

LHV Group

Q3 results
18 October 2022

Growing loan portfolio together with volatile deposits

Growth in loan volumes

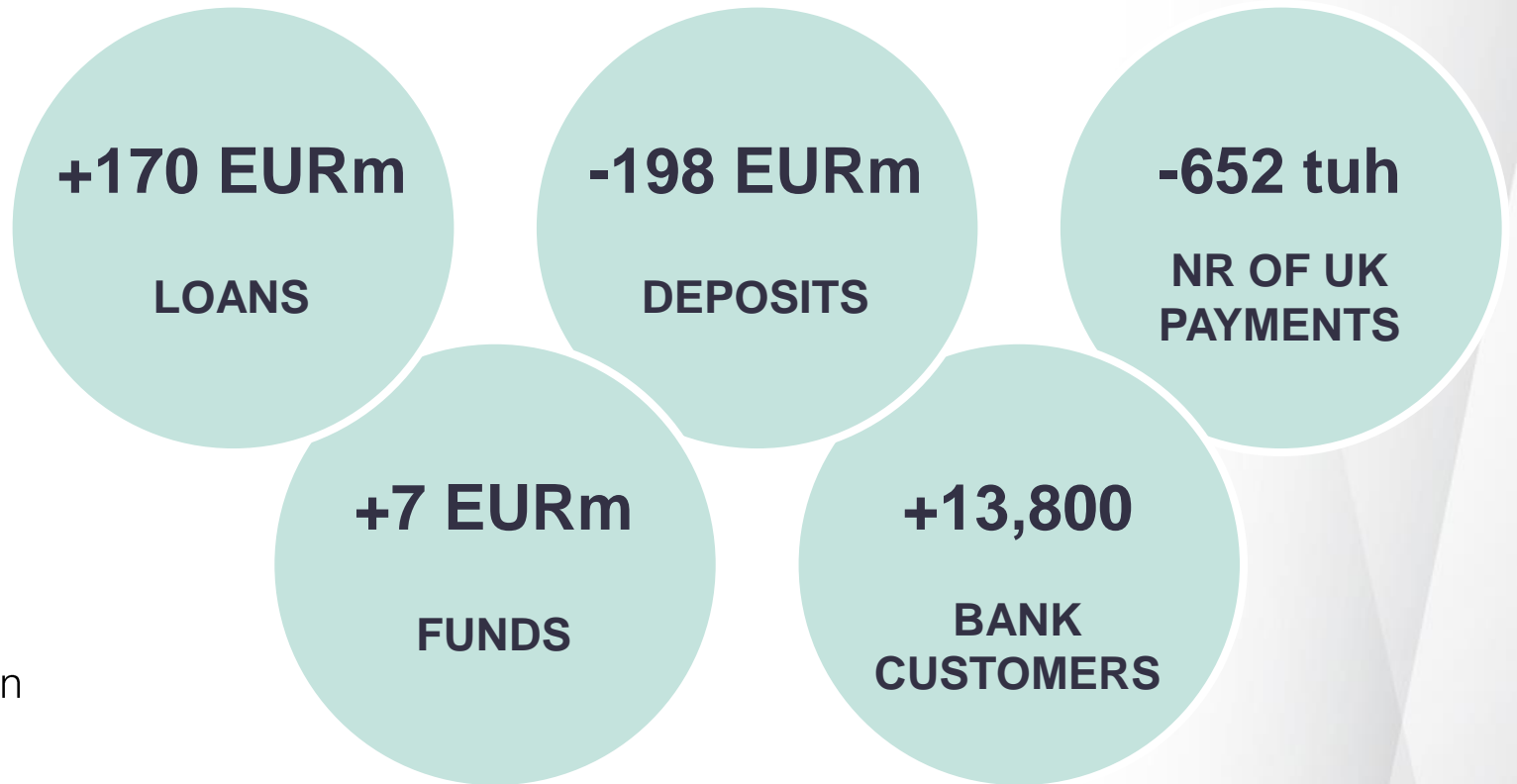
Loan portfolio exceeding 3 EURmld

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



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
Total revenue		44,298	37,903	+6,396
Total operating expenses		22,813	21,080	+1,732
Earnings before impairment		21,485	16,822	+4,663
Impairment losses		7,407	-341	+7,749
Income tax expense		3,331	3,177	+154
Net income		10,747	13,986	-3,239
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

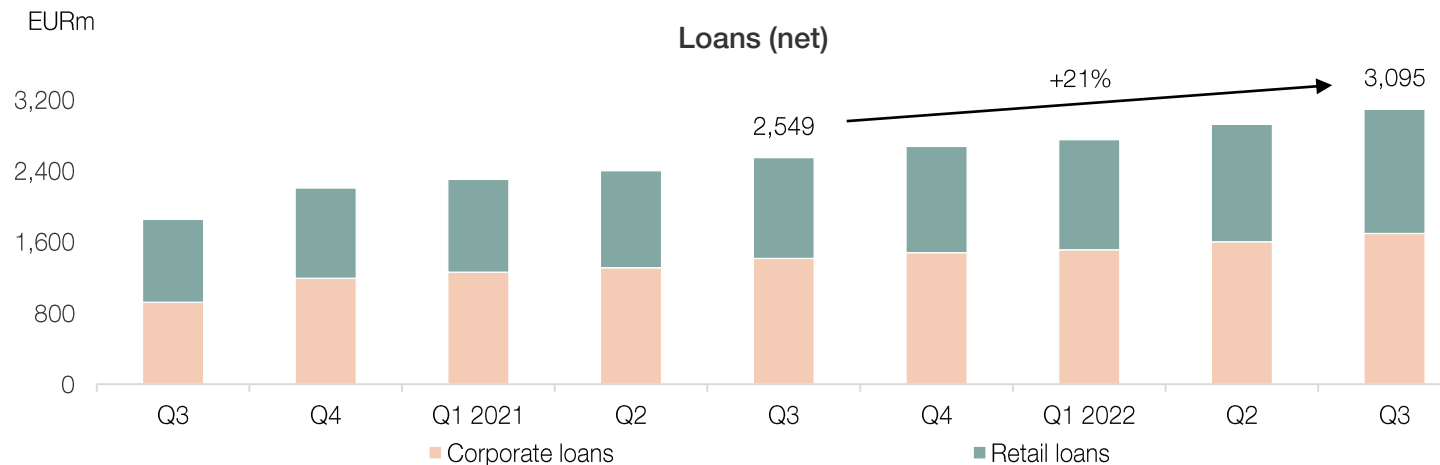
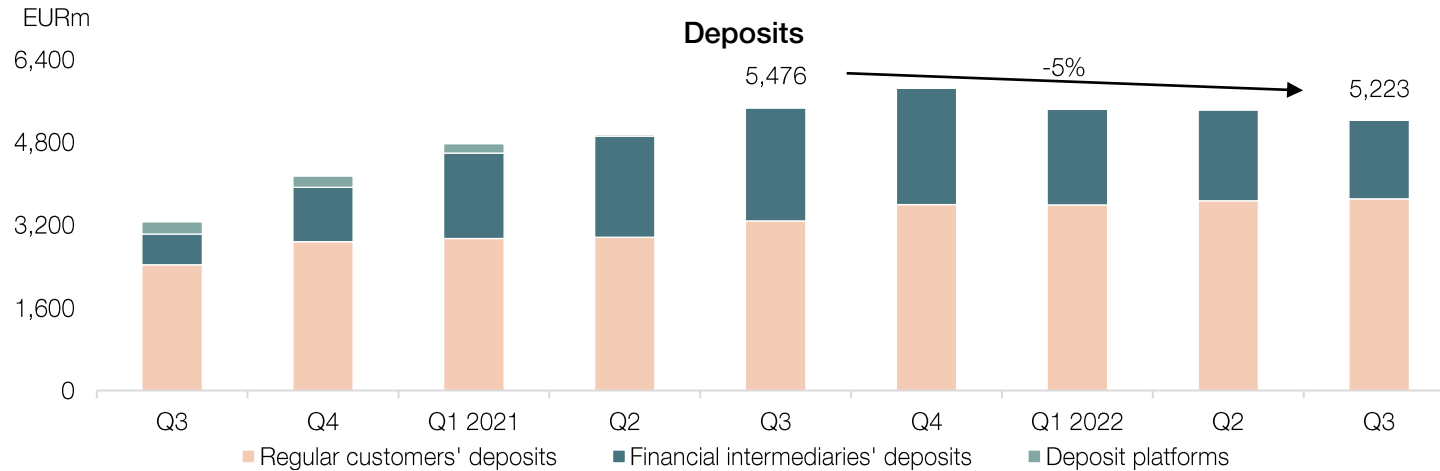
Financial results, EURt	13 months	Sep 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue, incl.		16,063	116,985	97,702	121,948	-4,963
Net interest income		11,475	85,013	69,156	81,333	+3,680
Net fee and commission income		4,865	33,351	28,227	39,614	-6,263
Total operating expenses		8,229	62,759	46,936	61,189	+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



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

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
Total revenue		40,981	35,021	+5,960
Total operating expenses		16,434	15,635	+799
Earnings before impairment		24,548	19,387	+5,161
Impairment losses on loans and bonds		2,171	-341	+2,512
Income tax expense		3,209	2,792	+417
Net income		19,168	16,936	+2,232
Business volumes, EURm	9 quarters	Q3-22	Q2-22	Δ quarter
Deposits from customers		5,223	5,425	-202
Loans (net)		3,095	2,925	+170
Customers, thous.		382	368	+14
Key figures	9 quarters	Q3-22	Q2-22	Δ quarter
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

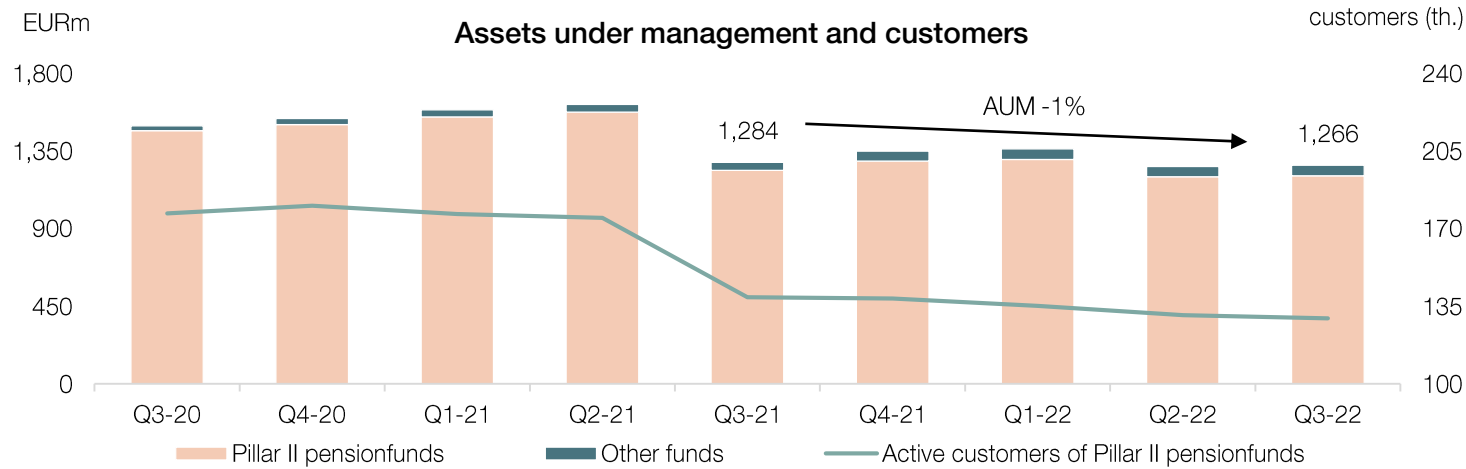
LHV Bank – comparison with financial plan

9 months net profit as planned

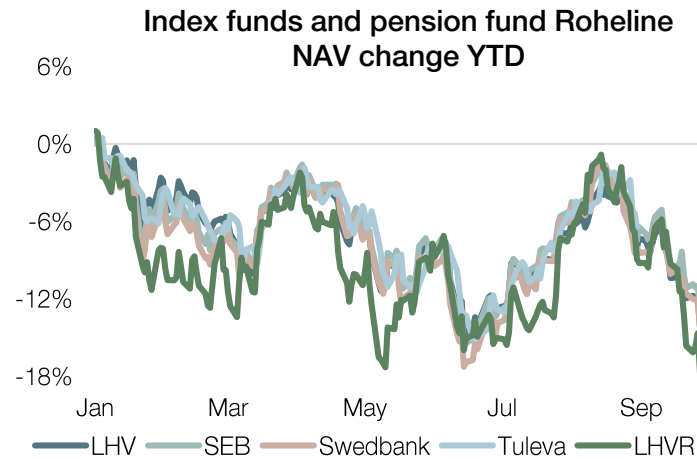
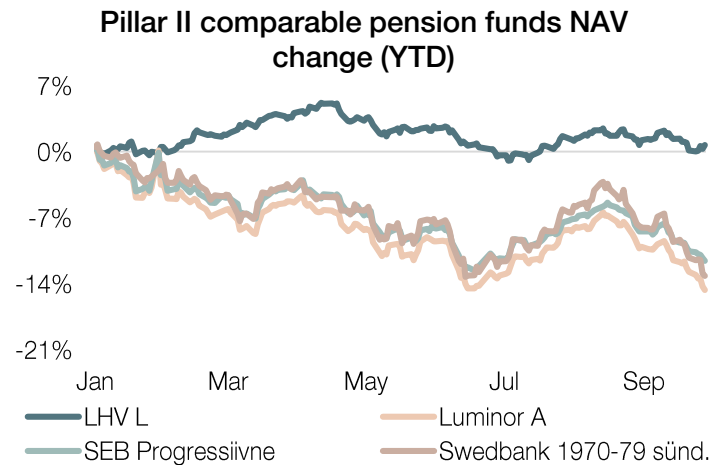
Financial results, EURt	13 months	Sep 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue, incl.		15,240	108,236	89,996	112,382	-4,146
Net interest income		11,470	85,099	69,340	81,543	+3,556
Net fee and commission income		3,770	24,149	20,640	30,274	-6,125
Total operating expenses		5,866	46,447	35,069	46,020	+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
Business volumes, EURm	13 months	Sep 22	YTD22	YTD21	FP YTD	Δ YTD FP
Deposits from customers		5,223	5,223	5,476	5,986	-763
Loans (net)		3,095	3,095	2,549	2,977	+118
Key figures	13 months	Sep 22	YTD22	YTD21	FP YTD	Δ YTD FP
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

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



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
EBIT		210	177	+34
Net financial income		26	-411	+437
Income tax expense		0	0	+0
Net income		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 is 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
Business volumes	9 quarters	Q3-22	Q2-22	Δ quarter
Gross written premiums, EURt		4,750	4,612	+138
No of Customers (thous.)		152	149	+3
Key figures	9 quarters	Q3-22	Q2-22	Δ quarter
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

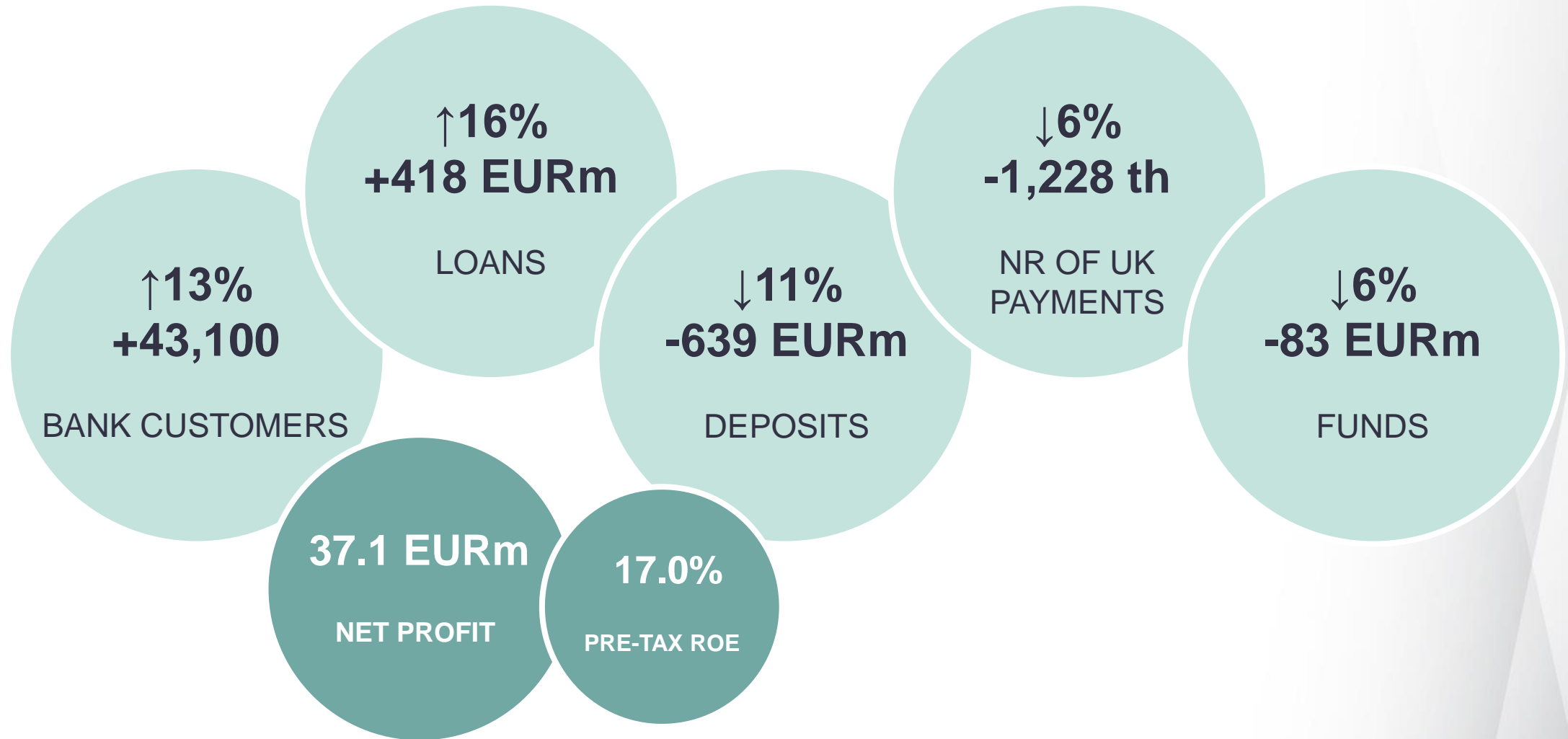
LHV Kindlustus – comparison with financial plan

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
Total expenses		424	2,231	1,461	2,227	+4
Technical result		-252	-1,140	-610	-323	-817
Net investments income		-32	-24	1	77	-101
Net income		-284	-1,166	-610	-246	-921
Business volumes	13 months	Sep 22	YTD22	YTD21	FP YTD	Δ YTD FP
Gross written premiums, EURt		1,726	11,109	5,188	8,637	+2,473
No of Customers (thous.)		152	152	139	na	na
Key figures	13 months	Sep 22	YTD22	YTD21	FP YTD	Δ YTD FP
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

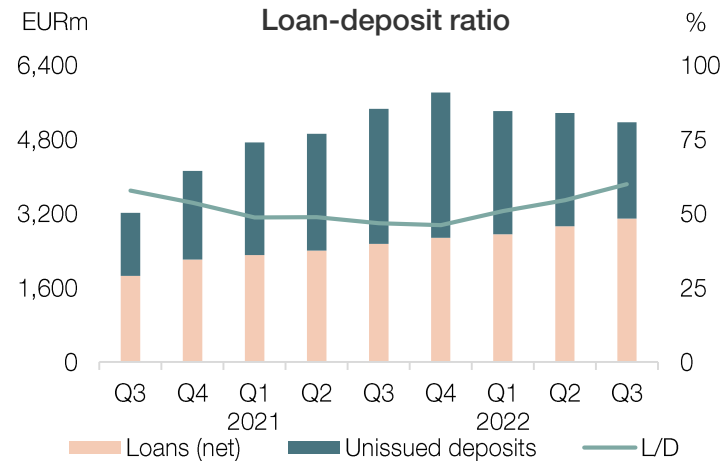
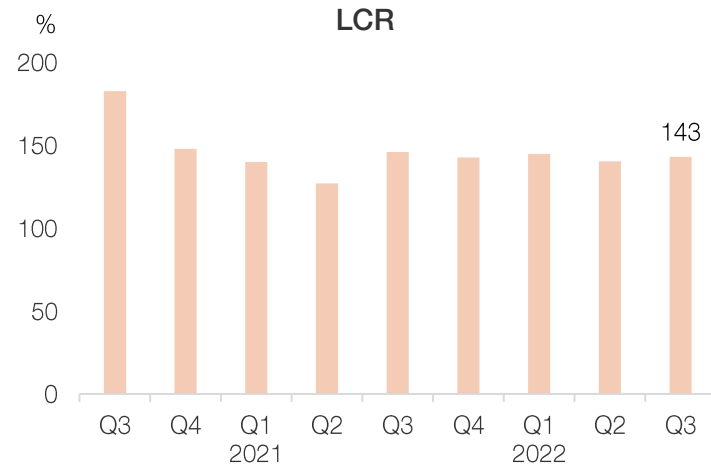
- Good sale results in September. 14.5 thousand insurance contracts were signed with a total volume of 2.2 EURm
- Net earned premiums increased to 840 EURt in September. Net earned premiums have reached a level, where conditions are set for making profit
- Claim frequency decreased in September, no large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

LHV Group
9 months

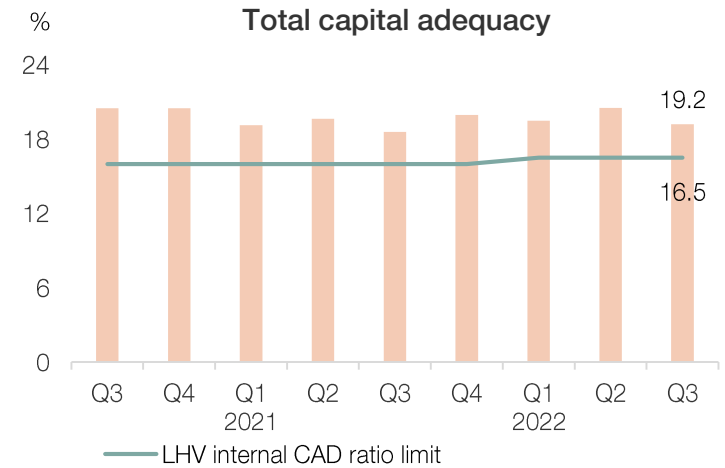
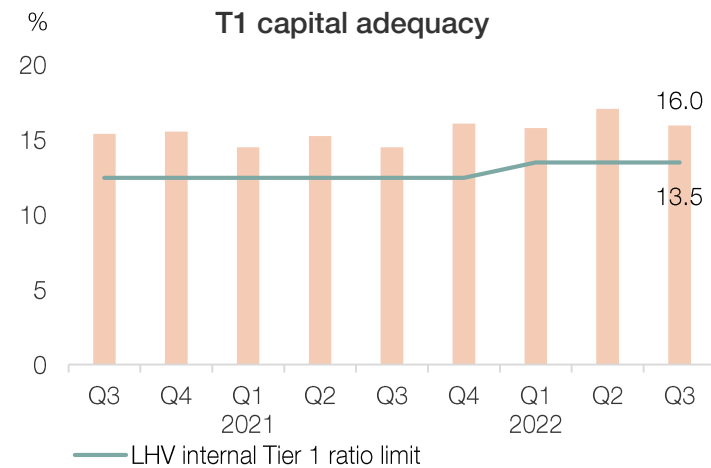


Annexes

Liquidity and capitalization levels to be hold

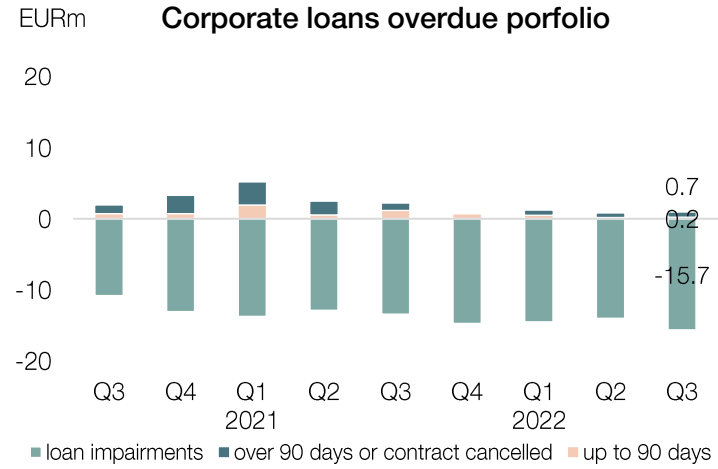
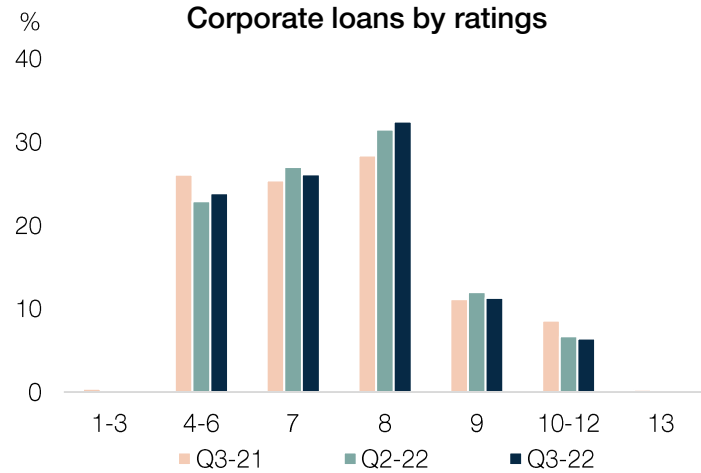


- Liquidity and capitalization of the Group remain sufficient, but are carefully observed
- The Group raised 35 EURm in June, which will be used for capitalizing the UK business line

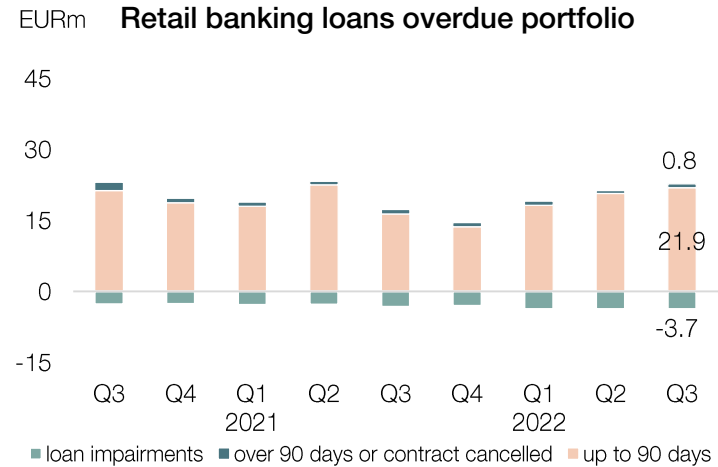
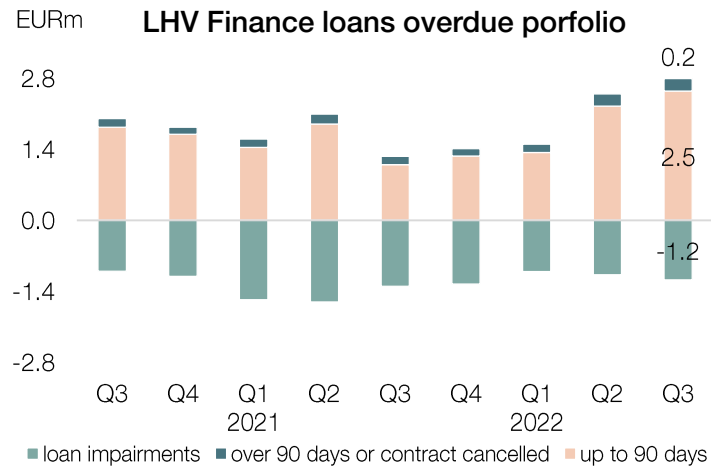


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Strong quality of the portfolio

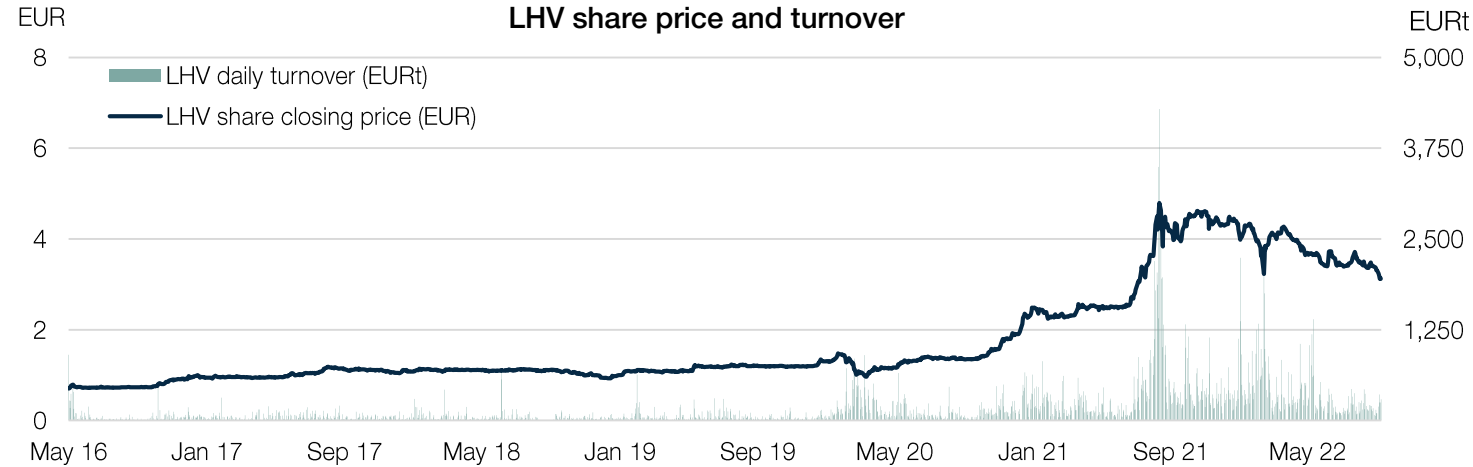


- Proportion of customers with a lower rating is decreasing among both corporate and retail customers
- Despite a very small amount of loans overdue in all portfolios, additional provisions have been made to cover possible credit losses in the future

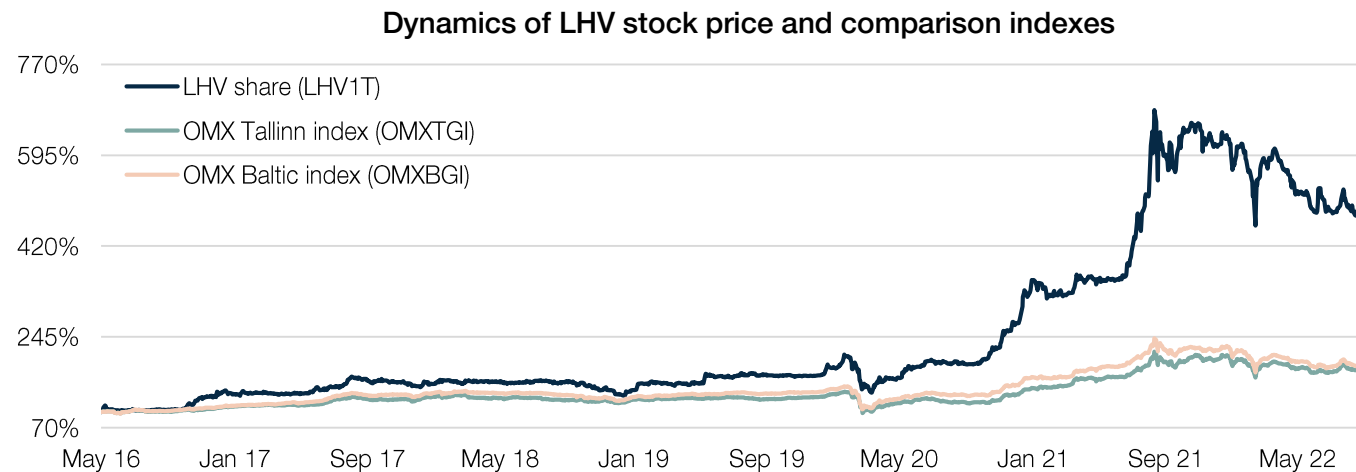


LHV Group

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

Meelis Paakspuu

LHV Group CFO
meelis.paakspuu@lhv.ee