

LHV Group

Q2 results
19 July 2022



Business environment affecting various areas differently

Growth in loan portfolio

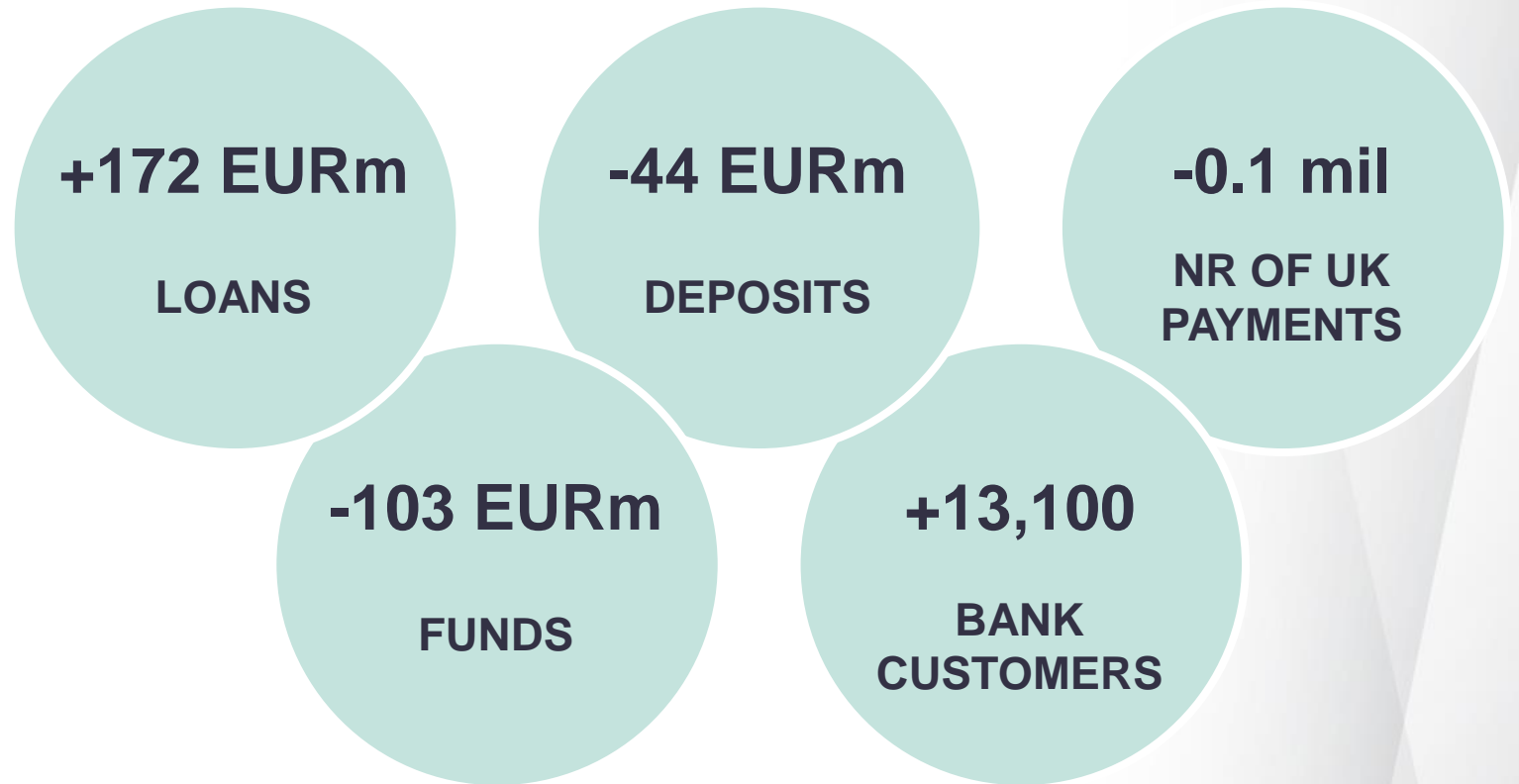
Acquisition of a payment gateway platform EveryPay

Building the organisation in the UK

Growth in insurance services

New bank office opened in Pärnu

Financial holding company licence



LHV Group

Business volumes continue growing

Financial results, EURt	9 quarters	Q2-22	Q1-22	Δ quarter
Net interest income		27,185	25,787	+1,398
Net fee and commission income		11,005	10,346	+659
Other income		-288	-1,349	+1,061
Total revenue		37,903	34,784	+3,118
Total operating expenses		21,080	18,865	+2,215
Earnings before impairment		16,822	15,919	+903
Impairment losses on loans and bonds		-341	735	-1,076
Income tax expense		3,177	2,801	+376
Net income		13,986	12,383	+1,604
Business volumes, EURm	9 quarters	Q2-22	Q1-22	Δ quarter
Deposits from customers		5,367	5,410	-44
Loans (net)		2,925	2,753	+172
Assets under management		1,259	1,362	-103
Customers, thous.		532	517	+15
Fin. intermediaries' payments, thous. pcs		6,445	6,592	-147
Key figures	9 quarters	Q2-22	Q1-22	Δ quarter
Cost / income ratio (C/I)		55.6%	54.2%	+ 1.4 pp
pre-tax ROE*		18.8%	18.1%	+ 0.7 pp
ROE*		15.3%	14.7%	+ 0.6 pp

- Number of customers and business volumes increased in both loans and deposits. Financial intermediaries' deposits decreased, payment volumes are increasing except for providers of virtual services
- Credit portfolio remains good, lending is fully financed with deposits
- EveryPay was acquired in April, which enables to widen the product portfolio
- Successful capital raise of 35 EURm in the beginning of June
- Quarterly profit 14.0 EURm

* ROE is based on 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 -3.5 EURm

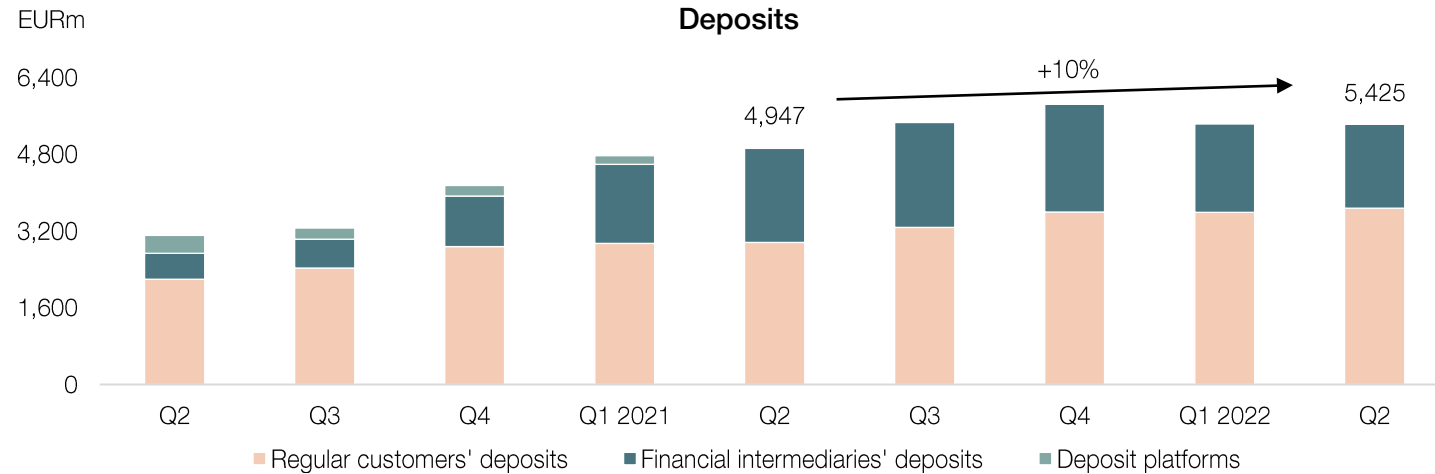
Financial results, EURt	13 months	Jun 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue, incl.		12,374	72,687	61,599	79,765	-7,078
Net interest income		9,053	52,972	43,299	53,148	-176
Net fee and commission income		3,624	21,351	18,246	25,978	-4,626
Total operating expenses		7,376	39,946	31,685	39,100	+846
Earnings before impairment		4,999	32,741	29,915	40,666	-7,925
Impairment losses on loans and bonds		-49	394	810	4,640	-4,246
Income tax expense		934	5,978	4,773	6,124	-146
Net income, incl.		4,114	26,369	24,332	29,902	-3,533
attr. to shareholders		3,933	25,423	23,452	28,946	-3,523
Business volumes, EURm	13 months	Jun 22	YTD22	YTD21	FP YTD	Δ YTD FP
Deposits from customers		5,367	5,367	4,921	5,734	-368
Loans (net)		2,925	2,925	2,401	2,858	+66
Assets under management		1,259	1,259	1,620	1,330	-72
Fin. intermediaries' payments, thous. pcs		2,092	13,037	13,363	16,095	-3,058
Key figures	13 months	Jun 22	YTD22	YTD21	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		59.6%	55.0%	51.4%	49.0%	+ 5.9 pp
Net interest margin (NIM)		1.7%	1.6%	1.6%	1.6%	+ 0.0 pp
pre-tax ROE*		16.4%	18.0%	22.8%	20.0%	- 2.0 pp
ROE*		13.4%	14.7%	19.1%	17.0%	- 2.4 pp
ROA		0.8%	0.8%	0.9%	0.9%	- 0.1 pp

- Results behind the financial plan due to lower net fee and commission income from mainly financial intermediaries' business, also due to falling markets. Changes in fees for financial intermediaries
- Revenues will be affected by increasing Euribor
- Expenses higher than planned due to recruitment in risk units
- Loan provisions lower than planned, quality of the portfolio strong
- By quarter-end, net profit was behind the financial plan by 3.5 EURm
- Financial plan holds

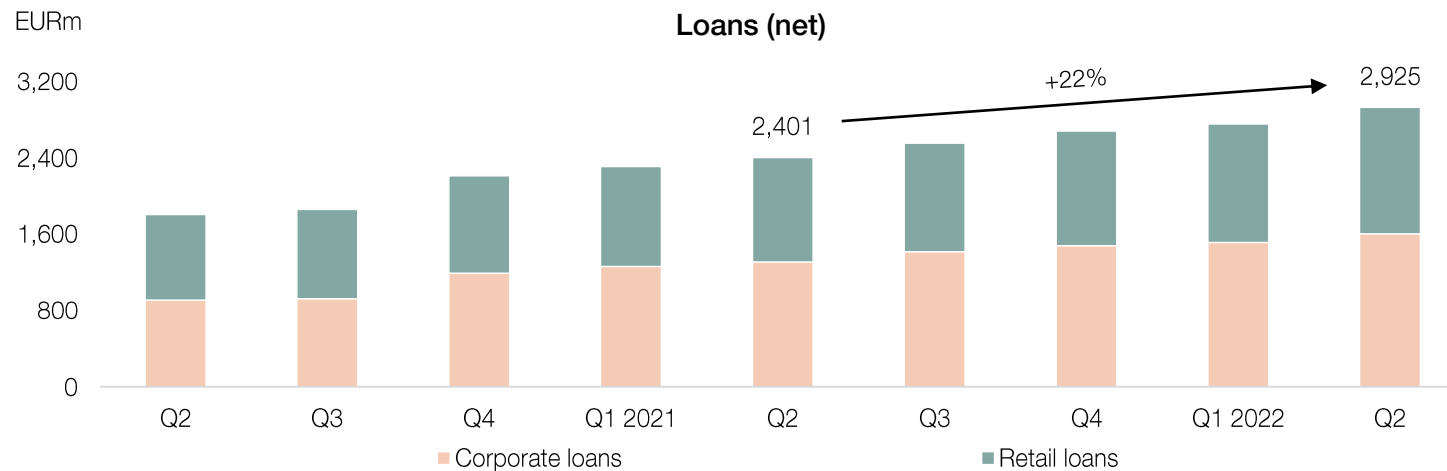
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LHV Pank

Adapting to new situation



- More than 13,000 new bank customers. Activity of regular customers recovered to pre-war level, activity of financial intermediaries has stabilized
- Deposits stayed on the same level
- Strong growth in loans of 172 EURm, including 93 EURm in corporate loans and 79 EURm in retail loans
- An option to invest into single shares was added to the Growth Account
- Euromoney has named LHV Bank the best bank in Estonia for the fifth time



Decent growth in loan volumes

Financial results, EURt	9 quarters	Q2-22	Q1-22	Δ quarter
Net interest income		27,232	25,875	+1,357
Net fee and commission income		7,643	7,790	-147
Other income		147	-1,431	+1,578
Total revenue		35,021	32,233	+2,788
Total operating expenses		15,635	14,379	+1,256
Earnings before impairment		19,387	17,854	+1,532
Impairment losses on loans and bonds		-341	735	-1,076
Income tax expense		2,792	2,269	+523
Net income		16,936	14,851	+2,086
Business volumes, EURm	9 quarters	Q2-22	Q1-22	Δ quarter
Deposits from customers		5,425	5,437	-12
Loans (net)		2,925	2,753	+172
Customers, thous.		368	355	+13
Key figures	9 quarters	Q2-22	Q1-22	Δ quarter
Cost / income ratio (C/I)		44.6%	44.6%	+ 0.0 pp
pre-tax ROE*		25.9%	23.3%	+ 2.6 pp
ROE*		22.2%	20.2%	+ 2.1 pp
Net interest margin (NIM)		1.7%	1.6%	+ 0.1 pp

- Activity has somewhat recovered, although customers are cautious in the changing environment. Loan projects, which had been put on hold, were now continued with, increasing the loan portfolio
- Geopolitical effects have not changed the loan portfolio and stable impairments help to retain the profitability. 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 16.9 EURm and ROE 22.2%

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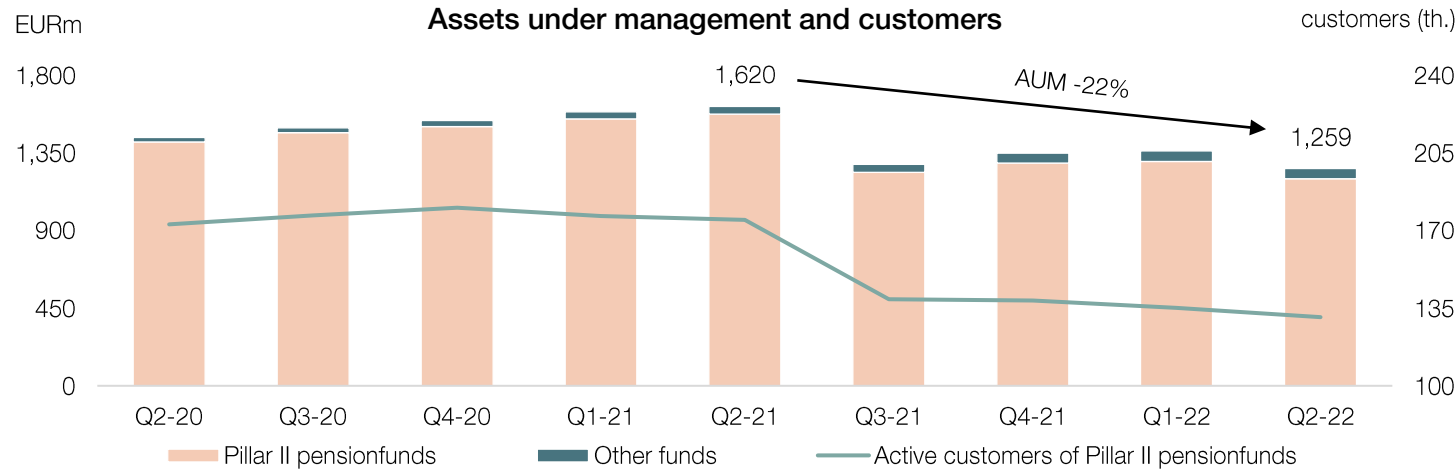
LHV Bank – comparison with financial plan

Net profit behind the financial plan by -2.3 EURm

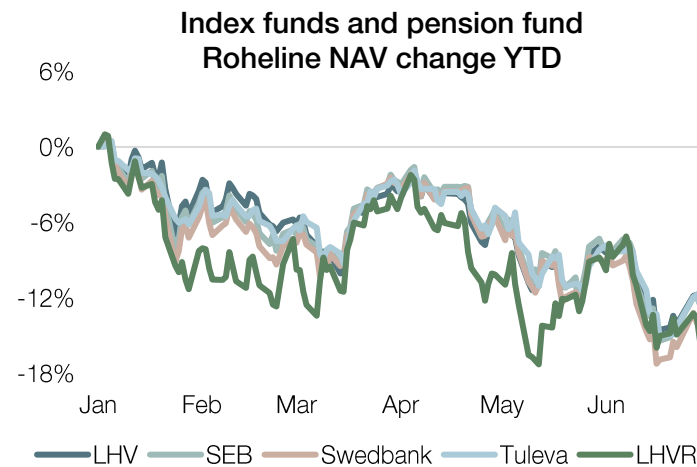
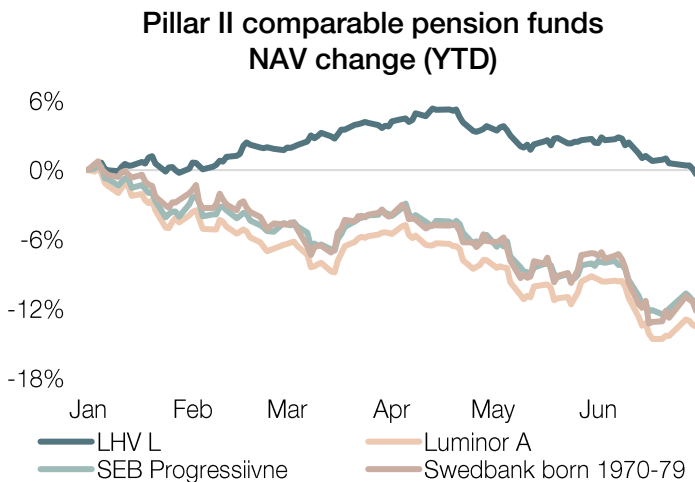
Financial results, EURt	13 months	Jun 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue, incl.		11,498	67,254	57,037	73,593	-6,338
Net interest income		9,070	53,106	44,069	53,307	-200
Net fee and commission income		2,456	15,433	13,179	19,910	-4,477
Total operating expenses		5,372	30,013	23,379	29,447	+567
Earnings before impairment		6,126	37,241	33,658	44,146	-6,905
Impairment losses on loans and bonds		-49	394	810	4,640	-4,246
Income tax expense		893	5,061	4,554	5,469	-409
Net income		5,282	31,787	28,294	34,037	-2,250
Business volumes, EURm	13 months	Jun 22	YTD22	YTD21	FP YTD	Δ YTD FP
Deposits from customers		5,425	5,425	4,947	5,781	-357
Loans (net)		2,925	2,925	2,401	2,858	+66
Key figures	13 months	Jun 22	YTD22	YTD21	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		46.7%	44.6%	41.0%	40.0%	+ 4.6 pp
Net interest margin (NIM)		1.7%	1.6%	1.6%	1.6%	+ 0.0 pp
T1 capital adequacy		14.9%	14.9%	15.8%	15.4%	- 0.5 pp
Total capital adequacy		17.8%	17.8%	18.8%	18.4%	- 0.6 pp

- Loan portfolio ahead of the plan, regular customers' deposits as planned
- Net interest income as planned, net fee and commission income behind the plan, but revenues are increasing
- Expenses higher due to increased number of employees for implementing sanctions
- Net profit of the bank below the financial plan by 2.3 EURm, however, aim to reach the planned profit by year-end

Actively managed funds have retained value in difficult market conditions



- The volume of assets under management was about 1.3 EURb by quarter-end. Volumes affected by customers exiting II pillar in May and return of funds
- Largest actively managed LHV pension funds M, L and XL decreased within the quarter by 1.8%, 4.0% and 5.3%, respectively
- Very difficult quarter on stock markets, the unit value of pension funds LHV Indeks and Roheline decreased by 9.9% and 10.7%, respectively
- Larger actively managed funds and conservative funds decreased less than competitors



Profitability negatively affected by negative returns of funds

Financial results, EURt	9 quarters	Q2-22	Q1-22	Δ quarter
Total revenue		2,000	1,959	+41
Total operating expenses		1,823	1,877	-55
EBIT		177	82	+95
Net financial income		-411	103	-514
Income tax expense		0	830	-830
Net income		-234	-646	+412
Business volumes, EURm	9 quarters	Q2-22	Q1-22	Δ quarter
Pillar II pension funds		1,200	1,301	-101
Pillar III pension funds		52	54	-2
Eurofunds		6	7	-1
Active customers of PII funds, th.		131	135	-4
Key figures	9 quarters	Q2-22	Q1-22	Δ quarter
Cost / income ratio (C/I)		114.8%	91.1%	+ 23.7 pp
pre-tax ROE		-4.3%	3.0%	- 7.2 pp
ROE		-4.3%	-10.4%	+ 6.1 pp

- Quarterly net loss amounted to 0.2 EURm, loss resulted from a decrease in unit value
- Operating income and expenses as planned and comparable with first quarter
- Number of active customers of II pillar pension funds decreased due to customers, who exited the system in May, market share by volume has increased

LHV Varahaldus – comparison with financial plan

More people joining than exiting the second pillar

Financial results, EURt	13 months	Jun 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue		641	3,959	4,617	3,963	-4
Total operating expenses		582	3,700	6,539	3,451	+249
EBIT		59	258	-1,922	512	-254
Net financial income		-259	-308	292	266	-575
Income tax expense		0	830	1,241	830	+0
Net income		-200	-880	-2,871	-52	-828
Business volumes	13 months	Jun 22	YTD22	YTD21	FP YTD	Δ YTD FP
Assets under management, EURm		1,259	1,259	1,620	1,330	-72
Active customers of PII funds, thous.		131	131	175	130	+1
Key figures	13 months	Jun 22	YTD22	YTD21	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		152.2%	101.4%	133.2%	81.6%	+ 19.8 pp
Funds average return		-3.1%	-2.5%	5.2%	3.3%	- 5.8 pp

- Revenues largely in line with the financial plan, expenses somewhat higher due to customers leaving II pillar
- Volume of funds behind the financial plan due to lower than expected returns
- The number of active II pillar customers as planned
- Last three months first months since the pension reform, where the number of customer joining LHV II pillar pension funds exceeded the number of customers exiting the system

Rapid growth in business volumes and improving financial results

Financial results, EURt	9 quarters	Q2-22	Q1-22	Δ quarter
Total revenue		484	142	+342
Total expenses		719	642	+77
Technical result		-235	-500	+265
Net investments income		0	1	-2
Net income		-235	-499	+263
Business volumes	9 quarters	Q2-22	Q1-22	Δ quarter
Gross written premium, EURt		4,612	1,748	+2,864
No of Customers (thous.)		149	147	+2
Key figures	9 quarters	Q2-22	Q1-22	Δ quarter
Net loss ratio		63.4%	81.6%	- 18.1 pp
Net expense ratio		50.8%	58.0%	- 7.2 pp
pre-tax ROE		-15.6%	-31.1%	+ 15.6 pp
ROE		-15.6%	-31.1%	+ 15.6 pp

- Rapid growth in business volumes continues and supporting improvement in financial results
- Volumes are growing in all insurance types. Positive developments backed by better than expected results from insurance intermediaries' and online sales channels
- Number of customers reached 149 thousand, number of effective insurance contracts by quarter-end 217 thousand
- Customer satisfaction with claims handling remains high at 97%, increasing volumes are handled well by the team

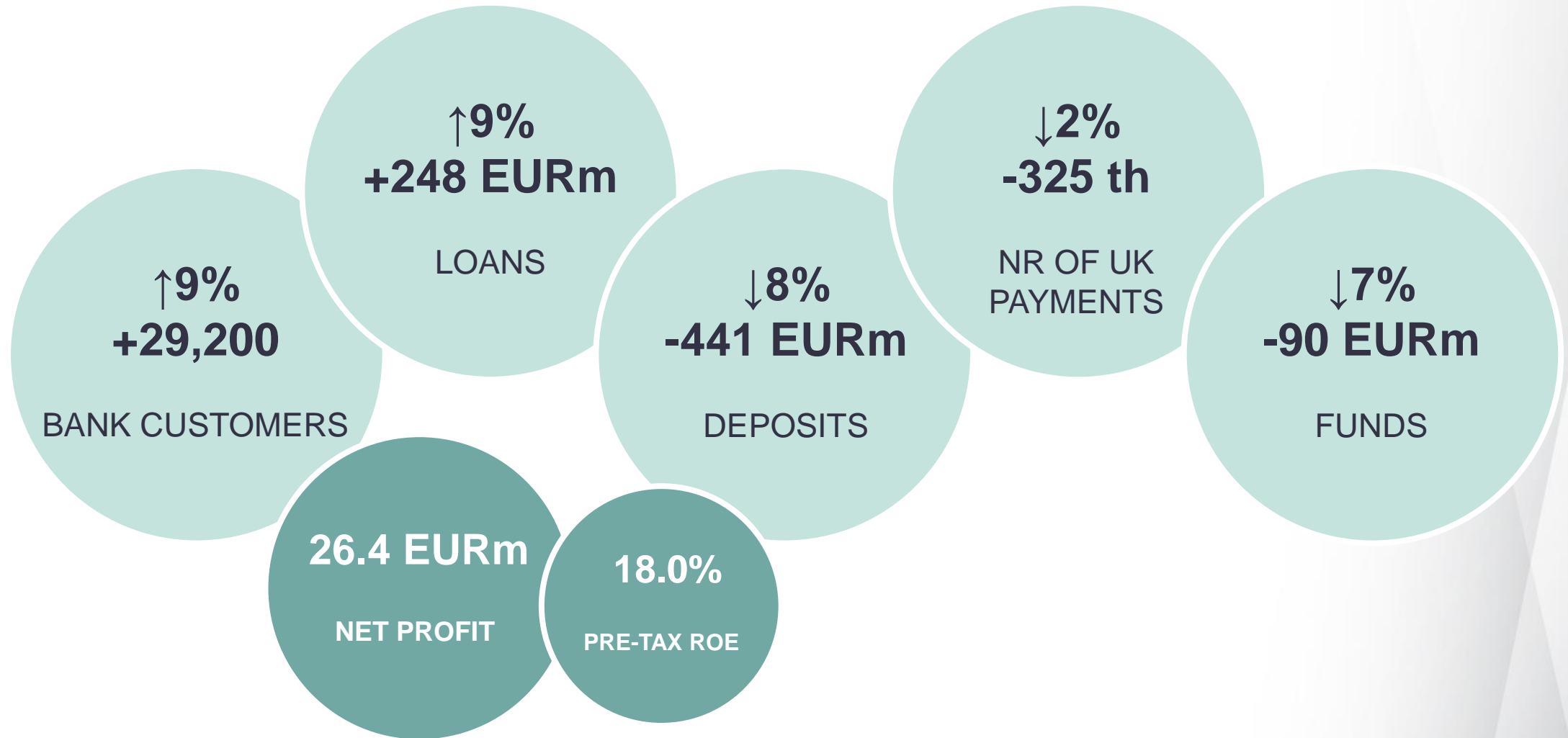
LHV Kindlustus – comparison with financial plan

Sales volumes of all products rapidly increasing

Financial results, EURt		13 months	Jun 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue, incl.			205	627	505	1,155	-529
Net earned premiums			593	2,911	617	2,928	-18
Net incurred losses			349	2,075	104	1,563	+512
Total expenses			256	1,361	894	1,467	-106
Technical result			-51	-734	-390	-312	-422
Net investments income			-8	1	0	27	-26
Net income			-60	-734	-388	-285	-449
Business volumes		13 months	Jun 22	YTD22	YTD21	FP YTD	Δ YTD FP
Gross written premium, EURt			1,449	6,359	3,776	5,857	+502
No of Customers (thous.)			149	149	128	na	na
Key figures		13 months	Jun 22	YTD22	YTD21	FP YTD	Δ YTD FP
Net loss ratio			58.8%	71.3%	16.9%	53.4%	+ 17.9 pp
Net expense ratio			49.8%	53.9%	146.1%	57.3%	- 3.3 pp

- Very good sales 12.4 thousand insurance contracts were signed with a total volume of 1.8 EURm
- Volume of gross written premiums 1.5 EURm, of which 73% derives from vehicle insurances
- Net earned premiums increased by 6% to 593 EURt
- 6 month expenses lower than planned due to postponed recruitment
- Results negatively affected by increasing number of claims in travel insurance

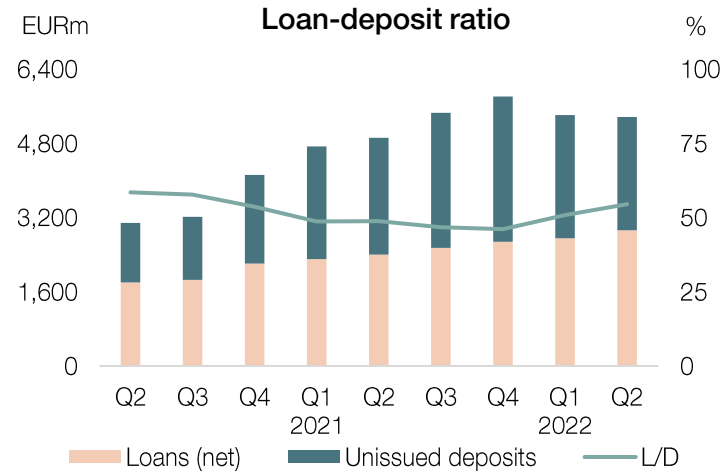
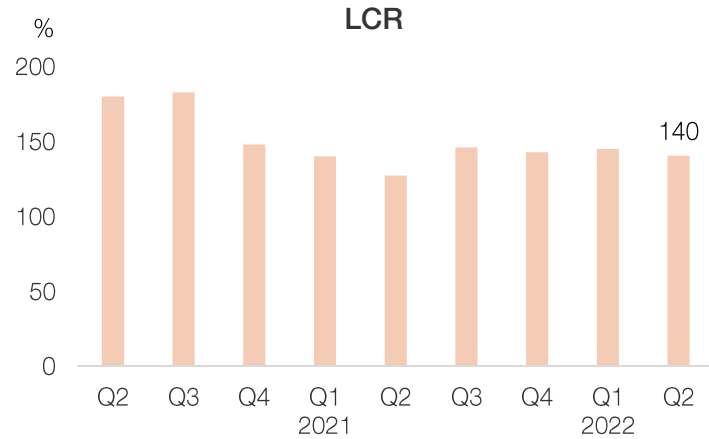
LHV Group 6 months



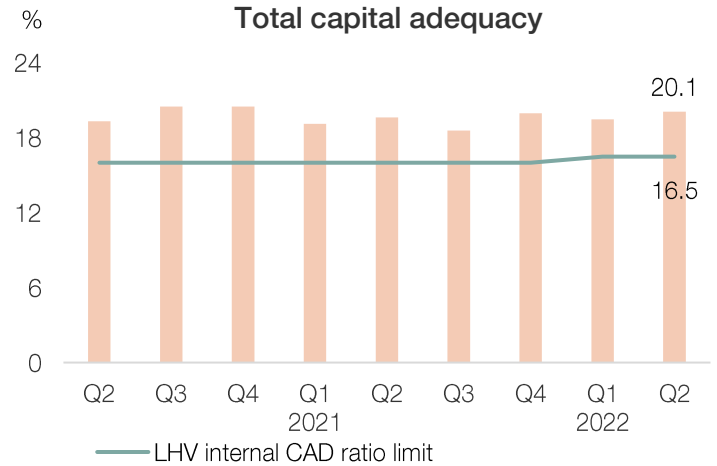
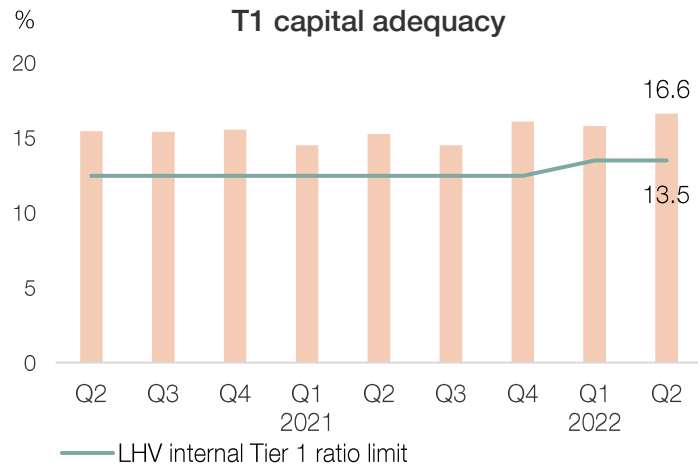
Annexes

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Liquidity and capitalization as planned

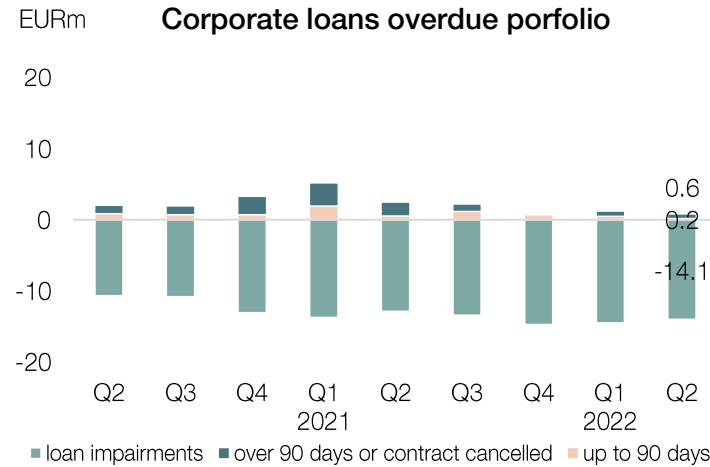
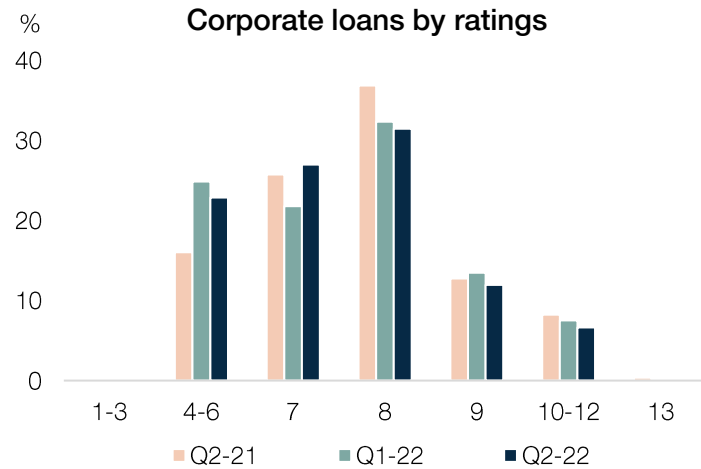


- Liquidity and capitalization of the Group remain strong
- LHV repaid prematurely 50 EURm of TLTRO
- The Group raised 35 EURm in June, which will be used for capitalizing the UK business line

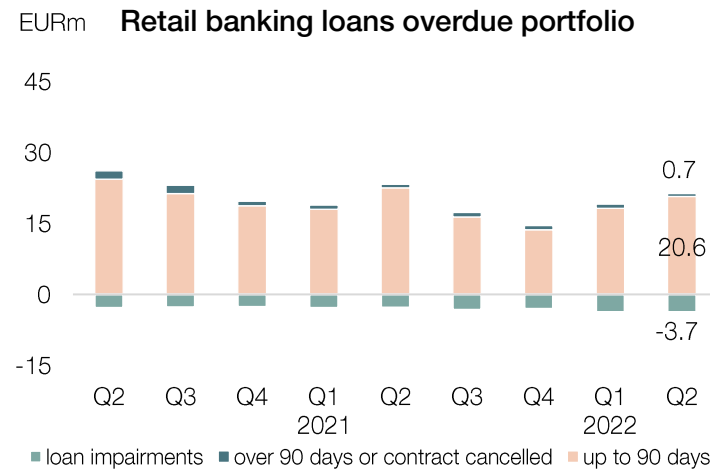
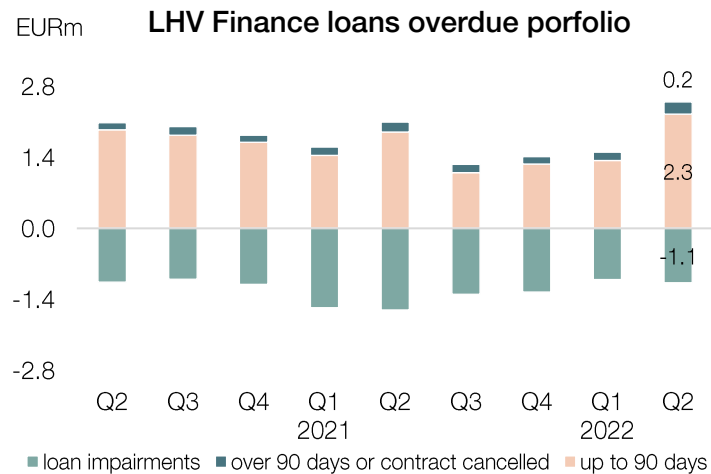


LHV Group

Strong quality of the 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

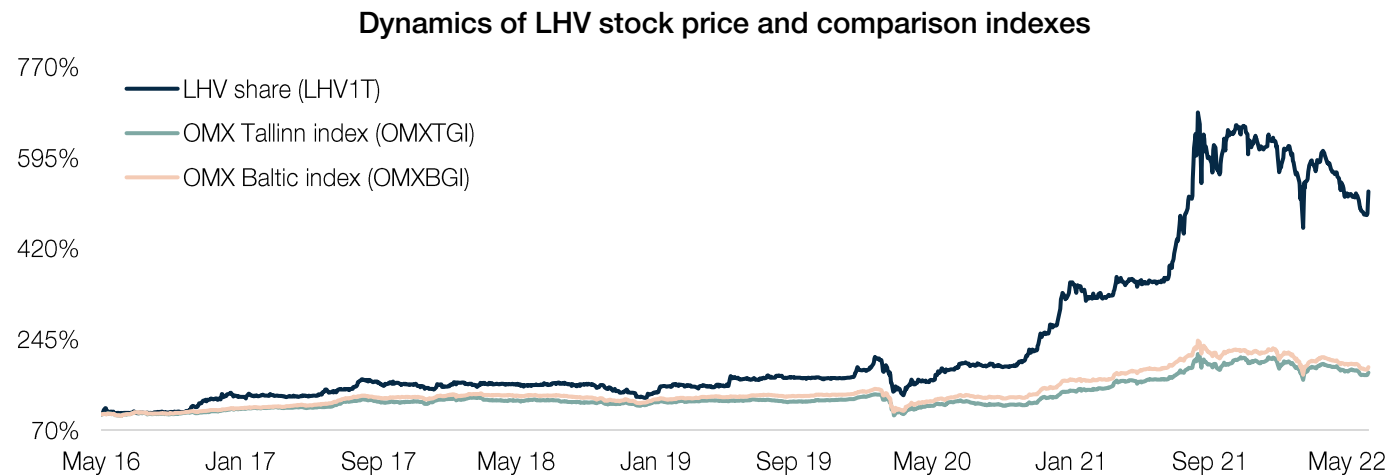


LHV Group

Share information



- Q2 closing share price was 37.20 EUR
- 25,095 trades were made with LHV shares during Q2 on the market with a turnover of 22.3 EURm, which gave the share an average price of 37.84 EUR
- 12-month shareholders earnings per share (EPS) is 1.91 EUR
- As of 30 June 2022 LHV had 27,376 shareholders and 45.7% of shares belonged to supervisory and management board members and parties associated with them
- Market capitalization based on closing price of 30.06.2022 was 1173 EURm



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