

LHV Group

Q3 2020 results
October 20, 2020

The logo consists of the letters 'LHV' in a bold, black, sans-serif font. The letters are closely spaced and positioned in the bottom right corner of the slide. The background of the slide features a large, stylized, light gray 'V' shape that is partially obscured by the logo.

Busy quarter, the effects of the crisis were modest

For customers

- Best Bank recognition from Euromoney
- Full-service payment collection service
- Contactless payments for Fitbit and Garmin devices
- Virtual ISIC
- Alexela credit card

Records in business volumes

- Customer numbers
- Loans
- Deposits
- Funds

Pension funds

- Pension fund Roheline strong return. Other funds with a positive return
- Low customer activity in submitting payment suspension applications
- Decision on pension reform in October

Other

- Successful issue of LHV subordinated bonds
- Involvement of financial instruments through TLTRO
- Danske portfolio acquisition in October
- Capitalization of LHV Kindlustus in October
- New 2020 financial plan publication in October

LHV Group

Quarter with good results and growth

Financial results, EURt	9 quarters	Q3-20	Q2-20	Δ quarter
Net interest income		16,731	15,545	+1,185
Net fee and commission income		6,472	6,188	+284
Other income		379	305	+74
Total revenue		23,582	22,039	+1,543
Total expenses		10,713	10,661	+52
Earnings before impairment		12,869	11,378	+1,491
Impairment losses on loans		-27	7,672	-7,699
Income tax expense		2,122	156	+1,967
Net profit		10,774	3,550	+7,224
Business volumes, EURm	9 quarters	Q3-20	Q2-20	Δ quarter
Deposits from customers		3,215	3,087	+129
Loans (net)		1,856	1,804	+52
Assets under management		1,496	1,440	+56
Customers, thous.		387	377	+11
Key figures	9 quarters	Q3-20	Q2-20	Δ quarter
Cost / income ratio (C/I)		45.4%	48.4%	- 2.9 pp
pre-tax ROE*		21.7%	6.0%	+ 15.6 pp
ROE*		18.9%	5.7%	+ 13.2 pp

- Loans, deposits and funds grew during the quarter
- Credit portfolio remains strong, grace periods due in September were slightly extended. The remaining grace periods end by April 2021
- Loan provisions were partially reduced
- LHV Group efficiency is improving. ROE exceeds plans and is approaching long-term goal
- Quarterly profit of 10.8 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 +8.3 EURm ahead of financial plan

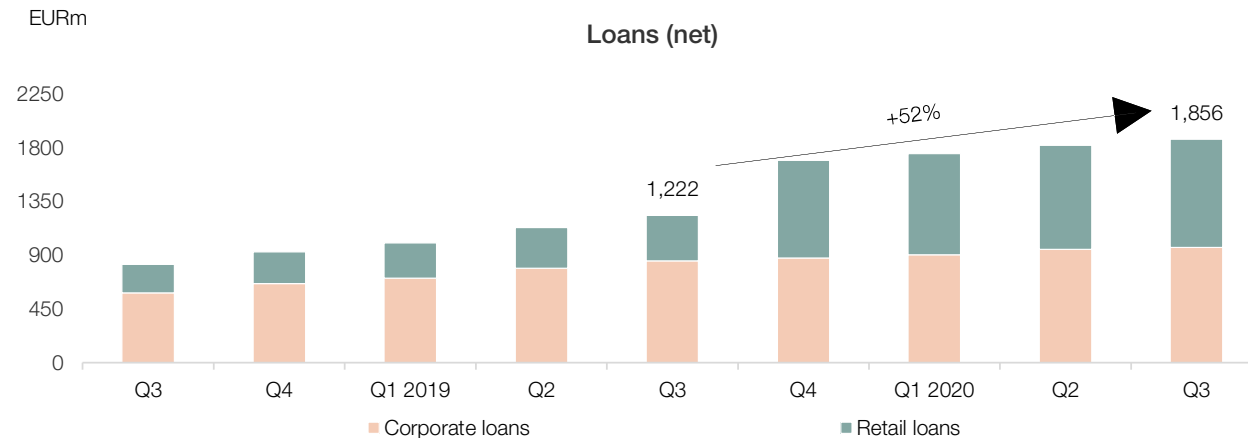
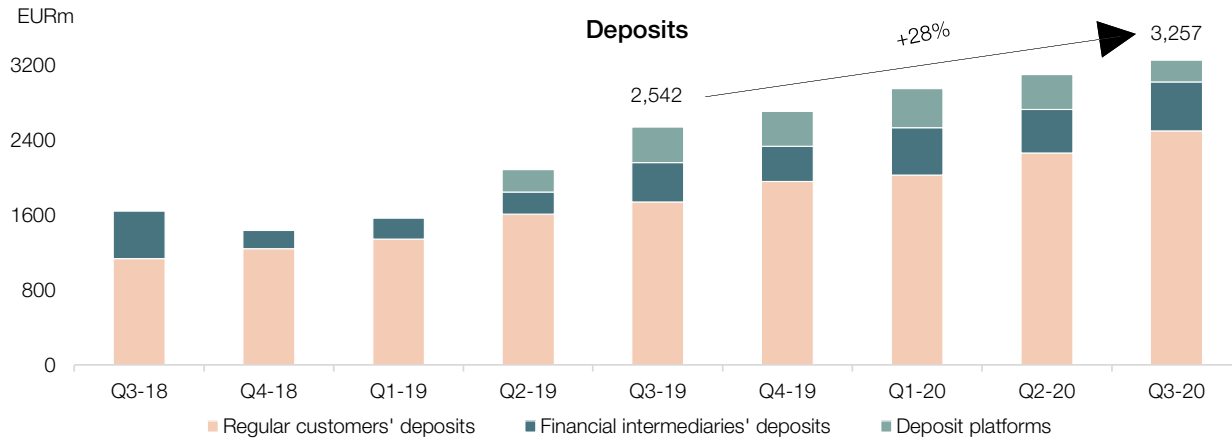
Financial results, EURt	13 months	Sep-20	YTD20	YTD19	FP YTD	Δ YTD FP
Total revenue, incl.		7,405	68,098	53,895	65,223	+2,875
Net interest income		5,273	48,599	34,119	47,218	+1,381
Net fee and commission income		1,984	19,168	19,250	17,997	+1,171
Total operating expenses		3,689	32,548	27,908	33,378	-830
Earnings before impairment		3,716	35,550	25,987	31,844	+3,705
Impairment losses on loans		767	8,655	1,663	15,011	-6,355
Income tax		1,009	5,086	3,664	3,277	+1,809
Net profit, incl.		1,941	21,808	20,660	13,556	+8,251
attr. to shareholders		1,762	20,111	19,078	12,337	+7,773
Business volumes, EURm						
Deposits from customers		3,215	3,215	2,535	2,904	+311
Loans (net)		1,856	1,856	1,222	1,795	+61
Assets under management		1,496	1,496	1,328	1,427	+69
Key figures						
Cost / income ratio (C/I)		49.8%	47.8%	51.8%	51.2%	- 3.4 pp
pre-tax ROE*		11.7%	15.4%	17.2%	9.9%	+ 5.5 pp
ROE*		9.8%	12.8%	14.6%	8.0%	+ 4.8 pp
Net interest margin (NIM)		1.7%	2.0%	2.3%	2.0%	- 0.0 pp
ROA		0.6%	0.9%	1.4%	0.6%	+ 0.3 pp

- Revenues exceed current financial plan in terms of both interest and commission income. Expenses lower than the financial plan
- Loan provisions lower than the financial plan, provisions mainly model-based
- Increased risks are partly offset by growing revenues from the portfolio of companies and local authority acquired
- Current financial plan outperformed by 8.3 EURm. 2020 financial plan will be updated in October

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LHV Banking

Deposits volume above 3 EURb and loans volume above 2 EURb



- 11,000 new customers. Record levels in retail customer activity and business volumes
- Deposits increased by 153 EURm, incl. retail customers by 233 EURm, payment intermediaries by 57 EURm and deposits from deposit platforms by -137 EURm. 100 EURm covered bond issue and raising 200 EURm from the ECB's TLTRO III program
- Loan growth 52 EURm, including 12 EURm in corporate loans and 40 EURm in retail loans. Transaction for the purchase of Danske Bank's Estonian corporate and public sector loan facility finalised in October with volume 273 EURm at a discount of 19 EURm
- New products: Alexela credit card, virtual ISIC, contactless payments for Fitbit and Garmin devices, card PIN code from mobile bank, apartment association loan from October



LHV Banking

Record levels in business volumes, net profit and efficiency indicators

Financial results, EURt	9 quarters	Q3-20	Q2-20	Δ quarter
Net interest income		16,837	15,541	+1,296
Net fee and commission income		4,243	4,089	+155
Other income		228	-184	+412
Total revenue		21,309	19,446	+1,862
Total expenses		8,762	8,814	-52
Earnings before impairments		12,547	10,632	+1,915
Impairment losses on loans		-27	7,672	-7,699
Income tax expense		1,920	156	+1,765
Net profit		10,654	2,805	+7,849
attr. to the owners of the parent		9,907	2,158	+7,749
Business volumes, EURm	9 quarters	Q3-20	Q2-20	Δ quarter
Deposits from customers		3,257	3,104	+153
Loans (net)		1,856	1,804	+52
Customers, thous.		260	249	+10
Key figures	9 quarters	Q3-20	Q2-20	Δ quarter
Cost / income ratio (C/I)		41.1%	45.3%	- 04 pp
pre-tax ROE*		24.6%	5.2%	+ 19 pp
ROE*		21.5%	4.8%	+ 17 pp
Net interest margin		1.7%	1.8%	- 0.1 pp

- Net profit 10.7 EURm, incl. advance income tax expense 0.5 EURm on the expected dividends
- Loan provisions at the same level. The credit rating of some corporate banking customers directly affected by the crisis has worsened. The quality of the loan portfolio as a whole has remained strong and the share of overdue loans remains low.
- Grace periods granted to 1,800 customers (60% retail, 40% corporate) in total for 311 EURm (10% retail, 90% corporate)

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LHV Banking – comparison with financial plan

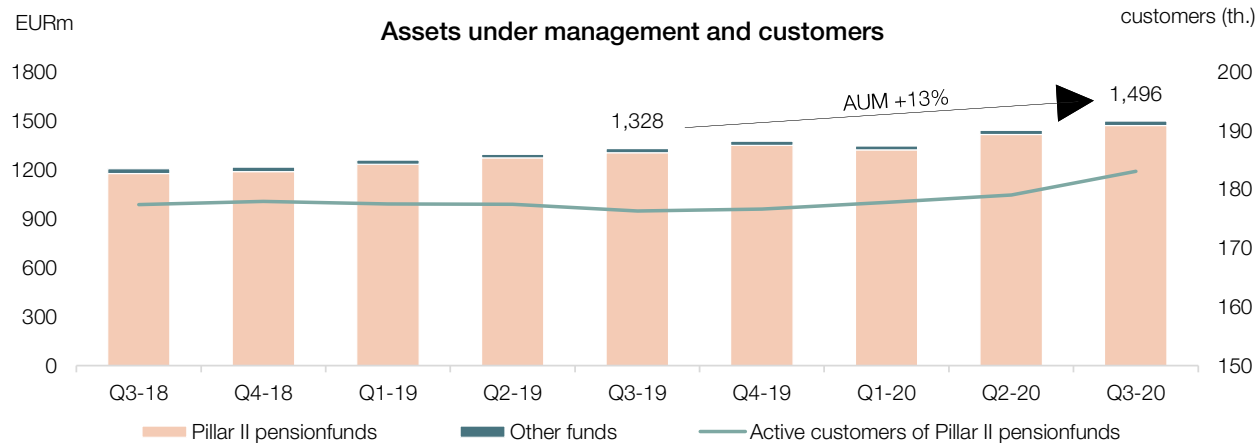
Net profit ahead of financial plan by +8.2 EURm

Financial results, EURt	13 months	Sep-20	YTD20	YTD19	FP YTD	Δ YTD FP
Total revenue, incl.		6,721	61,301	43,740	59,101	+2,200
Net interest income		5,308	48,626	34,681	47,307	+1,320
Net fee and commission income		1,246	12,666	8,821	11,658	+1,007
Total operating expenses		2,942	27,008	22,940	28,301	-1,293
Earnings before impairment		3,779	34,294	20,801	30,800	+3,493
Impairment losses on loans		767	8,655	1,663	15,011	-6,355
Income tax		807	4,040	2,692	2,433	+1,607
Net profit		2,205	21,598	16,445	13,357	+8,241
Business volumes, EURm	13 months	Sep-20	YTD20	YTD19	FP YTD	Δ YTD FP
Deposits from customers		3,257	3,257	2,544	2,931	+326
Loans (net)		1,856	1,856	1,222	1,795	+61
Key figures	13 months	Sep-20	YTD20	YTD19	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		43.8%	44.1%	52.4%	47.9%	- 3.8 pp
T1 capital adequacy		14.3%	14.3%	14.2%	14.2%	+ 0.1 pp
Total capital adequacy		18.1%	18.1%	18.0%	17.6%	+ 0.6 pp
Net interest margin (NIM)		1.7%	1.9%	2.2%	1.9%	- 0.0 pp

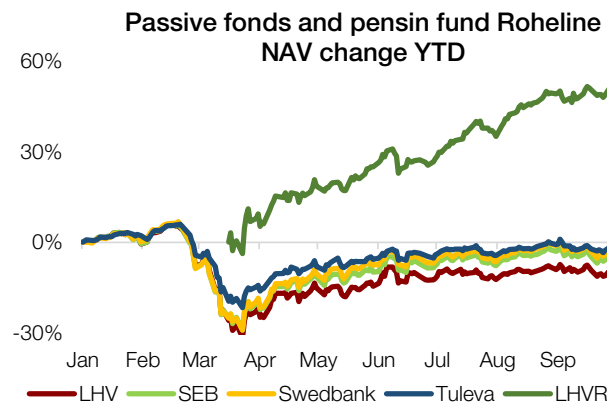
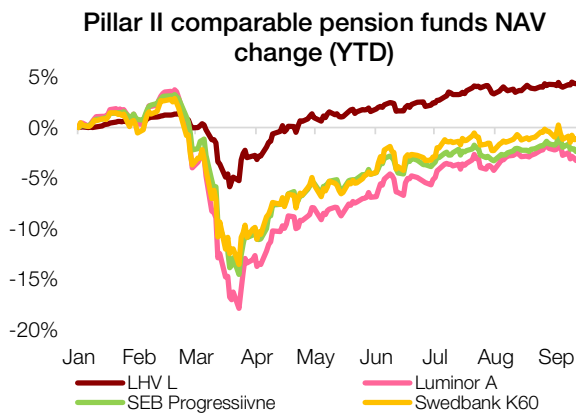
- Deposits exceeded financial plan by 326 EURm and loans by 61 EURm
- Net profit exceeded financial plan due to higher interest income from larger loan portfolio, higher securities transaction fees due to higher volatility in the financial markets, cost savings and significantly lower loan provisions

LHV Asset Management

Very strong performance of pension fund Roheline



- The volume of assets under management nearly 1.5 EURb by the end of Q3, with 13% YoY increase
- Growth in stock market slowed compared to Q2. Growth continued to be driven by the technology sector. Weakening dollar in Q3
- Positive return of all LHV pension funds. The return of the largest funds M,L and XL were 0.9%, 1.4% and 1.4% respectively.
- The NAV of best-performing pension fund Roheline increased 20.4% in Q3. The return since March was 53.6%



LHV Asset Management

Q2 Net profit 0.8 EURm, the number of active customers is growing










Financial results, EURt	9 quarters	Q3-20	Q2-20	Δ quarter
Total revenue		2,229	2,100	+129
Total expenses		1,543	1,595	-52
EBIT		685	505	+180
Net financial income		153	481	-328
Income tax expense		0	0	+0
Net profit		838	986	-148
Business volumes	9 quarters	Q3-20	Q2-20	Δ quarter
Pillar II pensionfunds		1,468	1,414	+54
Pillar III pension funds		24	23	+1
Eurofunds		4	3	+0
Active customers of PII funds, th.		183	179	+4
Key figures	9 quarters	Q3-20	Q2-20	Δ quarter
Cost / income ratio (C/I)		69.3%	76.0%	- 6.7 pp
pre-tax ROE		13.1%	15.9%	- 2.9 pp
ROE		13.1%	15.9%	- 2.9 pp
Market share by no of customers		24.8%	24.4%	+ 0.4 pp
Market share by volume		29.2%	29.0%	+ 0.2 pp

- Net profit in Q3 is 0.8 EURm. Compared to Q2 operating income increased, general expenses decreased and the change in the value of own shares had a smaller effect on profit
- Pillar II pension funds net assets increase 54 EURm in Q3
- The number of customers has increased for eight months in a row, number of active Pillar II pension customers ca 183 thousands
- The social tax revenue of pension insurance, is comparable to the previous year. The decrease expected in spring hasn't been realized so far



LHV Asset Management – comparison with financial plan

Net profit, number of customers and volume of funds ahead of the financial plan

Financial results, EURt	13 months	Sep-20	YTD20	YTD19	FP YTD	Δ YTD FP
Total revenue		723	6,809	10,672	6,187	+622
Total expenses		542	4,703	4,463	4,482	+222
Earnings before taxes		181	2,105	6,210	1,706	+400
Income tax		0	844	972	844	+0
Net profit		181	1,261	5,237	861	+400
Business volumes	13 months	Sep-20	YTD20	YTD19	FP YTD	Δ YTD FP
Assets under management, EURm		1,496	1,496	1,328	1,427	+69
Active customers of PII funds, th.		183	183	176	176	+7
Key figures	13 months	Sep-20	YTD20	YTD19	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		73.4%	72.3%	42.8%	70.7%	+ 1.6 pp
Funds average return		-0.4%	3.3%	4.5%	2.7%	+ 0.7 pp

- The best performing pension fund on the market is Roheline
- Final merger of pension funds Estonia and L
- After the funds merger 2.4 EURm worth of pension fund units were sold from funds L,S and Indeks
- Net profit, AUM and number of customers ahead of the financial plan
- The withhold of contributions to the II pillar funds had marginal effect on the volumes of the funds, low customer activity in submitting applications
- The Supreme Court decision regarding proposed changes to the pension funds will have an impact on future volumes

LHV Group
9 months

21.8 EURm

Net profit

15.4%

Pre-tax ROE

**Growth in business
volumes**

Acquisition of Danske portfolio

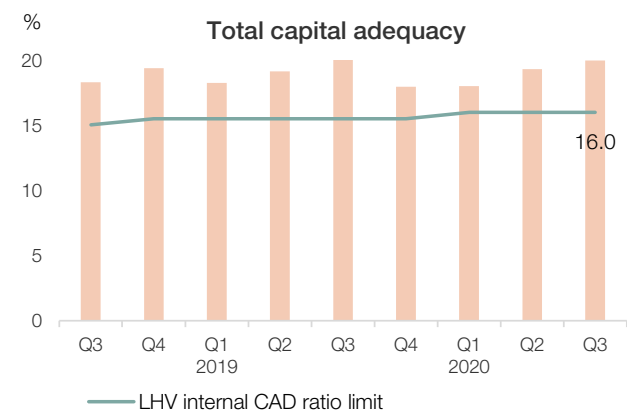
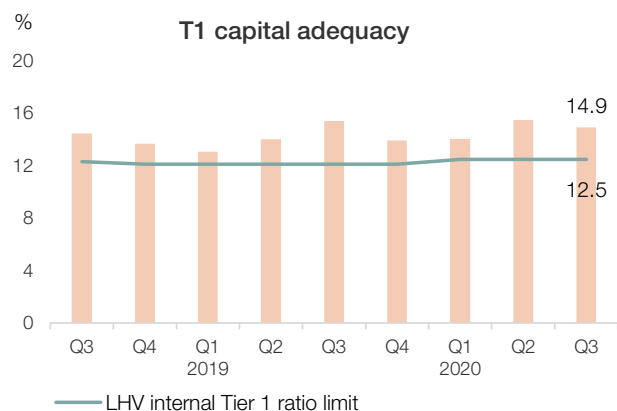
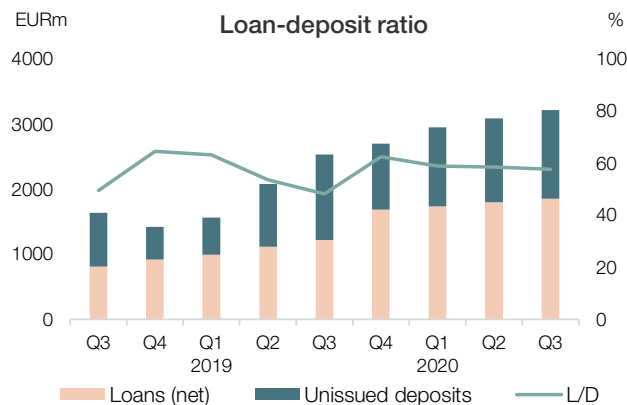
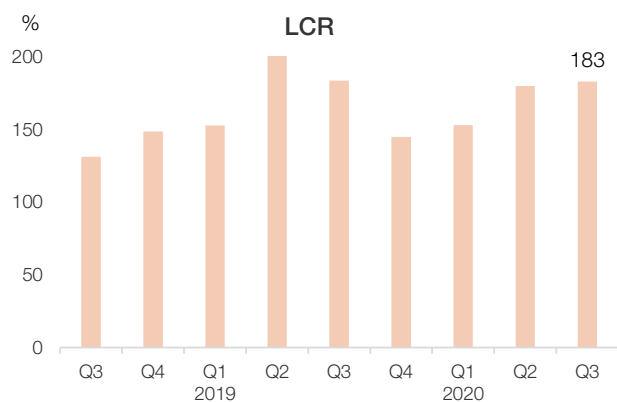
33,400

Bank customers increase

Annexes

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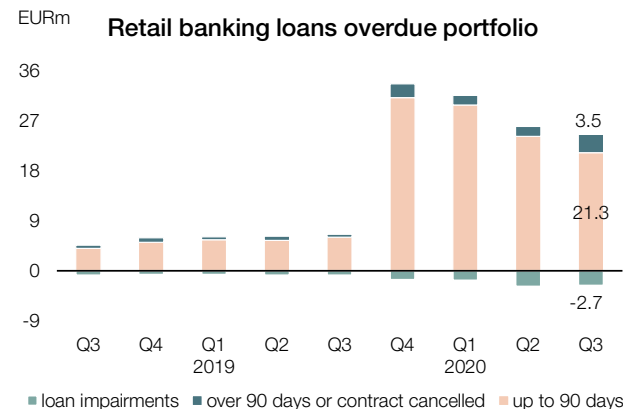
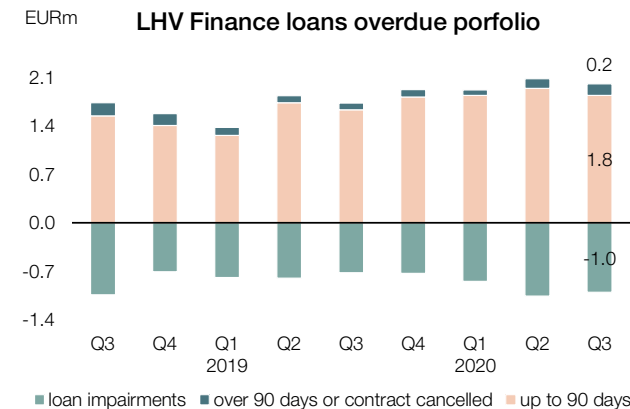
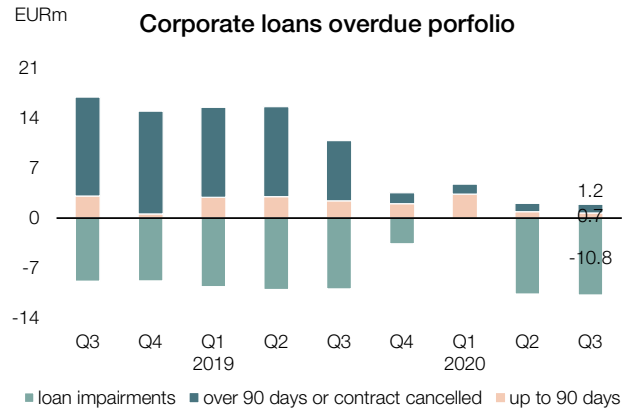
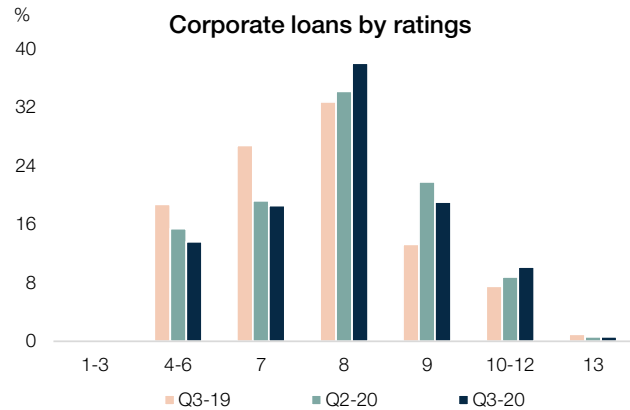
Strong liquidity and capitalization



- Liquidity and capitalization of the Group are strong and sufficient to take over Danske's portfolio planned for Q4
- 200 EURm raised in Q3 in the TLTRO III program, which kept the LCR level at 180%
- Capitalization strengthened as a result of the issue of T1 bonds in September
- Both capital adequacy ratios exceed regulatory and internal targets

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The debt ratio remains low



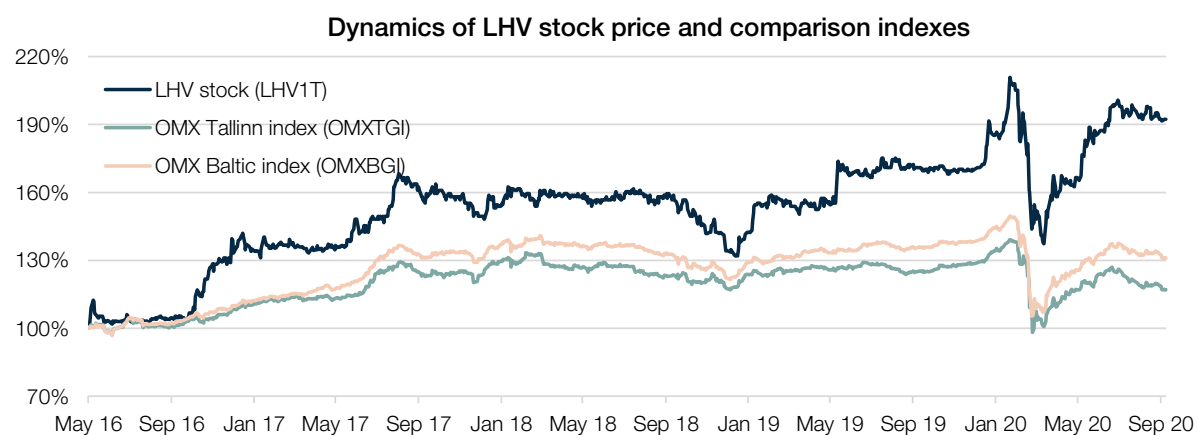
- Economic situation in Q3 better than expected, no additional provisions made
- Grace period to customers are coming to an end. Almost all customers return to the usual payment schedule
- LHV continues to offer customers flexible solutions for mitigation of the effects caused by the crisis

LHV Group

Stock information



- Q3 closing share price 13.50 EUR
- 5,482 trades were made with LHV shares during Q3 on the market with a turnover of 5.0 EURm, which gave the stock an average price of 13.66 EUR
- 9 month shareholders earnings per share (EPS) is 0.7 EUR
- As of 30 September 2020 LHV had 9,876 shareholders and 48.26% of shares belonged to supervisory and management board members and parties associated with them
- Market capitalization based on closing price of 30.09.2020 was 389 EURm



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