacy		17.5%	17.5%	19.7%	17.9%	- 0.4 pp

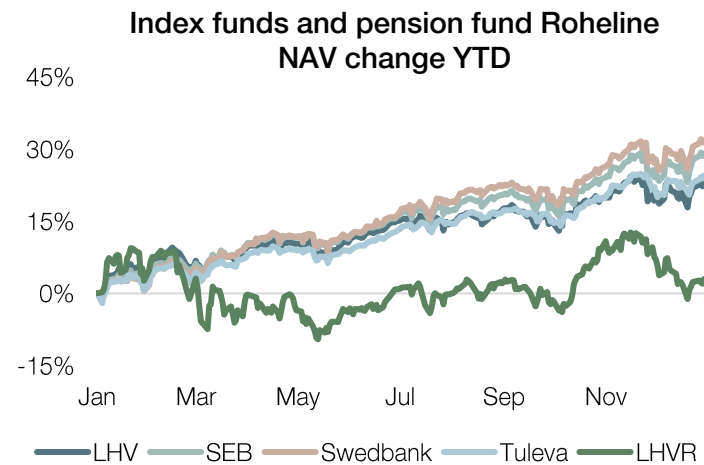
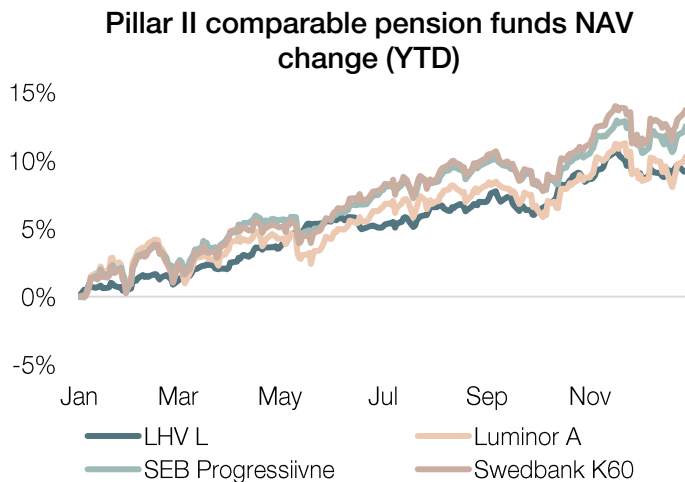
- Both deposits and loans exceeded the financial plan by year-end
- Net profit exceeds financial plan mainly due to higher fee and commission income and lower loan provisions resulting from higher customer activity
- Slightly higher expenses due to increased business volumes
- In 2021, bank earned a net profit of 64.1 EURm and kept cost-income ratio on good level at 38.6%

LHV Asset management

Successful year for pension funds' customers



- The volume of assets under management was about 1.3 EURb by year-end. Funds volume and the number of customers decreased less than expected during the year
- Returns of the largest LHV pension funds M, L and XL were in year 2021 5.3%, 9.0% and 10.0%, respectively
- Unit value of LHV Indeks increased by 22.8% and pension fund Roheline by 2.9% during the year
- High return of II pillar pension funds earned fund customers a net profit of 126 EURm during the year



LHV Asset management

Largest pension funds L and XL outperformed the benchmark index

Financial results, EURt	9 quarters	Q4-21	Q3-21	Δ quarter
Total revenue		4,543	2,215	+2,328
Total expenses		1,777	1,699	+78
EBIT		2,766	515	+2,250
Net financial income		236	50	+185
Income tax expense		0	0	+0
Net profit		3,001	565	+2,436
Business volumes	9 quarters	Q4-21	Q3-21	Δ quarter
Pillar II pension funds		1,290	1,237	+54
Pillar III pension funds		51	41	+10
Eurofunds		7	6	+1
Active customers of PII funds, th.		138	139	-1
Key figures	9 quarters	Q4-21	Q3-21	Δ quarter
Cost / income ratio (C/I)		37.2%	75.0%	- 37.8 pp
pre-tax ROE		46.0%	9.3%	+ 36.7 pp
ROE		46.0%	9.3%	+ 36.7 pp

- Quarterly net profit amounted to 3.0 EURm, of which 2.6 EURm was performance fee earned from high return of pension funds L and XL
- L and XL outperformed the benchmark index second year in a row, asset distribution in the portfolio largely in line with the long-term goal by year-end
- Number of active customers of II pillar pension funds around 140 thousand, number of III pillar customers exceeded 30 thousand and III pillar funds' volume 50 EURm level
- Fourth quarter ROE 46% due to higher profitability

LHV Asset management – comparison with financial plan

Net profit higher than planned due to performance fee

Financial results, EURt	13 months	Dec-21	YTD21	YTD20	FP YTD	Δ YTD FP
Total revenue		3,225	11,952	15,578	9,135	+2,817
Total expenses		513	10,015	6,389	10,043	-28
Earnings before taxes		2,712	1,936	9,189	-908	+2,845
Income tax		0	1,241	844	1,241	+0
Net profit		2,712	695	8,345	-2,150	+2,845
Business volumes	13 months	Dec-21	YTD21	YTD20	FP YTD	Δ YTD FP
Assets under management, EURm		1,349	1,349	1,537	1,354	-5
Active customers of PII funds, thous.		138	138	180	142	-3
Key figures	13 months	Dec-21	YTD21	YTD20	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		15.9%	83.8%	42.7%	109.9%	- 26.1 pp
Funds average return		0.2%	9.2%	4.9%	7.2%	+ 2.0 pp

- Revenue and expenses largely in line with the financial plan, profitability positively affected by performance fee and good return of funds
- Volume of funds slightly behind the updated financial plan, but higher than planned at the beginning of the year
- Monthly increase in pension related social tax receipts was around 7.7% in 2021, rapid economic recovery from the second quarter
- Proposal to increase payments to II pillar in process – 4+4% or 6+4% instead of current 2+4%

LHV Insurance

Expanded product selection and continuous growth in number of partners

Financial results, EURt	9 quarters	Q4-21	Q3-21	Δ quarter
Total revenue		218	344	-127
Total expenses		434	566	-133
Net technical result		-216	-222	+6
Net investments income		4	0	+4
Net profit		-213	-222	+10
Business volumes	9 quarters	Q4-21	Q3-21	Δ quarter
Gross written premium, EURt		1,559	1,412	+147
No of Customers (thous.)		143	139	+4
Key figures	9 quarters	Q4-21	Q3-21	Δ quarter
Net loss ratio		70.9%	46.5%	+ 24.3 pp
Net expense ratio		51.8%	84.9%	- 33.1 pp
pre-tax ROE		-12.6%	-12.7%	+ 0.2 pp
ROE		-12.6%	-12.8%	+ 0.2 pp

- Single and annual travel insurance was added to product portfolio. Sale in online and direct sales channels started
- Increasing interest from insurance intermediaries. Number of cooperation partners, including insurance brokers and agents, increased to 39
- Number of customers reached 143 thousand, number of effective insurance contracts by quarter-end 211 thousand
- Customer satisfaction with claims handling remains high at 95%
- Quarterly revenue lower than planned mainly due to increased volume of claims during the last two months

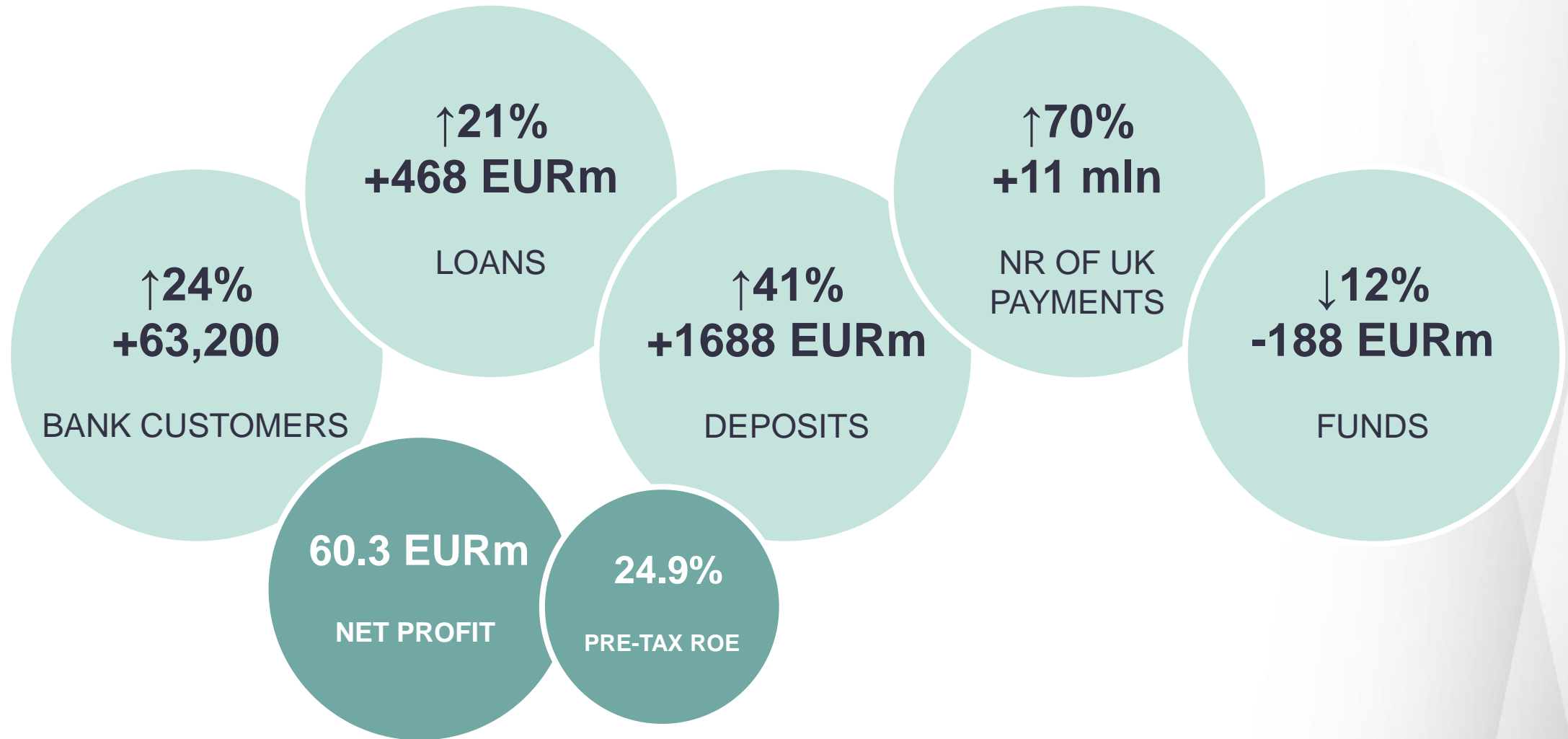
LHV Insurance – comparison with financial plan

Record sales volumes of appliance insurances, increased volume of claims

Financial results, EURt	13 months	Dec-21	YTD21	YTD20	FP YTD	Δ YTD FP
Total revenue, incl.		40	1,073	0	1,306	-233
Net earned premiums		349	2,273	0	2,391	-117
Net incurred losses		292	1,106	0	864	+242
Total expenses		178	1,894	551	1,966	-72
Earnings before taxes		-138	-822	-551	-660	-161
Net profit		-139	-823	-551	-660	-163
Business volumes	13 months	Dec-21	YTD21	YTD20	FP YTD	Δ YTD FP
Gross written premium, EURt		516	6,747	0	7,318	-571
No of Customers (thous.)		143	143	0	na	na
Key figures	13 months	Dec-21	YTD21	YTD20	FP YTD	Δ YTD FP
Net loss ratio		83.8%	48.7%	na	36.2%	+ 12.5 pp
Net expense ratio		56.7%	87.7%	na	91.5%	- 3.9 pp

- More than 9000 different insurance contracts were signed in total. Total volume of signed insurance contracts 0.98 EURm
- Net earned premiums reached 349 EURt, +14.1% compared to November
- Volume of gross written premium 0.52 EURm, of which 34% comes from casco and MTPL insurances
- Results negatively impacted by seasonal increase in vehicle claims as well as increase in travel Insurance claims, incl. Covid claims. 300 new claims were registered, 254 claims were settled

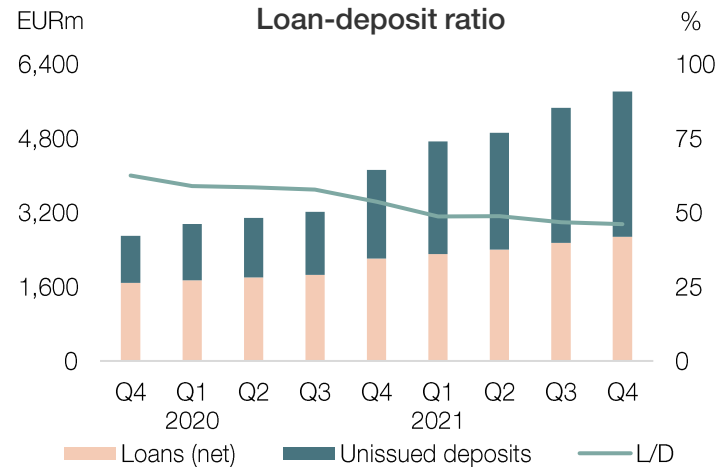
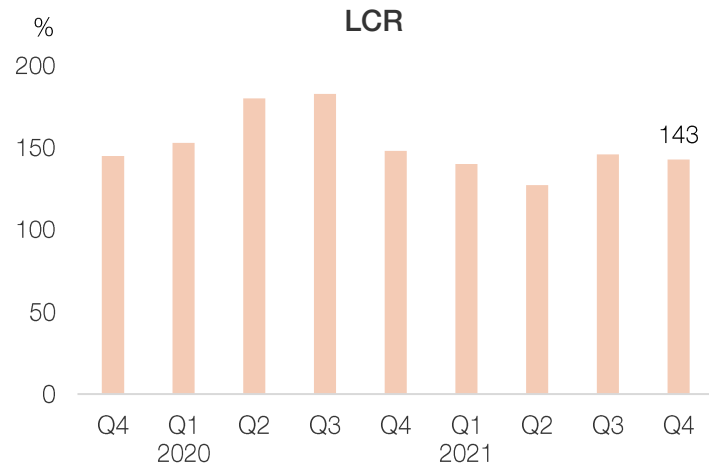
LHV Group
12 months



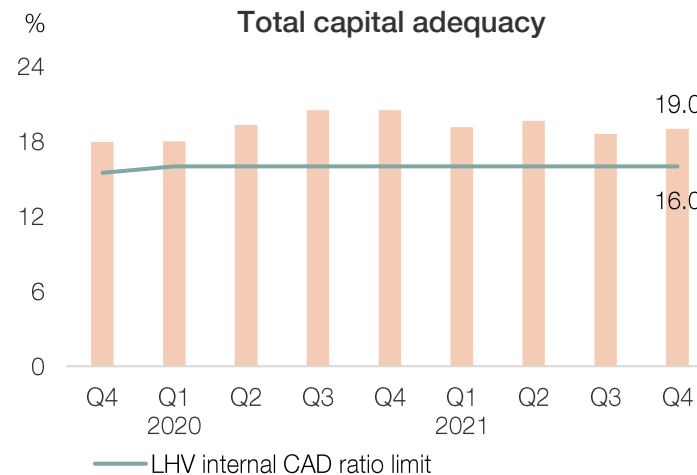
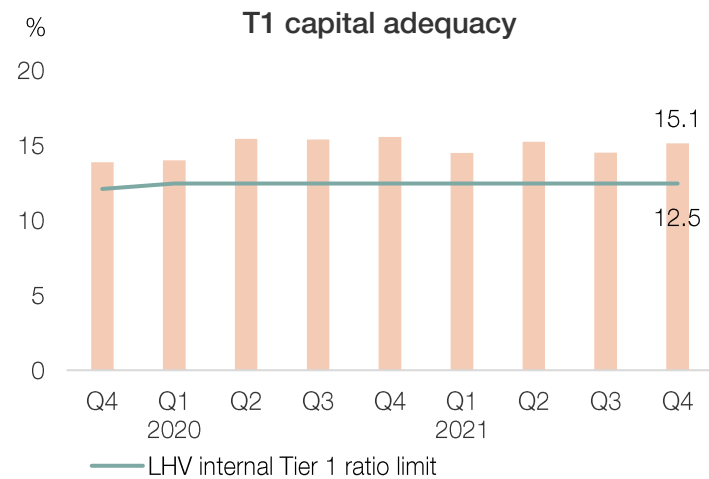
Annexes

LHV Group

Liquidity and capitalization as planned

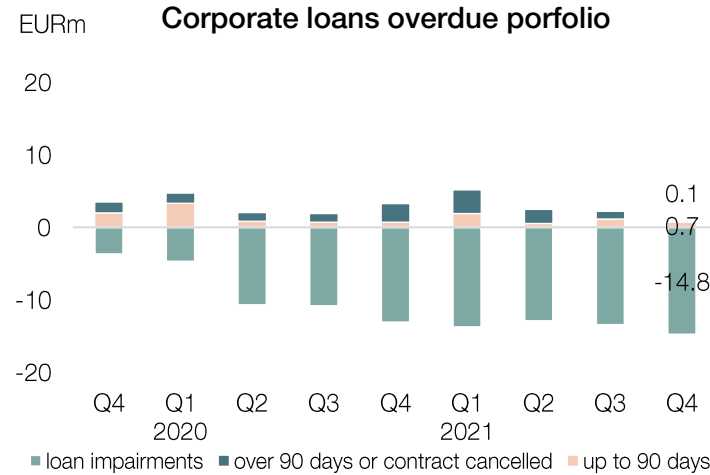
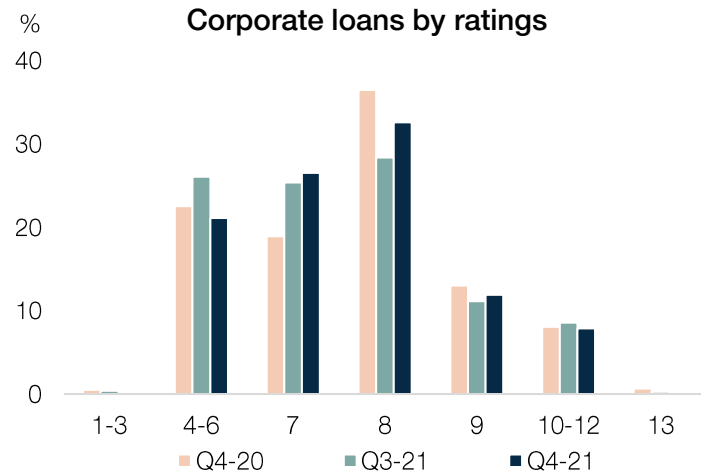


- Liquidity and capitalization of the Group remain strong
- Both liquidity and capital adequacy ratios exceed regulatory and internal targets. In January, the Supervisory Board raised the internal capitalization level by 0.5 pp
- New MREL transitional levels are in force, LHV already fulfils the requirements that come into force in 2024

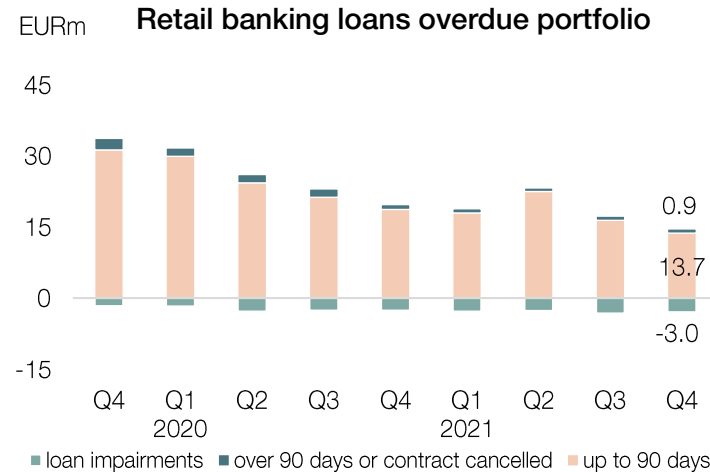
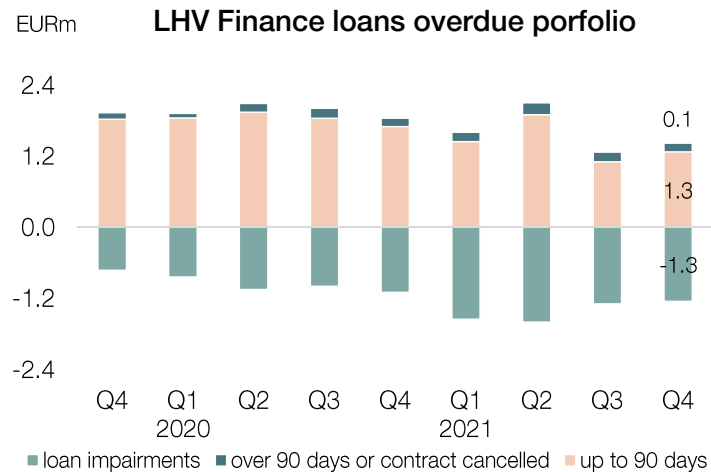


LHV Group

Strong quality of portfolio



- Proportion of customers with a lower rating is decreasing among both corporate and retail customers
- Despite a very small amount of loans overdue in all portfolios, additional provisions have been made to cover possible credit losses in the future

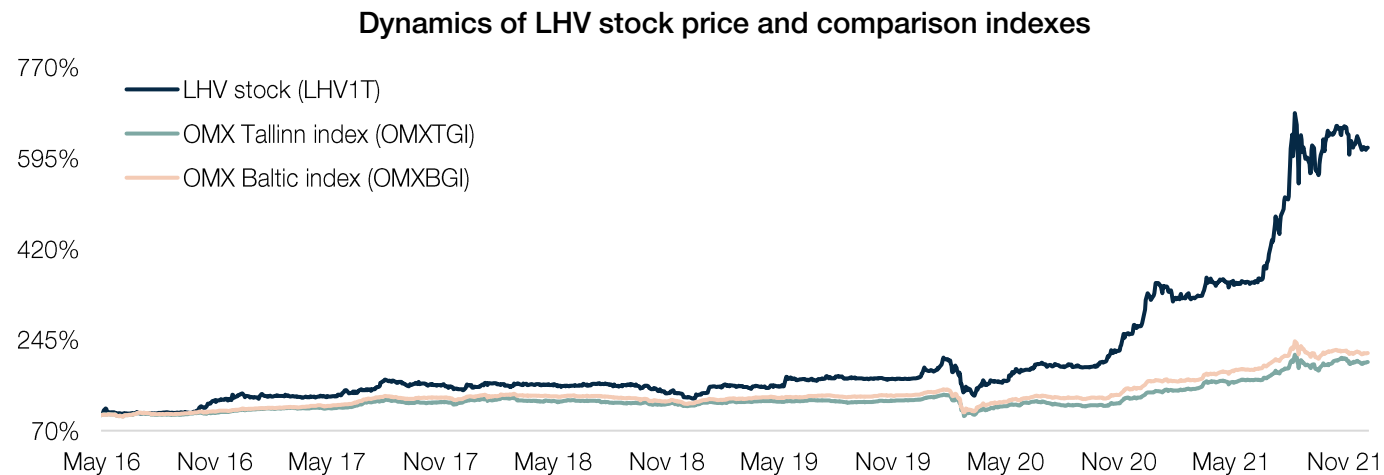


LHV Group

Stock information



- Q4 closing share price 43.20 EUR
- 22,723 trades were made with LHV shares during Q4 on the market with a turnover of 25.0 EURm, which gave the stock an average price of 44.06 EUR
- 12 month shareholders earnings per share (EPS) is 1.95 EUR
- As of 31 December 2021 LHV had 20,404 shareholders and 47.4% of shares belonged to supervisory and management board members and parties associated with them
- Market capitalization based on closing price of 31.12.2021 was 1290 EURm



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