

# LHV Group

October results  
15 November 2022



# LHV Group

## Profitability improvement

| Financial results, EURt                   | 13 months        | Oct 22        | YTD22        | YTD21        | FP YTD        | Δ YTD FP        |
|---|------------------|---------------|--------------|--------------|---------------|-----------------|
| <b>Total revenue, incl.</b>               |                  | 17,347        | 134,332      | 110,490      | 136,489       | -2,157          |
| Net interest income                       |                  | 13,305        | 98,318       | 77,788       | 91,042        | +7,276          |
| Net fee and commission income             |                  | 3,622         | 36,973       | 32,418       | 44,321        | -7,348          |
| <b>Total operating expenses</b>           |                  | 8,544         | 71,303       | 52,743       | 68,687        | +2,616          |
| <b>Earnings before impairment</b>         |                  | 8,803         | 63,029       | 57,748       | 67,802        | -4,773          |
| Impairment losses                         |                  | 613           | 8,414        | 2,180        | 7,686         | +728            |
| Income tax expense                        |                  | 1,269         | 10,578       | 8,588        | 10,036        | +541            |
| <b>Net profit, incl.</b>                  |                  | 6,921         | 44,038       | 46,980       | 50,080        | -6,043          |
| attr. to shareholders                     |                  | 6,743         | 42,472       | 45,283       | 48,293        | -5,821          |
| <b>Business volumes, EURm</b>             | <b>13 months</b> | <b>Oct 22</b> | <b>YTD22</b> | <b>YTD21</b> | <b>FP YTD</b> | <b>Δ YTD FP</b> |
| Deposits from customers                   |                  | 4,920         | 4,920        | 5,831        | 5,984         | -1,064          |
| Loans (net)                               |                  | 3,172         | 3,172        | 2,590        | 3,017         | +155            |
| Assets under management                   |                  | 1,293         | 1,293        | 1,321        | 1,362         | -68             |
| Fin. intermediaries' payments, thous. pcs |                  | 1,858         | 20,688       | 22,522       | 29,820        | -9,132          |
| <b>Key figures</b>                        | <b>13 months</b> | <b>Oct 22</b> | <b>YTD22</b> | <b>YTD21</b> | <b>FP YTD</b> | <b>Δ YTD FP</b> |
| Cost / income ratio (C/I)                 |                  | 49.3%         | 53.1%        | 47.7%        | 50.3%         | + 2.8 pp        |
| Net interest margin (NIM)                 |                  | 2.6%          | 1.8%         | 1.6%         | 1.6%          | + 0.2 pp        |
| pre-tax ROE*                              |                  | 24.0%         | 17.8%        | 23.8%        | 19.3%         | - 1.5 pp        |
| ROE*                                      |                  | 20.2%         | 14.3%        | 20.1%        | 16.5%         | - 2.2 pp        |
| ROA                                       |                  | 1.3%          | 0.8%         | 1.0%         | 0.9%          | - 0.1 pp        |

- Good monthly result, positively impacted by bank and asset management
- Growth in loan portfolio and changes in interest environment are resulting in higher interest income
- In the UK main focus on obtaining a banking licence and starting lending activities
- Moody's confirmed ratings of LHV Group and LHV Pank on same level
- Monthly profit 6.9 EURm
- Financial plan fulfilment depends on the quality of loan portfolio in the remaining two months

# LHV Pank

## Strong profitability in October

| Financial results, EURt              | 13 months        | Oct 22        | YTD22          | YTD21          | FP YTD         | Δ YTD FP        |
|--------------------------------------|------------------|---------------|----------------|----------------|----------------|-----------------|
| <b>Total revenue, incl.</b>          |                  | <b>16,088</b> | <b>124,324</b> | <b>101,812</b> | <b>125,846</b> | <b>-1,522</b>   |
| Net interest income                  |                  | 13,302        | 98,401         | 78,027         | 91,355         | +7,046          |
| Net fee and commission income        |                  | 2,462         | 26,611         | 24,076         | 33,864         | -7,253          |
| <b>Total operating expenses</b>      |                  | <b>5,973</b>  | <b>52,420</b>  | <b>39,573</b>  | <b>51,593</b>  | <b>+827</b>     |
| <b>Earnings before impairment</b>    |                  | <b>10,115</b> | <b>71,904</b>  | <b>62,239</b>  | <b>74,253</b>  | <b>-2,349</b>   |
| Impairment losses on loans and bonds |                  | 547           | 3,112          | 2,180          | 7,686          | -4,574          |
| Income tax expense                   |                  | 1,228         | 9,497          | 8,229          | 9,219          | +278            |
| <b>Net profit</b>                    |                  | <b>8,340</b>  | <b>59,295</b>  | <b>51,830</b>  | <b>57,348</b>  | <b>+1,947</b>   |
| <b>Business volumes, EURm</b>        | <b>13 months</b> | <b>Oct 22</b> | <b>YTD22</b>   | <b>YTD21</b>   | <b>FP YTD</b>  | <b>Δ YTD FP</b> |
| Deposits from customers              |                  | 4,952         | 4,952          | 5,876          | 6,047          | -1,095          |
| Loans (net)                          |                  | 3,152         | 3,152          | 2,590          | 3,017          | +135            |
| <b>Key figures</b>                   | <b>13 months</b> | <b>Oct 22</b> | <b>YTD22</b>   | <b>YTD21</b>   | <b>FP YTD</b>  | <b>Δ YTD FP</b> |
| Cost / income ratio (C/I)            |                  | 37.1%         | 42.2%          | 38.9%          | 41.0%          | + 1.2 pp        |
| Net interest margin (NIM)            |                  | 2.6%          | 1.8%           | 1.6%           | 1.6%           | + 0.2 pp        |

- The number of bank customers grew by 5,200 and the number of settling customers by 3,200
- Interest rate raised by European Central Bank is supporting interest income growth, especially regarding liquid assets
- Loan portfolio increased by 56 EURm, with corporate loans increasing by 30 EURm and retail loans by 26 EURm. Credit quality remains on a good level
- Deposits decreased by 271 EURm, with financial intermediaries' deposits decreasing by 204 EURm and corporate banking deposits by 54 EURm

## Market share based on fund's volumes has increased to 30%

| Financial results, EURt               | 13 months        | Oct 22        | YTD22        | YTD21        | FP YTD        | Δ YTD FP        |
|---------------------------------------|------------------|---------------|--------------|--------------|---------------|-----------------|
| Total revenue                         |                  | 666           | 6,601        | 7,471        | 6,703         | -102            |
| Total operating expenses              |                  | 579           | 6,046        | 8,797        | 5,710         | +336            |
| <b>EBIT</b>                           |                  | 86            | 555          | -1,326       | 993           | -438            |
| Net financial income                  |                  | 94            | -188         | 618          | 449           | -636            |
| Income tax expense                    |                  | 0             | 830          | 1,241        | 830           | +0              |
| <b>Net profit</b>                     |                  | 181           | -463         | -1,949       | 611           | -1,074          |
| <b>Business volumes</b>               | <b>13 months</b> | <b>Oct 22</b> | <b>YTD22</b> | <b>YTD21</b> | <b>FP YTD</b> | <b>Δ YTD FP</b> |
| Assets under management, EURm         |                  | 1,293         | 1,293        | 1,321        | 1,362         | -68             |
| Active customers of PII funds, thous. |                  | 130           | 130          | 139          | 129           | +1              |
| <b>Key figures</b>                    | <b>13 months</b> | <b>Oct 22</b> | <b>YTD22</b> | <b>YTD21</b> | <b>FP YTD</b> | <b>Δ YTD FP</b> |
| Cost / income ratio (C/I)             |                  | 76.2%         | 94.3%        | 108.8%       | 79.8%         | + 14.4 pp       |
| Funds average return                  |                  | 1.4%          | -0.4%        | 8.6%         | 5.6%          | - 6.1 pp        |

- Operating income as planned, expenses and profitability slightly behind the plan
- Stronger month on stock markets for change – measured in euros, S&P500 and MSCI World increased by 6.9% and 6.2%, respectively
- Positive month for larger pension funds – M, L and XL 0.4%, 1.2% and 2.5%, respectively
- Pension fund Index increased by 1.2% and Roheline increased by 1.0%
- Number of active customers higher than planned, by the end of month more than 130,000

## Rapidly growing business volumes support improvement in efficiency

| Financial results, EURt      | 13 months        | Oct 22        | YTD22        | YTD21        | FP YTD        | Δ YTD FP        |
|------------------------------|------------------|---------------|--------------|--------------|---------------|-----------------|
| <b>Total revenue, incl.</b>  |                  | 207           | 1,298        | 980          | 2,171         | -873            |
| Net earned premiums          |                  | 975           | 6,222        | 1,619        | 5,859         | +362            |
| Net incurred losses          |                  | 682           | 4,431        | 581          | 3,266         | +1,165          |
| <b>Total expenses</b>        |                  | 285           | 2,516        | 1,617        | 2,488         | +28             |
| <b>Technical result</b>      |                  | -78           | -1,218       | -637         | -317          | -901            |
| Net investments income       |                  | 8             | -16          | 1            | 99            | -115            |
| <b>Net profit</b>            |                  | -72           | -1,238       | -637         | -218          | -1,020          |
| <b>Business volumes</b>      | <b>13 months</b> | <b>Oct 22</b> | <b>YTD22</b> | <b>YTD21</b> | <b>FP YTD</b> | <b>Δ YTD FP</b> |
| Gross written premiums, EURt |                  | 2,167         | 13,276       | 5,687        | 9,595         | +3,681          |
| No of Customers (thous.)     |                  | 150           | 150          | 140          | na            | na              |
| <b>Key figures</b>           | <b>13 months</b> | <b>Oct 22</b> | <b>YTD22</b> | <b>YTD21</b> | <b>FP YTD</b> | <b>Δ YTD FP</b> |
| Net loss ratio               |                  | 70.0%         | 71.2%        | 35.9%        | 55.7%         | + 15.5 pp       |
| Net expense ratio            |                  | 38.1%         | 48.4%        | 103.5%       | 49.7%         | - 1.3 pp        |

- Rapid growth in volume of insurance contracts continues, record sales in October. 14,200 insurance contracts were signed totalling 2.6 EURm
- Gross written premiums and net earned premiums ahead of the financial plan, loss ratio in improving trend
- Customer satisfaction with claims handling continuously high. In total, claims were settled in the amount of 0.5 EURm
- Operating expenses as planned. Efficiency improving along with portfolio growth

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