

# LHV Group

Q3 results  
18 October 2022

# Growing loan portfolio together with volatile deposits

Growth in loan volumes

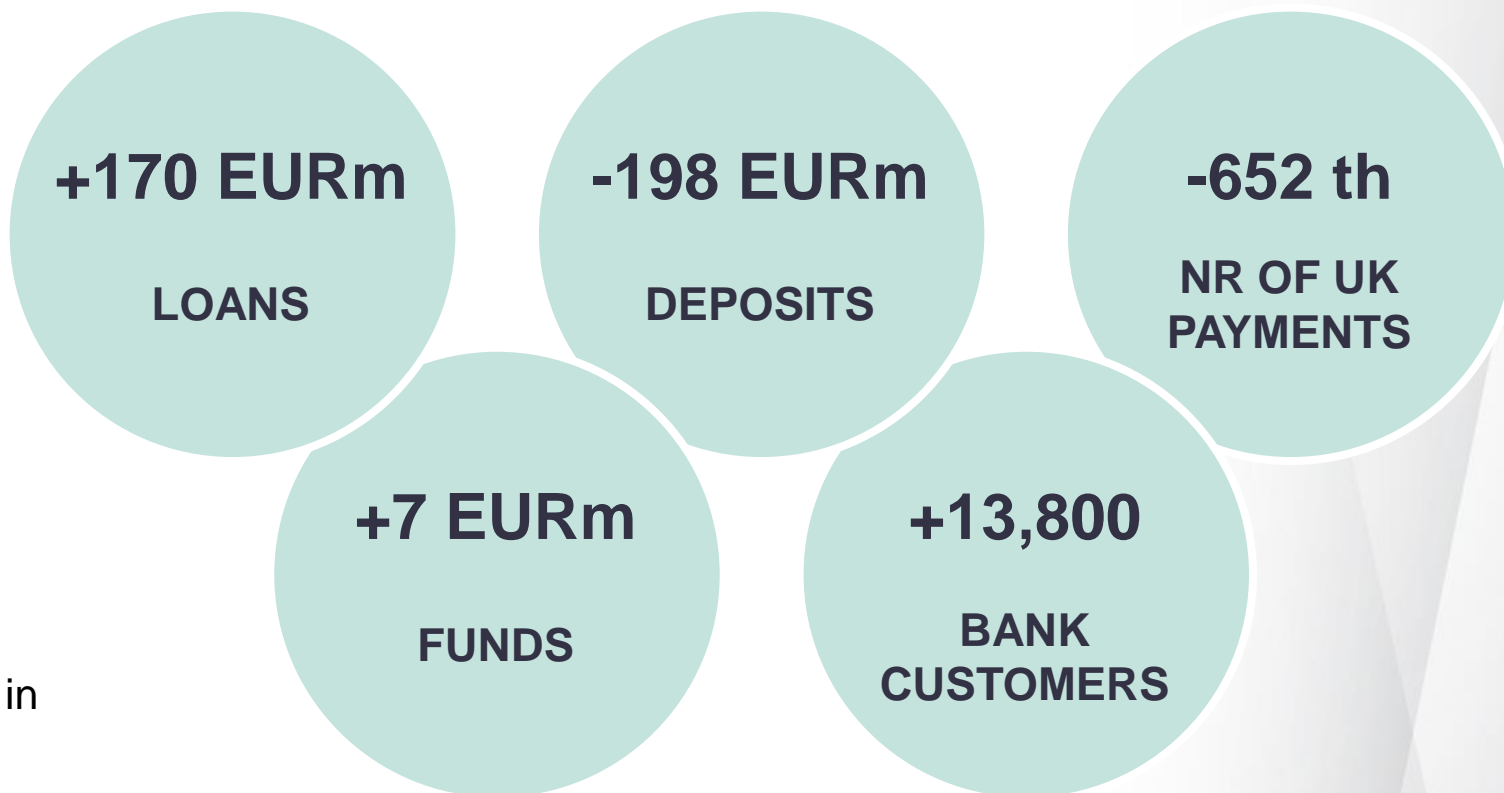
Loan portfolio exceeding 3 EURmld

Housing loan portfolio exceeding 1 EURmld

Growth in insurance services


















Building the organisation in the UK

Financial investment into Bank North written off. Acquiring lending business in October



# LHV Group

## Growing revenues, writing off financial investment

Financial results, EURt	9 quarters	Q3-22	Q2-22	Δ quarter
Net interest income		32,041	27,185	+4,856
Net fee and commission income		12,000	11,005	+995
Other income		257	-288	+545
<b>Total revenue</b>		<b>44,298</b>	<b>37,903</b>	<b>+6,396</b>
<b>Total operating expenses</b>		<b>22,813</b>	<b>21,080</b>	<b>+1,732</b>
<b>Earnings before impairment</b>		<b>21,485</b>	<b>16,822</b>	<b>+4,663</b>
Impairment losses		7,407	-341	+7,749
Income tax expense		3,331	3,177	+154
<b>Net income</b>		<b>10,747</b>	<b>13,986</b>	<b>-3,239</b>
Business volumes, EURm	9 quarters	Q3-22	Q2-22	Δ quarter
Deposits from customers		5,168	5,367	-198
Loans (net)		3,095	2,925	+170
Assets under management		1,266	1,259	+7
Customers, thous.		544	532	+12
Fin. intermediaries' payments, thous. pcs		5,793	6,445	-652
Key figures	9 quarters	Q3-22	Q2-22	Δ quarter
Cost / income ratio (C/I)		51.5%	55.6%	- 4.1 pp
pre-tax ROE*		14.2%	18.8%	- 4.7 pp
ROE*		10.8%	15.3%	- 4.6 pp

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

- Number of customers and business volumes increased in both loans and regular customers' 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
- Interest income growing rapidly
- Financial investment of 5.2 EURm into Bank North fully written off. Acquisition of loan portfolio in October
- Quarterly net profit 10.7 EURm

# LHV Group – comparison with financial plan

## Net profit behind the financial plan by -7.7 EURm

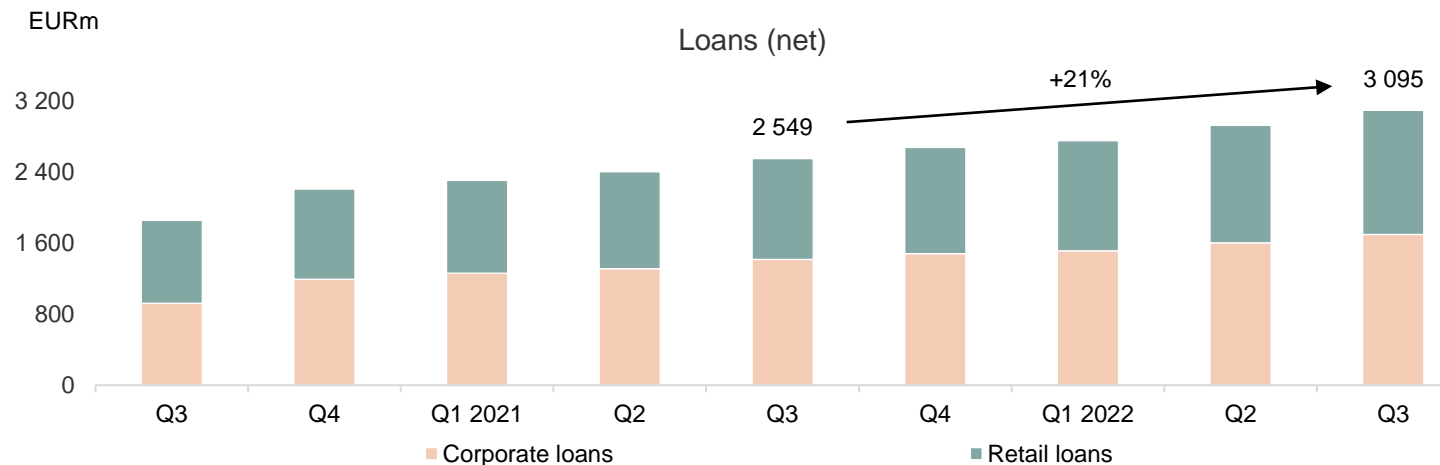
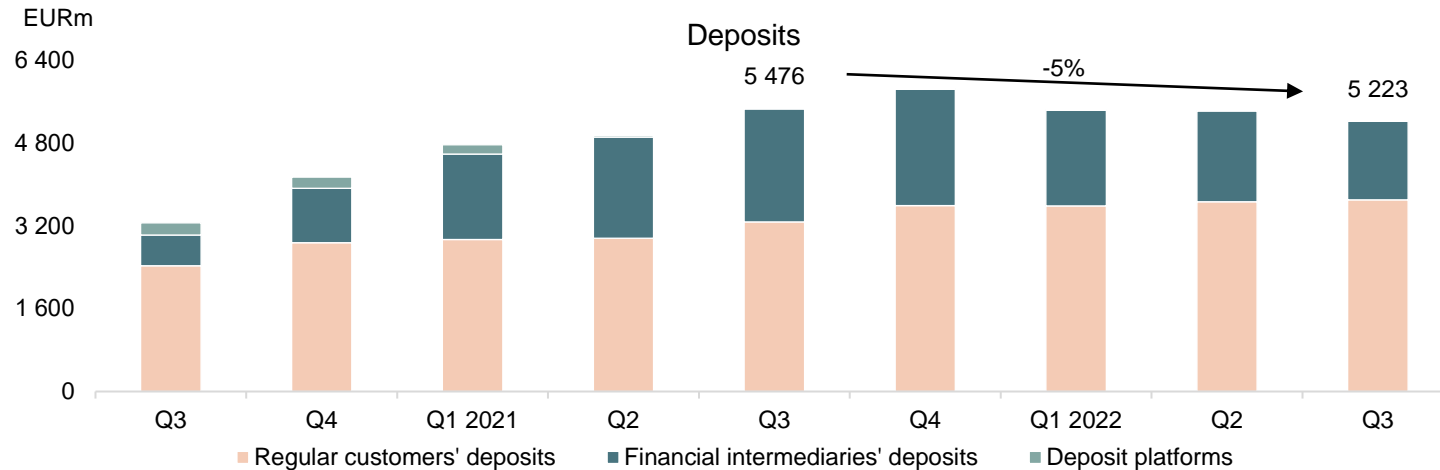
Financial results, EURt	13 months	Sep 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue, incl.		16,063	116,985	97,702	121,948	-4,963
Net interest income		11,475	85,013	69,156	81,333	+3,680
Net fee and commission income		4,865	33,351	28,227	39,614	-6,263
Total operating expenses		8,229	62,759	46,936	61,189	+1,570
Earnings before impairment		7,835	54,227	50,766	60,759	-6,532
Impairment losses		4,439	7,801	2,254	6,905	+896
Income tax expense		1,181	9,309	7,591	9,013	+296
Net income, incl.		2,214	37,116	40,921	44,841	-7,724
attr. to shareholders		2,127	35,729	39,405	43,273	-7,544
Business volumes, EURm	13 months	Sep 22	YTD22	YTD21	FP YTD	Δ YTD FP
Deposits from customers		5,168	5,168	5,457	5,922	-754
Loans (net)		3,095	3,095	2,549	2,977	+118
Assets under management		1,266	1,266	1,284	1,348	-82
Fin. intermediaries' payments, thous. pcs		1,861	18,830	20,058	26,178	-7,348
Key figures	13 months	Sep 22	YTD22	YTD21	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		51.2%	53.6%	48.0%	50.2%	+ 3.5 pp
Net interest margin (NIM)		2.2%	1.8%	1.6%	1.6%	+ 0.1 pp
pre-tax ROE*		10.3%	17.0%	24.5%	19.4%	- 2.4 pp
ROE*		6.7%	13.5%	20.7%	16.6%	- 3.1 pp
ROA		0.4%	0.8%	0.9%	0.9%	- 0.1 pp

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

- Results are behind the financial plan mainly due to write-off of financial investment, but also due to lower fees
- Revenues will be affected by increasing Euribor
- Expenses higher than planned due to recruitment in risk units
- Loan portfolio quality is strong, few customers are under supervision
- At the quarter-end, net profit was behind the financial plan by 7.7 EURm
- By year-end, lag from the financial plan will decrease significantly. Complete fulfilment depends on quality of loan portfolio

# LHV Pank

## Activity of customers has recovered



- Approximately 14,000 new bank customers. Activity of regular customers recovered to pre-war level
- Deposits stayed on the same level, total decrease resulted from deposits of financial intermediaries
- Strong growth in loans of 170 EURm, including 93 EURm in corporate loans and 77 EURm in retail loans. Housing portfolio exceeded 1 EURmld and total loan portfolio 3 EURmld
- State conditions for student loans changed, increasing demand for the product
- LHV Pank is rated as the most attractive employer by economics students and experienced employees

# LHV Pank

## Decent growth in business volumes

Financial results, EURt	9 quarters	Q3-22	Q2-22	Δ quarter
Net interest income		31,993	27,232	+4,761
Net fee and commission income		8,716	7,643	+1,072
Other income		273	147	+127
<b>Total revenue</b>		<b>40,981</b>	<b>35,021</b>	<b>+5,960</b>
<b>Total operating expenses</b>		<b>16,434</b>	<b>15,635</b>	<b>+799</b>
<b>Earnings before impairment</b>		<b>24,548</b>	<b>19,387</b>	<b>+5,161</b>
Impairment losses on loans and bonds		2,171	-341	+2,512
Income tax expense		3,209	2,792	+417
<b>Net income</b>		<b>19,168</b>	<b>16,936</b>	<b>+2,232</b>
<b>Business volumes, EURm</b>	<b>9 quarters</b>	<b>Q3-22</b>	<b>Q2-22</b>	<b>Δ quarter</b>
Deposits from customers		5,223	5,425	-202
Loans (net)		3,095	2,925	+170
Customers, thous.		382	368	+14
<b>Key figures</b>	<b>9 quarters</b>	<b>Q3-22</b>	<b>Q2-22</b>	<b>Δ quarter</b>
Cost / income ratio (C/I)		40.1%	44.6%	- 4.5 pp
pre-tax ROE*		26.5%	25.9%	+ 0.7 pp
ROE*		22.7%	22.2%	+ 0.5 pp
Net interest margin (NIM)		2.0%	1.7%	+ 0.3 pp

- Activity of corporate customers is remaining high, but the confidence of private customers has significantly decreased since the end of September
- The quality of the loan portfolio as a whole has remained strong and the share of overdue loans continues to stay low. However, we have increased forward looking provisions due to uncertainty
- Net profit amounted to 19.2 EURm and ROE 22.7%

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

# LHV Pank – comparison with financial plan

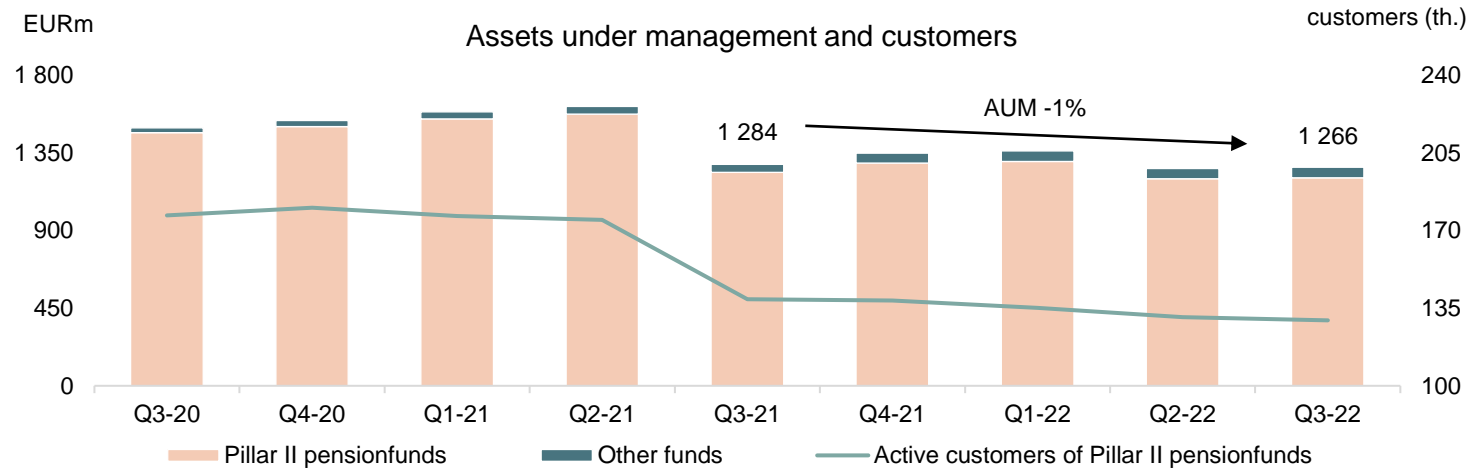
## 9 months net profit as planned

Financial results, EURt	13 months	Sep 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue, incl.		15,240	108,236	89,996	112,382	-4,146
Net interest income		11,470	85,099	69,340	81,543	+3,556
Net fee and commission income		3,770	24,149	20,640	30,274	-6,125
Total operating expenses		5,866	46,447	35,069	46,020	+427
Earnings before impairment		9,374	61,789	54,927	66,362	-4,574
Impairment losses on loans and bonds		2,203	2,565	2,254	6,905	-4,340
Income tax expense		1,141	8,269	7,268	8,237	+32
Net income		6,031	50,955	45,406	51,220	-266
<b>Business volumes, EURm</b>	<b>13 months</b>	<b>Sep 22</b>	<b>YTD22</b>	<b>YTD21</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Deposits from customers		5,223	5,223	5,476	5,986	-763
Loans (net)		3,095	3,095	2,549	2,977	+118
<b>Key figures</b>	<b>13 months</b>	<b>Sep 22</b>	<b>YTD22</b>	<b>YTD21</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Cost / income ratio (C/I)		38.5%	42.9%	39.0%	40.9%	+ 2.0 pp
Net interest margin (NIM)		2.2%	1.8%	1.6%	1.6%	+ 0.1 pp
T1 capital adequacy		15.8%	15.8%	15.4%	15.5%	+ 0.3 pp
Total capital adequacy		18.4%	18.4%	18.1%	18.3%	+ 0.1 pp

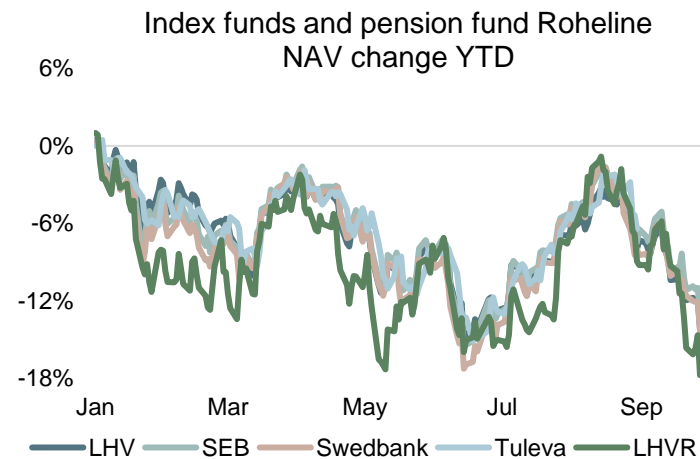
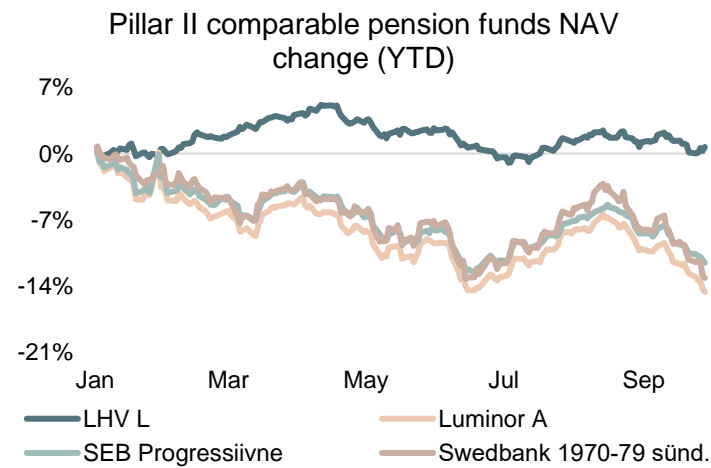
- Loan portfolio ahead of the plan, regular customers' deposits as planned. Deposits of financial intermediaries have decreased by 726 EURm in 9 months
- Growth in net interest income compensates lower net fee and commission income
- Expenses higher due to increased number of employees for implementing sanctions
- Net profit of the bank almost reached the financial plan, difference 0.3 EURm

# LHV Varahaldus

## 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 September and return of funds
- Largest actively managed LHV pension funds M, L and XL decreased within the quarter by 0.7%, 1.2% and 1.2%, respectively
- Again, difficult quarter on stock markets, the unit value of pension funds LHV Indeks and Roheline decreased by 0.9% and 3.2%, respectively
- Larger actively managed funds and conservative funds decreased less than competitors





# LHV Varahaldus

## Net assets and market share are slightly increasing

Financial results, EURt	9 quarters	Q3-22	Q2-22	Δ quarter
Total revenue		1,977	2,000	-22
Total operating expenses		1,767	1,823	-56
<b>EBIT</b>		210	177	+34
Net financial income		26	-411	+437
Income tax expense		0	0	+0
<b>Net income</b>		237	-234	+471

Business volumes, EURm	9 quarters	Q3-22	Q2-22	Δ quarter
Pillar II pension funds		1,206	1,200	+6
Pillar III pension funds		54	52	+2
Eurofunds		6	6	-0
Active customers of PII funds, th.		130	131	-1

Key figures	9 quarters	Q3-22	Q2-22	Δ quarter
Cost / income ratio (C/I)		88.2%	114.8%	- 26.6 pp
pre-tax ROE		4.3%	-4.3%	+ 8.5 pp
ROE		4.3%	-4.3%	+ 8.5 pp

- Quarterly net loss amounted to 0.2 EURm. Decrease of own units value has marginal impact
- Operating income and expenses are as planned and comparable with previous quarter
- Number of active customers of II pillar pension funds decreased due to customers, who exited the system in September. This also resulted in marginal decrease in fund volumes
- Market share by volume is 31% and by number of customers is 25%

# LHV Varahaldus – comparison with financial plan

Profitability is behind the plan mainly due to lower returns than expected

Financial results, EURt	13 months	Sep 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue		638	5,936	6,832	6,011	-75
Total operating expenses		604	5,467	8,238	5,123	+344
EBIT		34	469	-1,406	888	-420
Net financial income		-237	-282	342	403	-685
Income tax expense		0	830	1,241	830	+0
Net income		-203	-644	-2,306	461	-1,104
Business volumes	13 months	Sep 22	YTD22	YTD21	FP YTD	Δ YTD FP
Assets under management, EURm		1,266	1,266	1,284	1,348	-82
Active customers of PII funds, thous.		130	130	139	129	+1
Key figures	13 months	Sep 22	YTD22	YTD21	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		150.6%	96.7%	114.8%	79.9%	+ 16.8 pp
Funds average return		-1.6%	-1.8%	6.2%	5.1%	- 6.8 pp

- Revenues largely in line with the financial plan, expenses somewhat higher due to customers leaving II pillar
- Volume of funds are behind the financial plan due to lower returns than expected
- The number of active II pillar customers is as planned, market share slightly increased
- Already second quarter in row the number of customer joining LHV II pillar pension funds exceeded the number of customers exiting the system
- II pillar payments that were stopped by state for some period will be compensated as a bullet in January 2023. Impact to funds' volumes in 110 EURm

# LHV Kindlustus

## Rapid growth in business volumes

Financial results, EURt	9 quarters	Q3-22	Q2-22	Δ quarter
Total revenue		464	484	-20
Total expenses		870	719	+151
Technical result		-406	-235	-171
Net investments income		-25	0	-25
Net income		-432	-235	-197
<b>Business volumes</b>	<b>9 quarters</b>	<b>Q3-22</b>	<b>Q2-22</b>	<b>Δ quarter</b>
Gross written premiums, EURt		4,750	4,612	+138
No of Customers (thous.)		152	149	+3
<b>Key figures</b>	<b>9 quarters</b>	<b>Q3-22</b>	<b>Q2-22</b>	<b>Δ quarter</b>
Net loss ratio		71.6%	63.4%	+ 8.2 pp
Net expense ratio		45.7%	50.8%	- 5.1 pp
pre-tax ROE		-30.0%	-15.6%	- 14.4 pp
ROE		-30.0%	-15.6%	- 14.4 pp

- Rapid growth in business volumes continues in all insurance products and sales channels. Insurance payments plan is exceeded by 2.5 EURm
- Number of customers reached 152 thousand, number of effective insurance contracts by quarter-end 219 thousand
- In vehicle and home insurance claims are higher than planned
- Customer satisfaction with claims handling remains high at 97%, increasing volumes are handled well by the team

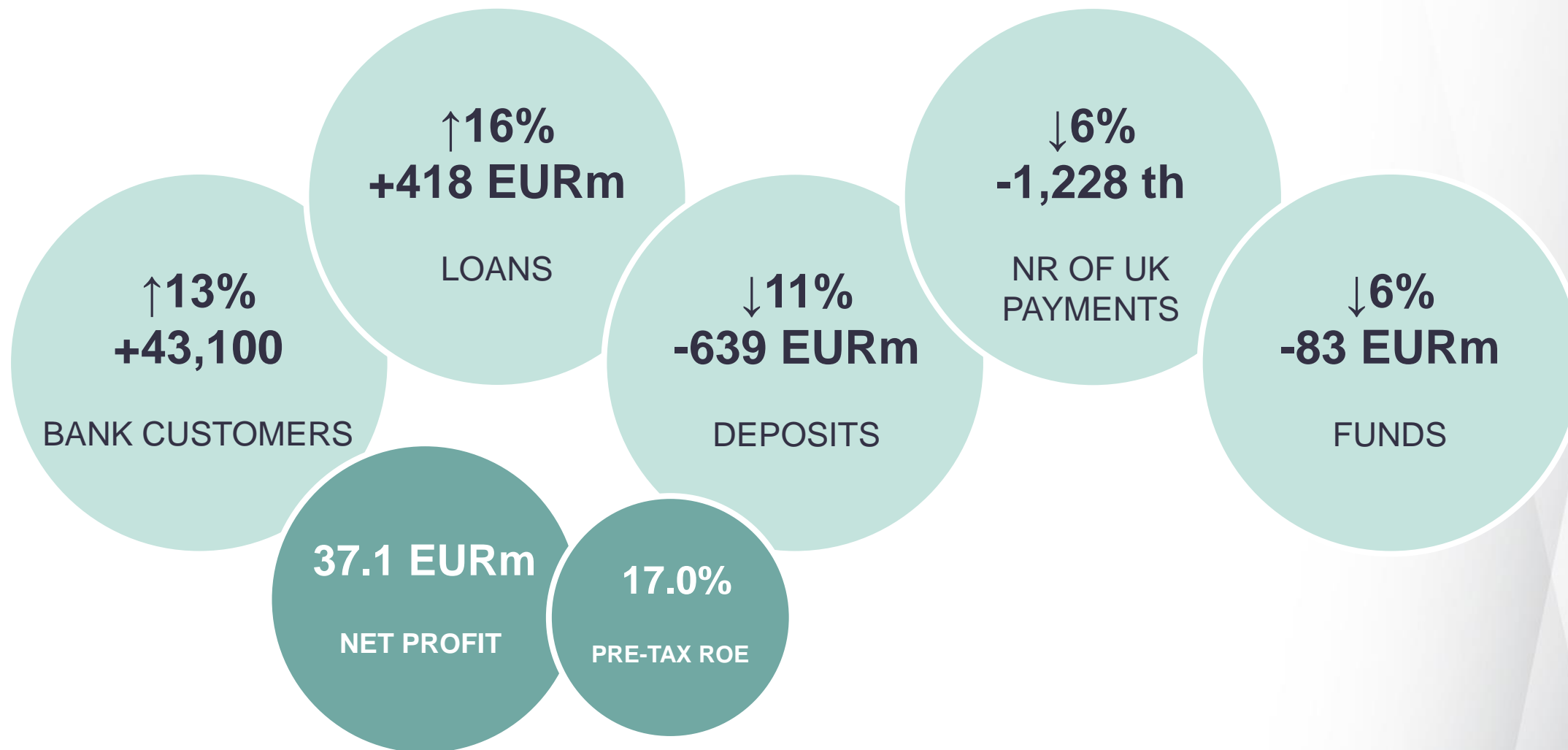
# LHV Kindlustus – comparison with financial plan

## Growth in earned premiums forms a base for making profit

Financial results, EURt	13 months	Sep 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue, incl.		172	1,091	850	1,904	-813
Net earned premiums		840	5,247	1,323	5,073	+174
Net incurred losses		598	3,749	433	2,804	+945
<b>Total expenses</b>		424	2,231	1,461	2,227	+4
<b>Technical result</b>		-252	-1,140	-610	-323	-817
Net investments income		-32	-24	1	77	-101
<b>Net income</b>		-284	-1,166	-610	-246	-921
<b>Business volumes</b>	<b>13 months</b>	<b>Sep 22</b>	<b>YTD22</b>	<b>YTD21</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Gross written premiums, EURt		1,726	11,109	5,188	8,637	+2,473
No of Customers (thous.)		152	152	139	na	na
<b>Key figures</b>	<b>13 months</b>	<b>Sep 22</b>	<b>YTD22</b>	<b>YTD21</b>	<b>FP YTD</b>	<b>Δ YTD FP</b>
Net loss ratio		71.2%	71.4%	32.7%	55.3%	+ 16.2 pp
Net expense ratio		58.8%	50.3%	113.4%	51.1%	- 0.8 pp

- Good sale results in September. 14.5 thousand insurance contracts were signed with a total volume of 2.2 EURm
- Net earned premiums increased to 840 EURt in September. Net earned premiums have reached a level, where conditions are set for making profit
- Claim frequency decreased in September, no large claims were filed
- 9 month expenses are as planned

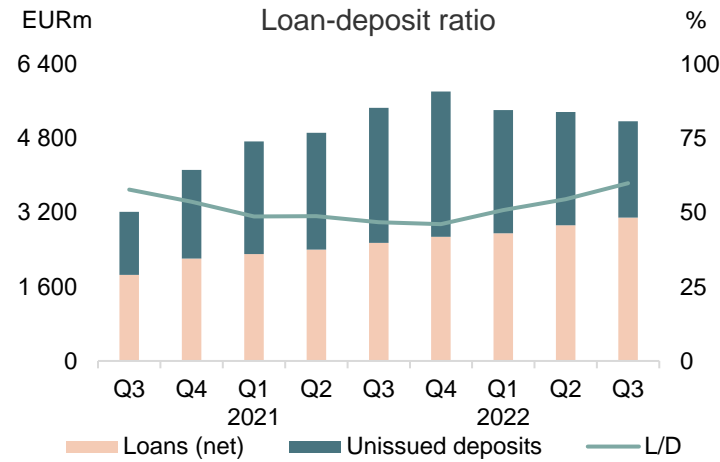
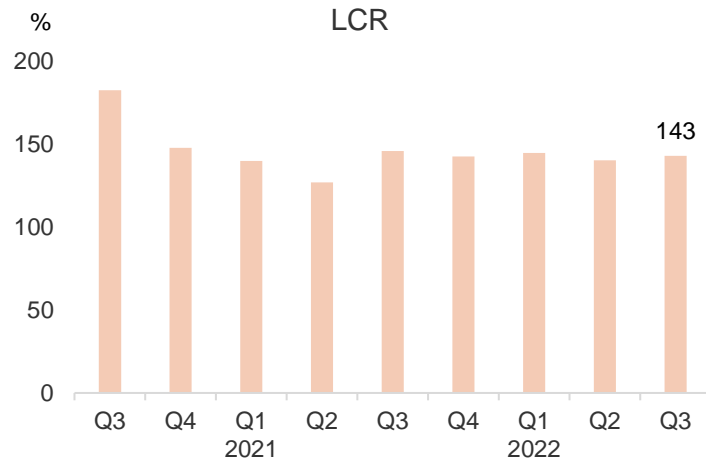
# LHV Group 9 months



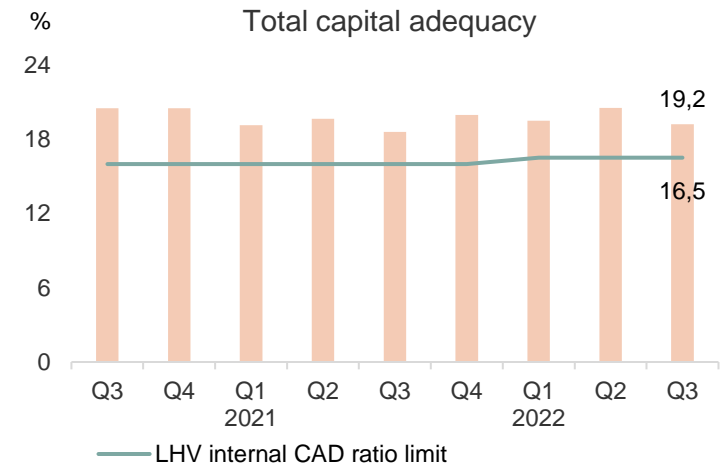
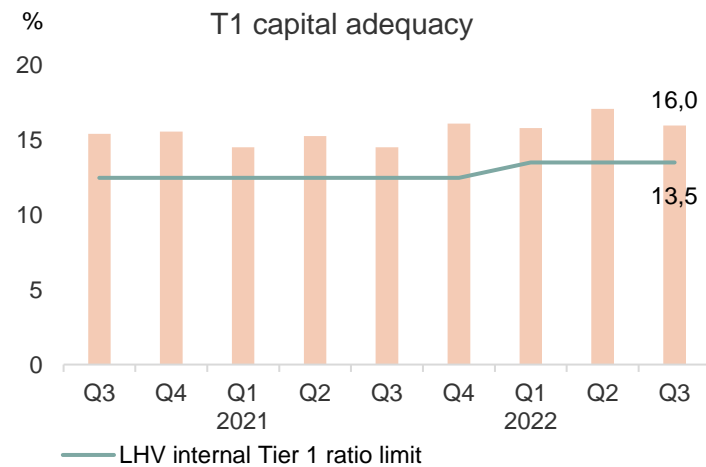
# Annexes

# LHV Group

## Liquidity and capitalization levels to be hold

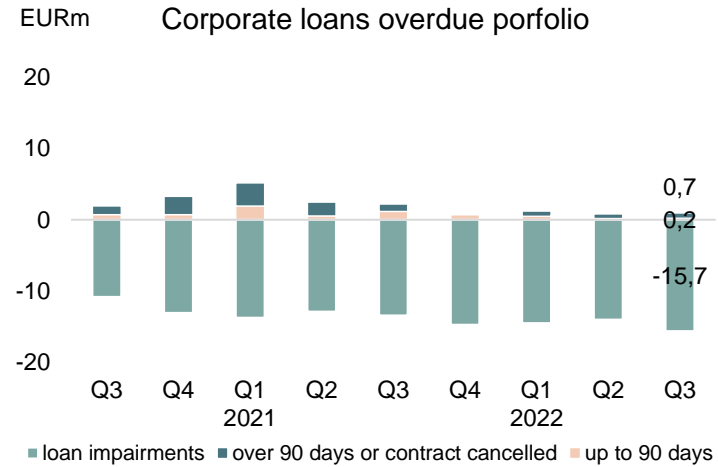
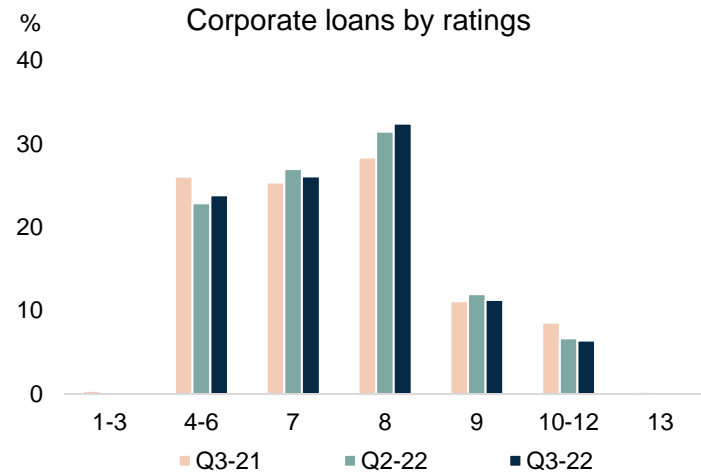


- Liquidity and capitalization of the Group remain sufficient, but are carefully observed
- The Group raised 35 EURm in June, which will be used for capitalizing the UK business line

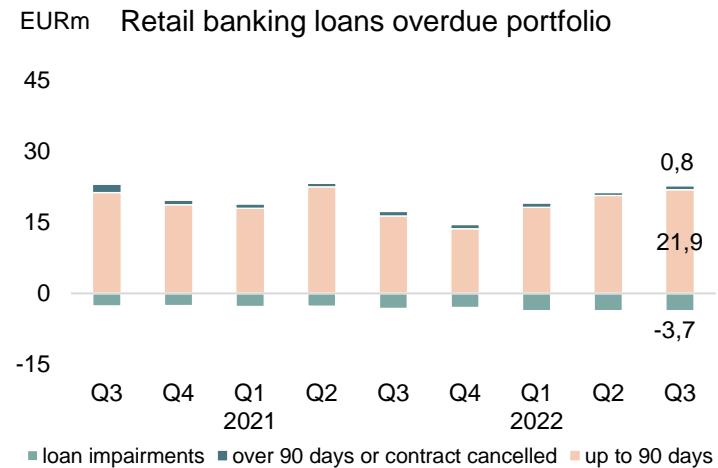
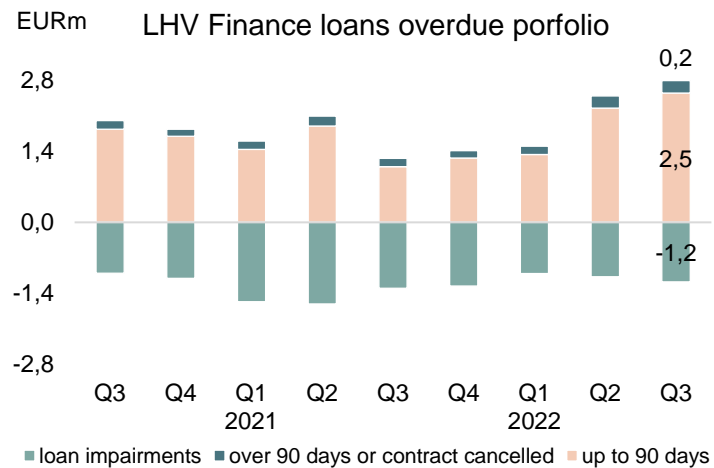


# LHV Group

## 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



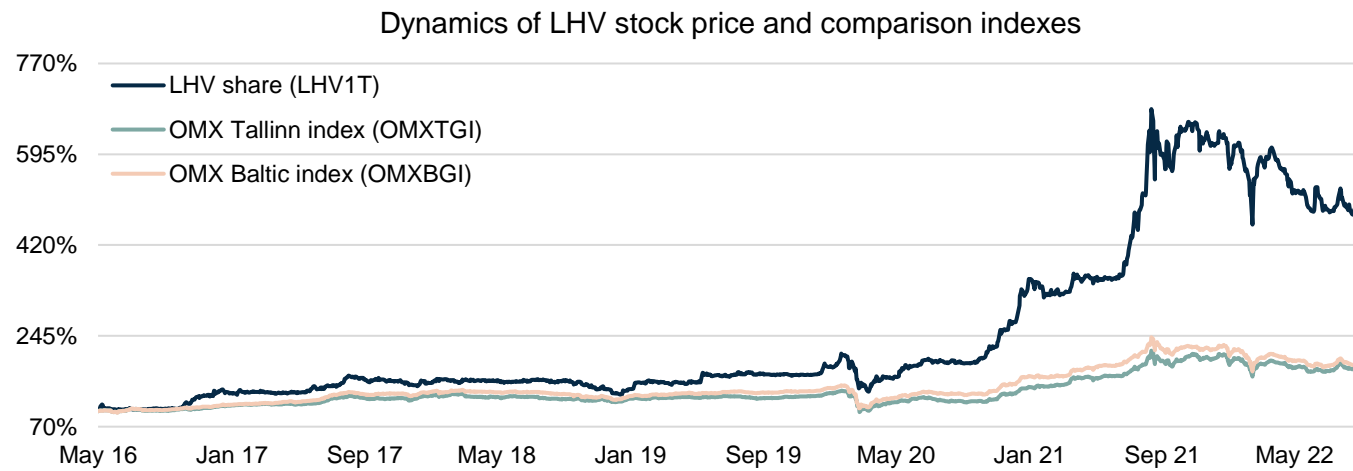


# LHV Group

## Share information



- Q3 closing share price was 3.12 EUR
- 30,304 trades were made with LHV shares during Q3 on the market with a turnover of 12.0 EURm, which gave the share an average price of 3.53 EUR
- 12-month shareholders earnings per share (EPS) is 0.17 EUR
- As of 30 September 2022 LHV had 30,462 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 30.09.2022 was 984 EURm



Madis Toomsalu  
LHV Group Managing Director  
[madis.toomsalu@lhv.ee](mailto:madis.toomsalu@lhv.ee)

Meelis Paakspuu  
LHV Group CFO  
[meelis.paakspuu@lhv.ee](mailto:meelis.paakspuu@lhv.ee)