

LHV Group

Q1 results
19 April 2022



Ensuring future growth

Acquisition of a payment gateway platform EveryPay

Applying for a banking licence in the United Kingdom

Growth in insurance services

New bank office opened in Pärnu

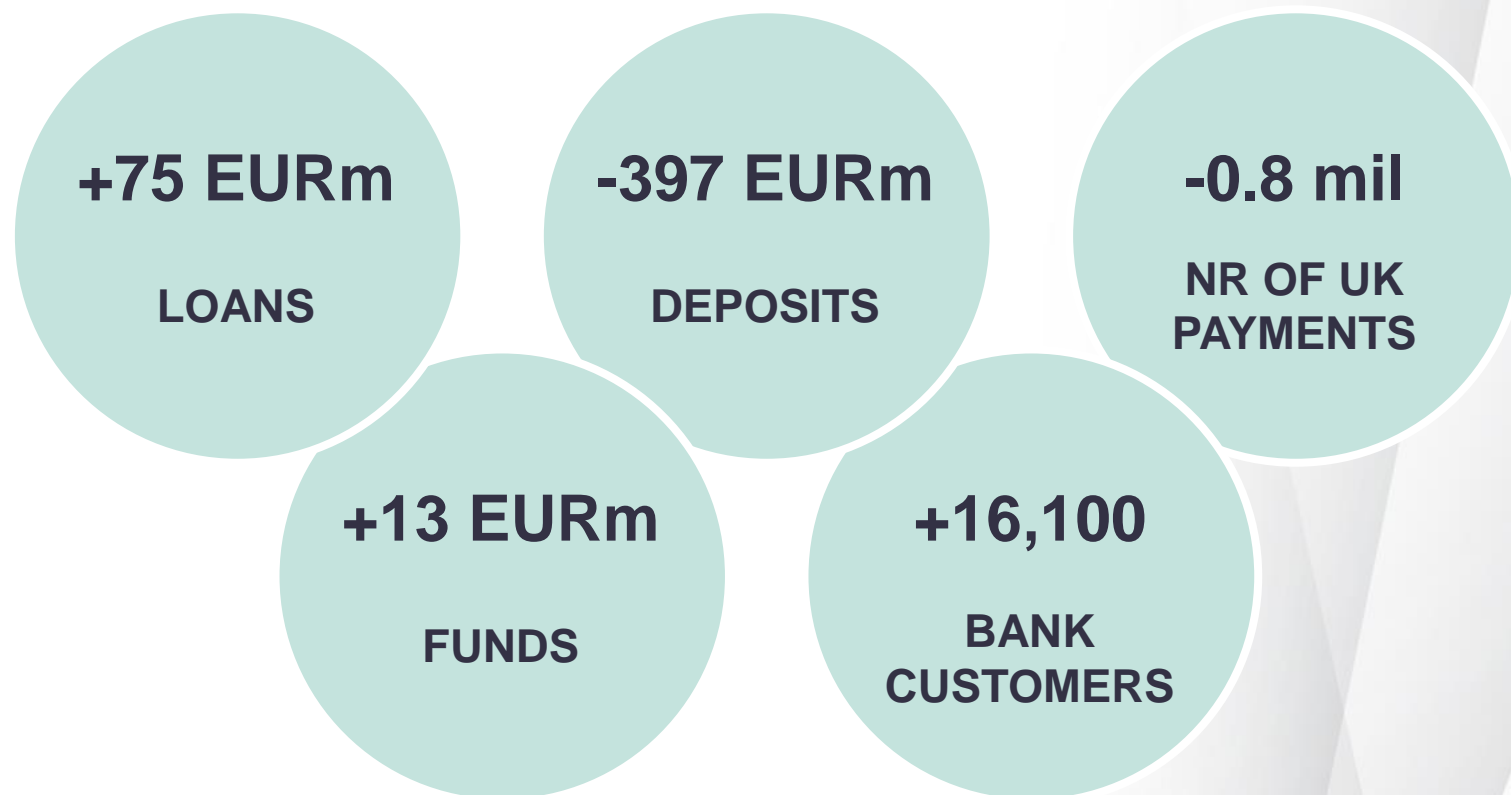
Virtual bank card

LHV best employer in Estonia

Bank with the best service in Estonia

Applying for financial holding company licence

Potential new investment to Bank North



LHV Group

Geopolitical effects on customer activity

Financial results, EURt	9 quarters	Q1-22	Q4-21	Δ quarter
Net interest income		25,787	28,163	-2,376
Net fee and commission income		10,346	15,251	-4,905
Other income		-1,349	-737	-612
Total revenue		34,784	42,677	-7,893
Total expenses		18,865	18,247	+619
Earnings before impairment		15,919	24,431	-8,512
Impairment losses on loans		735	1,694	-959
Income tax expense		2,801	3,395	-594
Net income		12,383	19,342	-6,959
Business volumes, EURm	9 quarters	Q1-22	Q4-21	Δ quarter
Deposits from customers		5,410	5,808	-397
Loans (net)		2,753	2,677	+75
Assets under management		1,362	1,349	+13
Customers, thous.		517	513	+4
Fin. intermediaries' payments, thous. pcs		6,592	7,343	-751
Key figures	9 quarters	Q1-22	Q4-21	Δ quarter
Cost / income ratio (C/I)		54.2%	42.8%	+ 11.5 pp
pre-tax ROE*		18.1%	30.1%	- 12.0 pp
ROE*		14.7%	25.7%	- 10.9 pp

- Customer loans and volume of funds increased, while financial intermediaries' deposits decreased. Decrease in deposits was planned in order to lower the concentration
- Lower customer activity resulted in lower fee and commission income. Also, COVID impact on insurance claims. Therefore, travel insurance service as been repriced
- Credit portfolio remains good, lending activity is financed by deposits
- Quarterly profit 12.4 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 behind the financial plan by -2.6 EURm

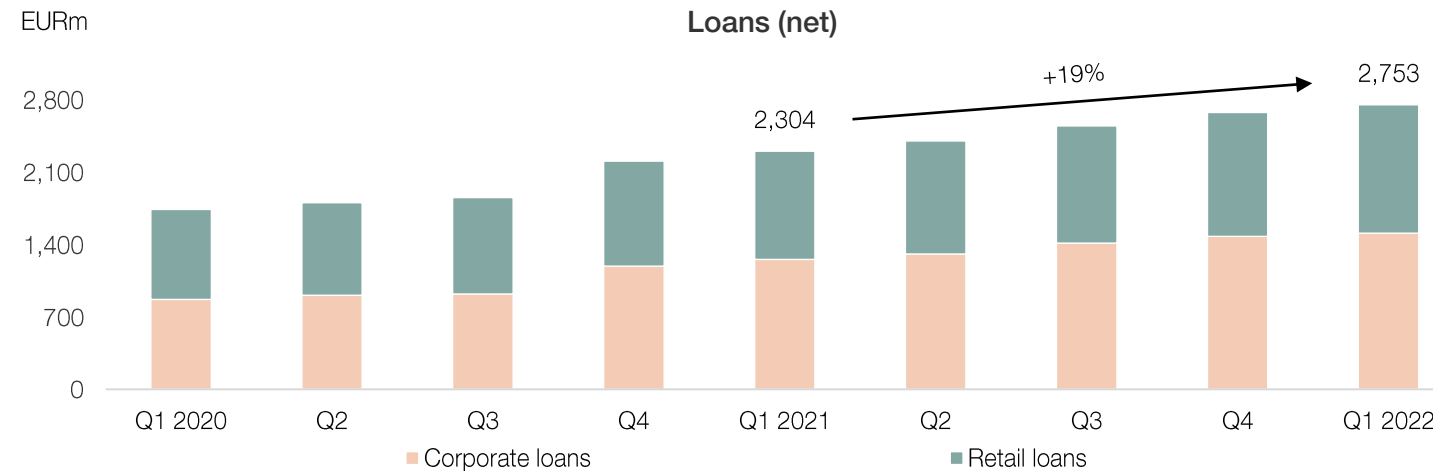
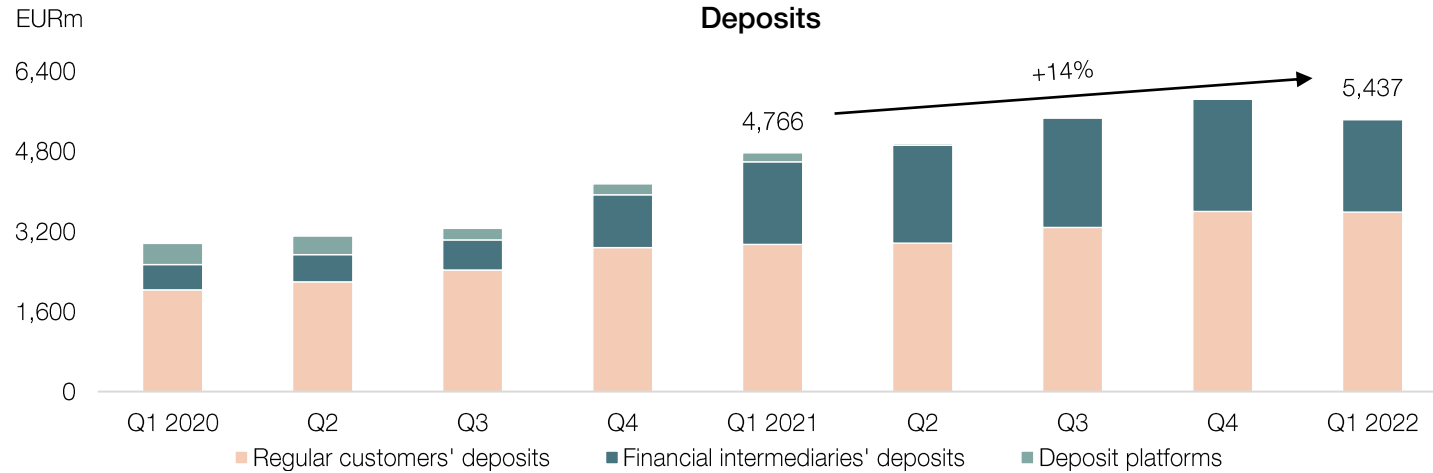
Financial results, EURt	13 months	Mar 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue, incl.		13,111	34,784	28,765	39,056	-4,272
Net interest income		9,290	25,787	20,372	26,046	-259
Net fee and commission income		3,888	10,346	8,729	12,699	-2,353
Total operating expenses		6,780	18,865	13,760	18,575	+291
Earnings before impairment		6,331	15,919	15,005	20,481	-4,562
Impairment losses on loans		839	735	1,601	2,263	-1,528
Income tax		1,254	2,801	1,988	3,216	-415
Net profit, incl.		4,238	12,383	11,417	15,003	-2,620
attr. to shareholders		3,998	11,880	11,043	14,519	-2,639
Business volumes, EURm	13 months	Mar 22	YTD22	YTD21	FP YTD	Δ YTD FP
Deposits from customers		5,410	5,410	4,734	5,550	-140
Loans (net)		2,753	2,753	2,304	2,739	+14
Assets under management		1,362	1,362	1,587	1,348	+14
Fin. intermediaries' payments, thous. pcs		2,335	6,592	6,639	7,465	-873
Key figures	13 months	Mar 22	YTD22	YTD21	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		51.7%	54.2%	47.8%	47.6%	+ 6.7 pp
Net interest margin (NIM)		1.7%	1.6%	1.5%	1.6%	- 0.0 pp
pre-tax ROE*		18.9%	18.1%	21.3%	21.2%	- 3.1 pp
ROE*		14.4%	14.7%	18.2%	17.9%	- 3.2 pp
ROA		0.8%	0.7%	0.9%	0.9%	- 0.2 pp

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

- Results behind the financial plan due to revaluation losses on bond portfolio, support to the Estonian Refugee Council and lower revenues from financial intermediaries. A plan to increase account-related fees for financial intermediaries is made
- Expenses higher than planned due to recruitment of risk units
- Loan provisions lower than planned, although additional forward-looking provisions have been made
- By quarter-end, net profit was behind the financial plan by 2.6 EURm. Financial plan holds, forward-looking positive changes from changes in the price list of UK's business activities and in the interest rate environment

LHV Banking

Tranquil beginning of the year



- 16,000 new bank customers. Activity lower among both regular customers and financial intermediaries. Activity showing signs of recovery in the second half of March
- Deposits decreased by slightly more than 400 EURm, resulting mainly from a decrease in financial intermediaries' deposits
- Loan growth of 75 EURm, including 32 EURm in corporate loans and 43 EURm in retail loans
- As a new solution, virtual card was introduced
- In March, a new bank office was opened in the Graf Zeppelin building in Pärnu

LHV Banking

Lower fee and commission income

Financial results, EURt	9 quarters	Q1-22	Q4-21	Δ quarter
Net interest income		25,875	28,322	-2,447
Net fee and commission income		7,790	10,531	-2,742
Other income		-1,431	-955	-476
Total revenue		32,233	37,898	-5,665
Total expenses		14,379	14,270	+109
Earnings before impairment		17,854	23,628	-5,774
Impairment losses on loans		735	1,694	-959
Income tax expense		2,269	3,289	-1,020
Net income		14,851	18,645	-3,795
Business volumes, EURm				
Deposits from customers		5,437	5,847	-410
Loans (net)		2,753	2,677	+75
Customers, thous.		355	340	+15
Key figures				
Cost / income ratio (C/I)		44.6%	37.7%	+ 7.0 pp
pre-tax ROE*		23.3%	32.5%	- 9.2 pp
ROE*		20.2%	27.6%	- 7.5 pp
Net interest margin		1.6%	1.7%	- 0.1 pp

- Customer activity was affected by the geopolitical situation, which also had an impact on the negative revaluation of bonds in the liquidity portfolio in the amount of 1.4 EURm
- Loan provisions amounted to 0.7 EURm, which resulted mainly from an increase in forward-looking model-based provisions . The quality of the loan portfolio as a whole has remained strong and the share of overdue loans continues to stay low
- Net profit amounted to 14.9 EURm and ROE 20.2%

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

LHV Banking – comparison with financial plan

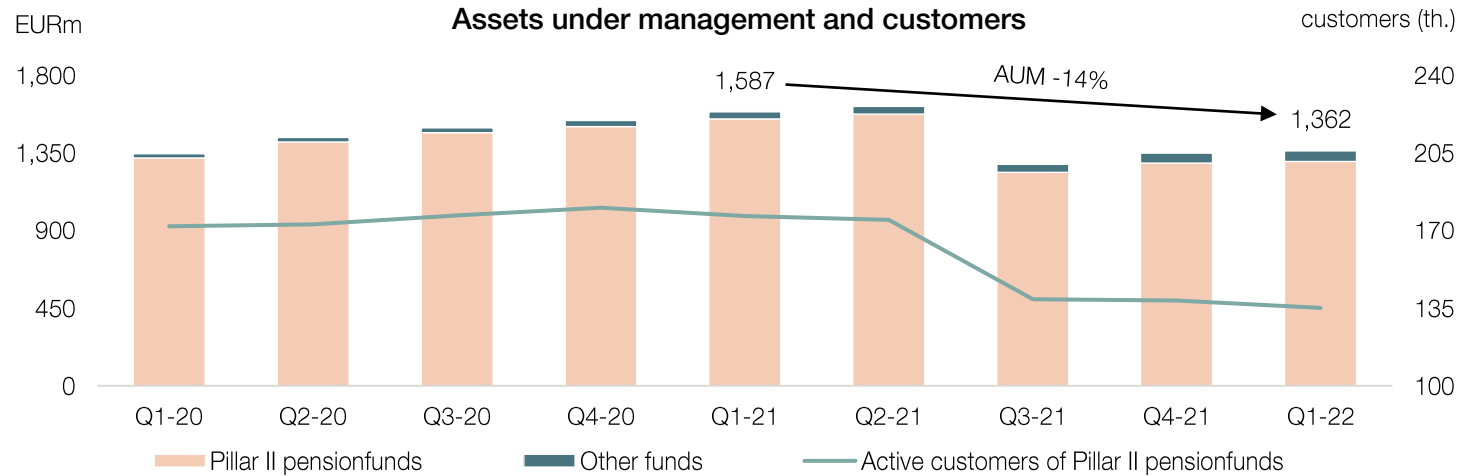
Net profit behind the financial plan by -2.1 EURm

Financial results, EURt	13 months	Mar 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue, incl.		12,013	32,233	26,684	36,108	-3,875
Net interest income		9,268	25,875	20,757	26,158	-283
Net fee and commission income		2,948	7,790	6,365	9,762	-1,972
Total operating expenses		4,981	14,379	11,448	14,214	+164
Earnings before impairment		7,033	17,854	15,237	21,894	-4,039
Impairment losses on loans		839	735	1,601	2,263	-1,528
Income tax		803	2,269	1,874	2,683	-415
Net profit		5,391	14,851	11,762	16,948	-2,097
Business volumes, EURm	13 months	Mar 22	YTD22	YTD21	FP YTD	Δ YTD FP
Deposits from customers		5,437	5,437	4,766	5,586	-149
Loans (net)		2,753	2,753	2,304	2,739	+14
Key figures	13 months	Mar 22	YTD22	YTD21	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		41.5%	44.6%	42.9%	39.4%	+ 5.2 pp
Net interest margin (NIM)		1.7%	1.6%	1.6%	1.6%	- 0.0 pp
T1 capital adequacy		15.2%	15.2%	15.8%	15.3%	- 0.1 pp
Total capital adequacy		18.4%	18.4%	19.0%	18.4%	+ 0.1 pp

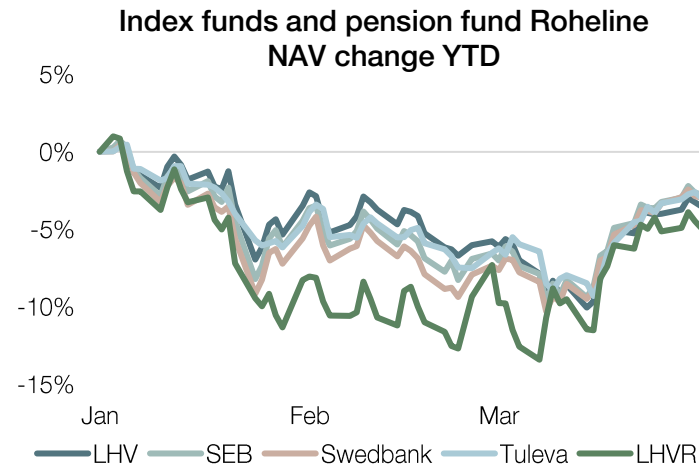
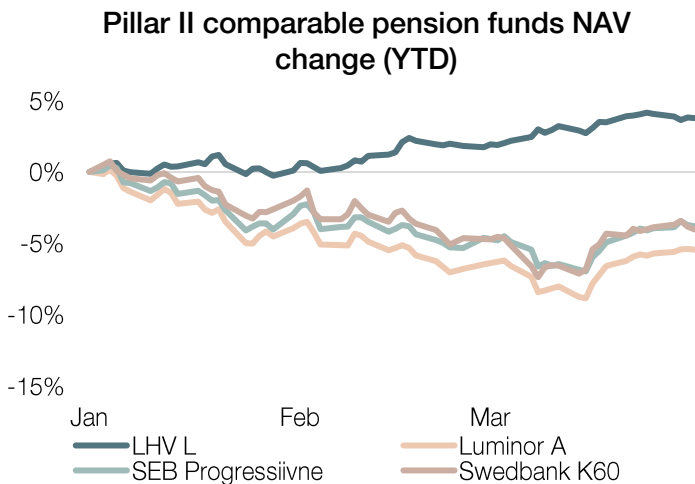
- Loan portfolio and regular customers' deposits as planned
- Net profit of the bank below the financial plan mainly due to lower revenue, which was partially balanced by lower than planned loan provisions
- Expenses as planned
- Net profit of the bank below the financial plan by 2.1 EURm, however, aim to reach the YTD financial plan during the following quarters

LHV Asset management

Successful quarter for larger actively managed funds



- The volume of assets under management was about 1.4 EURb by quarter-end. Volumes increased in both II and III pillar
- Quarterly returns of the largest actively managed LHV pension funds M, L and XL were 2.0%, 3.8% and 2.3%, respectively
- Difficult quarter on stock markets lowered the unit value of pension funds LHV Indeks and Roheline by 3.6% and 5.0%, respectively
- In the first quarter, unitholders earned an additional EUR 30.3 from positive return of the funds



LHV Asset management

Net loss resulting from income tax expense related to dividend payment

Financial results, EURt	9 quarters	Q1-22	Q4-21	Δ quarter
Total revenue		1,959	4,543	-2,584
Total expenses		1,877	1,777	+100
EBIT		82	2,766	-2,684
Net financial income		103	236	-133
Income tax expense		830	0	+830
Net profit		-646	3,001	-3,647
Business volumes, EURm				
Pillar II pension funds		1,301	1,290	+11
Pillar III pension funds		54	51	+2
Eurofunds		7	7	-0
Active customers of PII funds, th.		135	138	-3
Key figures				
Cost / income ratio (C/I)		91.1%	37.2%	+ 53.9 pp
pre-tax ROE		3.0%	46.0%	- 43.0 pp
ROE		-10.4%	46.0%	- 56.4 pp

- Quarterly net loss amounted to 0.6 EURm, higher revenue base of the previous quarter affected by the performance fee earned for year 2021 results
- Revenue earned from the increase of unit value lower mainly due to weaker quarterly results of pension funds Roheline and Roheline Pluss
- Number of active customers of II pillar pension funds decreased due to customers who exited the system in January, market share stays on the same level

LHV Asset management – comparison with financial plan

Results largely in line with the plan

Financial results, EURt	13 months	Mar 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue		703	1,959	2,307	1,941	+18
Total expenses		780	1,877	1,755	1,794	+84
Operating profit		-78	82	553	147	-66
Net financial income		150	103	113	132	-29
Income tax		830	830	1,241	830	+0
Net profit		-758	-646	-576	-551	-95
Business volumes	13 months	Mar 22	YTD22	YTD21	FP YTD	Δ YTD FP
Assets under management, EURm		1,362	1,362	1,587	1,348	+14
Active customers of PII funds, thous.		135	135	177	136	-1
Key figures	13 months	Mar 22	YTD22	YTD21	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		91.5%	91.1%	72.5%	86.5%	+ 4.5 pp
Funds average return		1.9%	2.3%	2.2%	1.6%	+ 0.7 pp

- Revenues largely in line with the financial plan, expenses somewhat higher due to customers leaving II pillar
- Volume of funds slightly ahead of the financial plan, number of active II pillar customers as planned
- I quarter net profit affected by income tax expense related to dividends paid in March
- Another period for submitting withdrawal applications from II pillar ended in March. As at the moment, about 3500 LHV customers are leaving and withdrawing their money at the beginning of September

LHV Insurance

Better customer experience and continuing growth in number of partners

Financial results, EURt	9 quarters	Q1-22	Q4-21	Δ quarter
Total revenue		142	218	-76
Total expenses		642	434	+208
Technical result		-500	-216	-284
Net investments income		1	4	-2
Net profit		-499	-213	-286
Business volumes	9 quarters	Q1-22	Q4-21	Δ quarter
Gross written premium, EURt		1,748	1,559	+189
No of Customers (thous.)		147	143	+3
Key figures	9 quarters	Q1-22	Q4-21	Δ quarter
Net loss ratio		81.6%	70.9%	+ 10.7 pp
Net expense ratio		58.0%	51.8%	+ 6.2 pp
pre-tax ROE		-31.1%	-12.6%	- 18.6 pp
ROE		-31.1%	-12.6%	- 18.5 pp

- Information and documents of insurance contracts available in LHV's online and mobile bank
- Increasing interest from insurance intermediaries. Number of cooperation partners, including insurance brokers and agents, increased to 47
- Number of customers reached 146.5 thousand, number of effective insurance contracts by quarter-end 213 thousand
- Customer satisfaction with claims handling remains high at 97%
- Quarterly revenue lower than planned mainly due to increased volume of COVID-related travel insurance claims

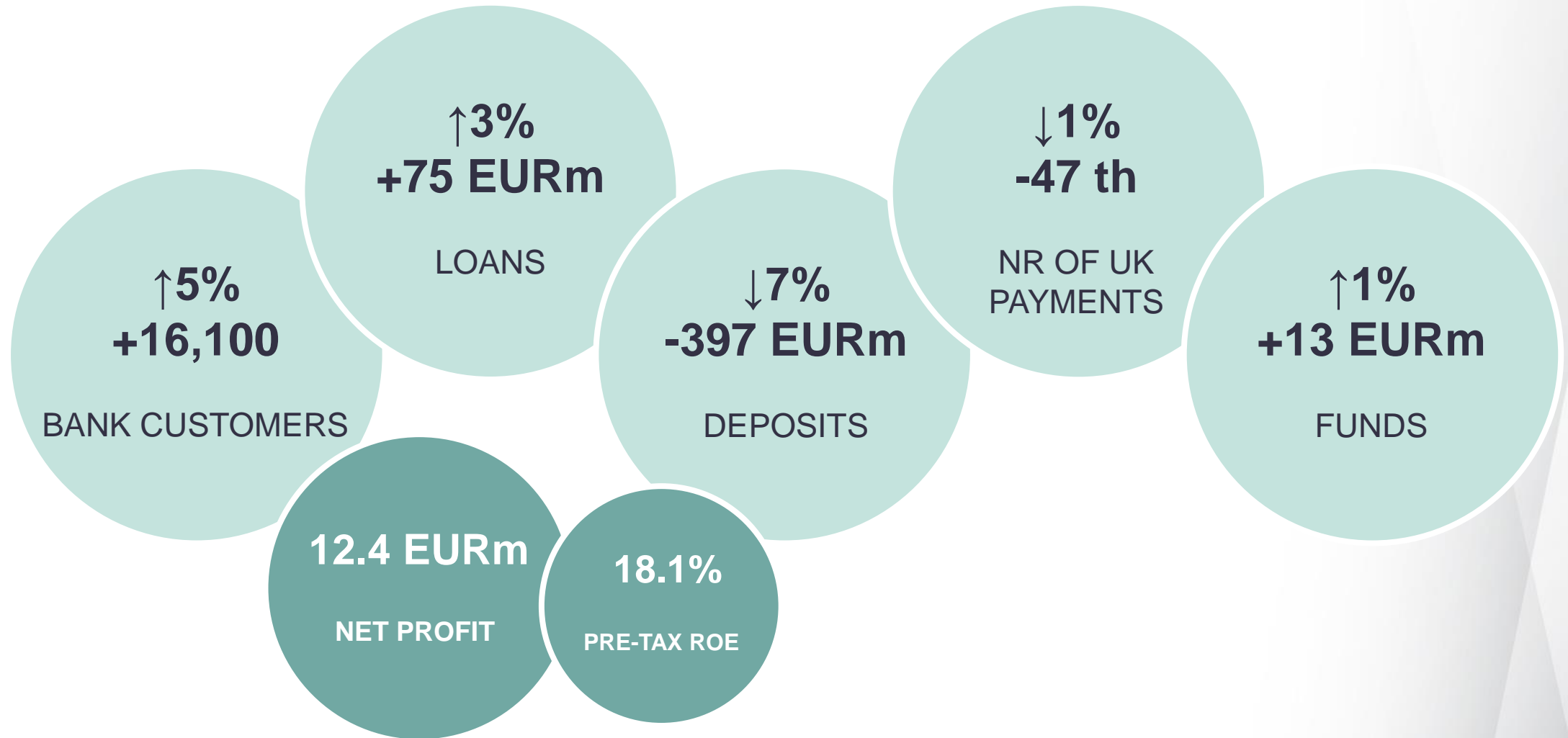
LHV Insurance – comparison with financial plan

Sales volumes of all products increasing, COVID impact on claims

Financial results, EURt	13 months	Mar 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue, incl.		88	142	89	521	-379
Net earned premiums		469	1,263	91	1,210	+53
Net incurred losses		348	1,030	1	599	+431
Total expenses		224	642	365	662	-20
Technical result		-136	-500	-276	-141	-359
Net investments income		-10	1	0	6	-4
Net profit		-146	-498	-276	-136	-363
Business volumes	13 months	Mar 22	YTD22	YTD21	FP YTD	Δ YTD FP
Gross written premium, EURt		681	1,748	2,136	2,276	-528
No of Customers (thous.)		147	147	126	na	na
Key figures	13 months	Mar 22	YTD22	YTD21	FP YTD	Δ YTD FP
Net loss ratio		74.1%	81.6%	1.4%	49.5%	+ 32.0 pp
Net expense ratio		54.9%	58.0%	403.1%	62.2%	- 4.1 pp

- About 10 thousand different insurance contracts were signed with a total volume of 1,043 EURt
- Net earned premiums increased by 18% to 469 EURt
- Volume of gross written premiums 681 EURt, of which 58% comes from vehicle insurances. Gross written premiums of a comparable period in Q1 2021 include a one-off volume of multi-year insurance contracts
- Results negatively impacted by continually high number of COVID-related claims in travel insurance

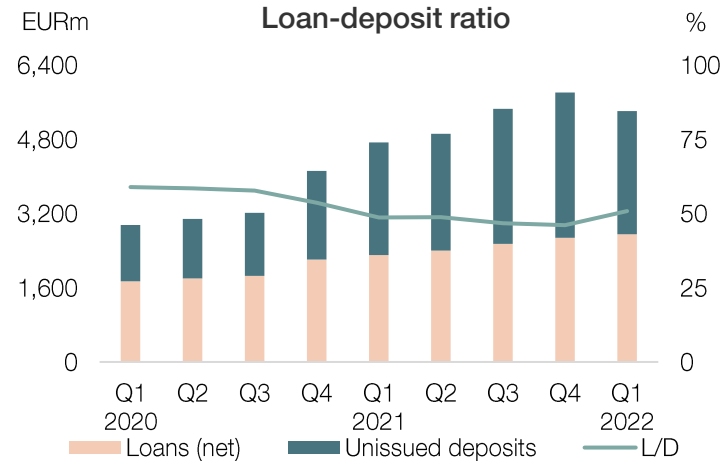
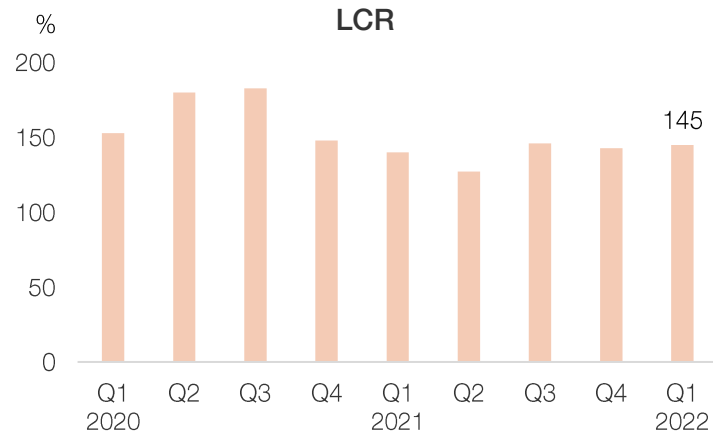
LHV Group
3 months



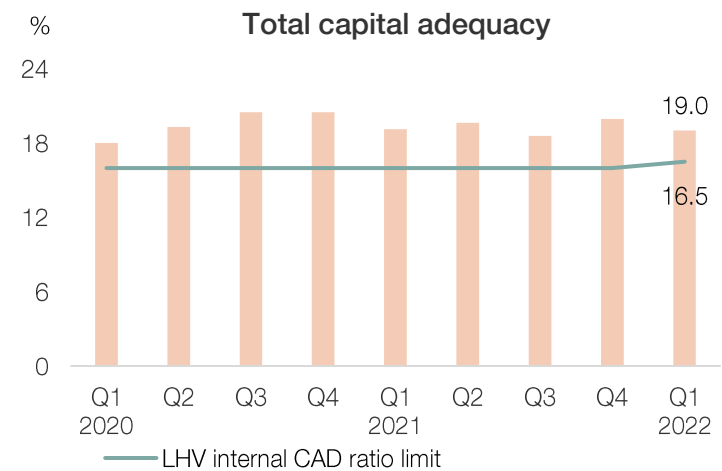
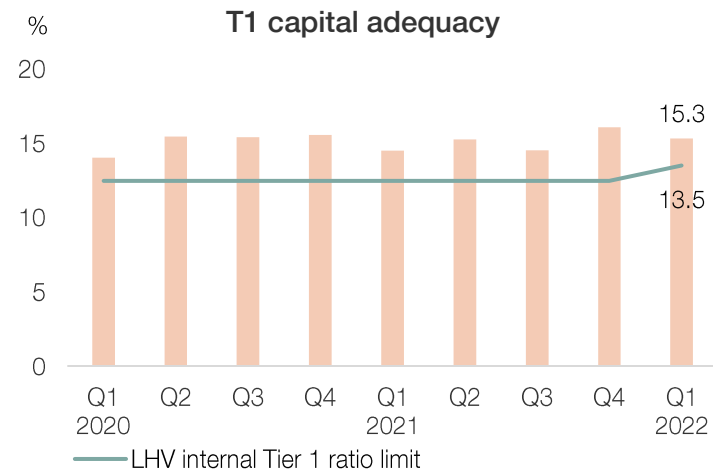
Annexes

LHV Group

Liquidity and capitalization as planned

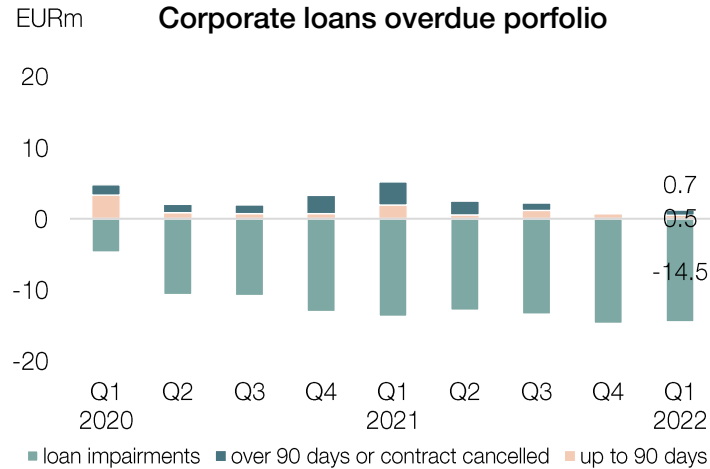
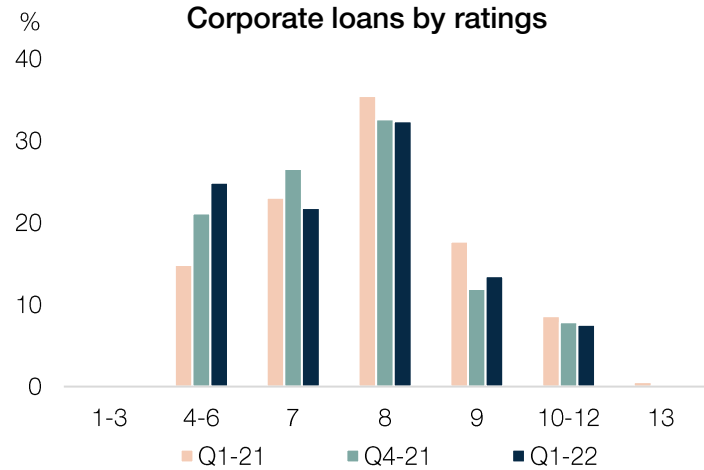


- Liquidity and capitalization of the Group remain strong
- Both liquidity and capital adequacy ratios exceed regulatory and internal targets
- LHV is planning to raise additional capital for future capitalization of UK business line

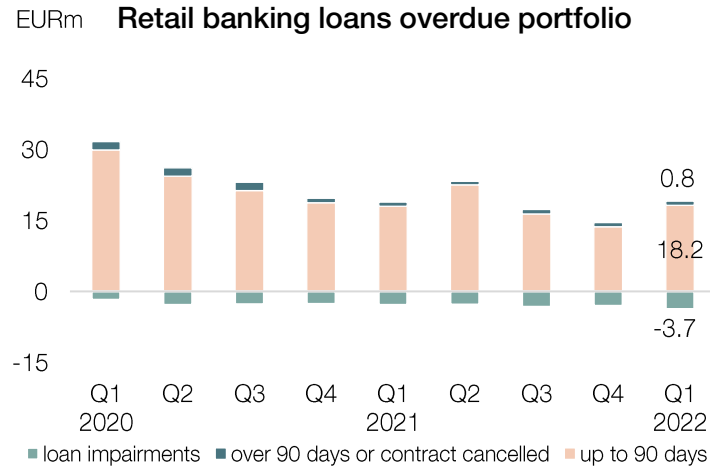
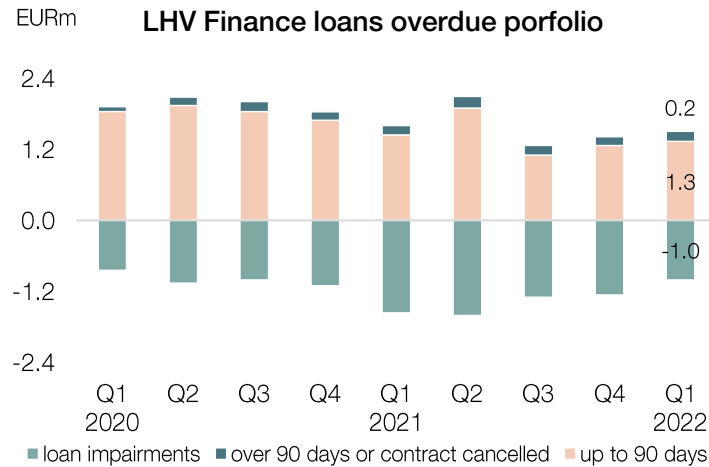


LHV Group

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

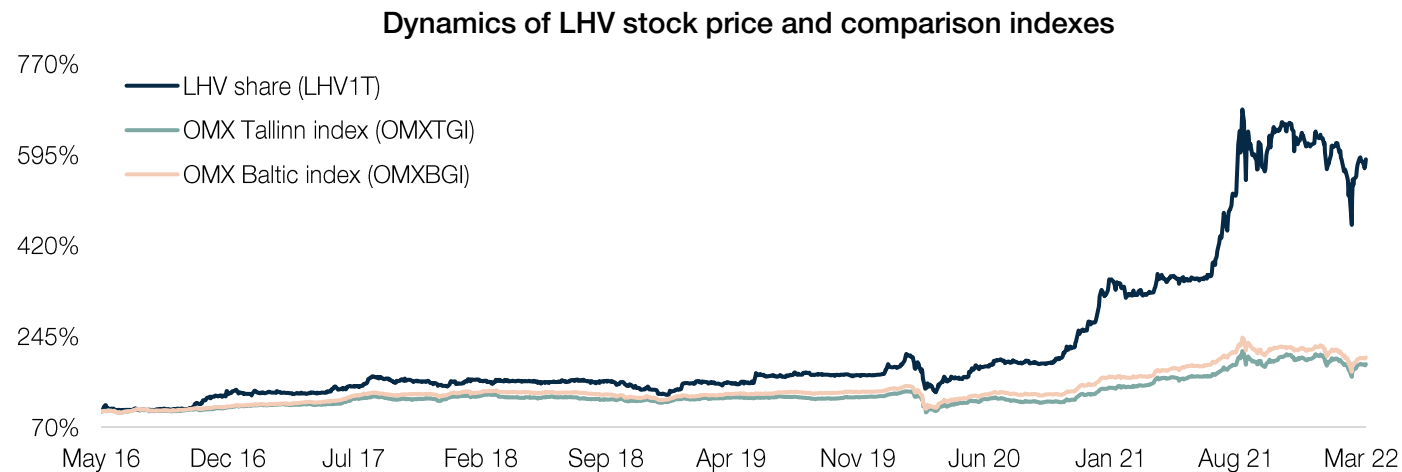


LHV Group

Share information



- Q1 closing share price was 41.15 EUR
- 38,148 trades were made with LHV shares during Q1 on the market with a turnover of 36.3 EURm, which gave the share an average price of 39.64 EUR
- 12 month shareholders earnings per share (EPS) is 1.98 EUR
- As of 31 March 2022 LHV had 24,037 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 31.03.2022 was 1229 EURm



Madis Toomsalu

LHV Group Managing Director
madis.toomsalu@lhv.ee

Meelis Paakspuu

LHV Group CFO
meelis.paakspuu@lhv.ee