

LHV Group

Q2 2021 results
20 July 2021

Decent growth with strong results

Continuously good growth in business volumes, customer activity and revenues

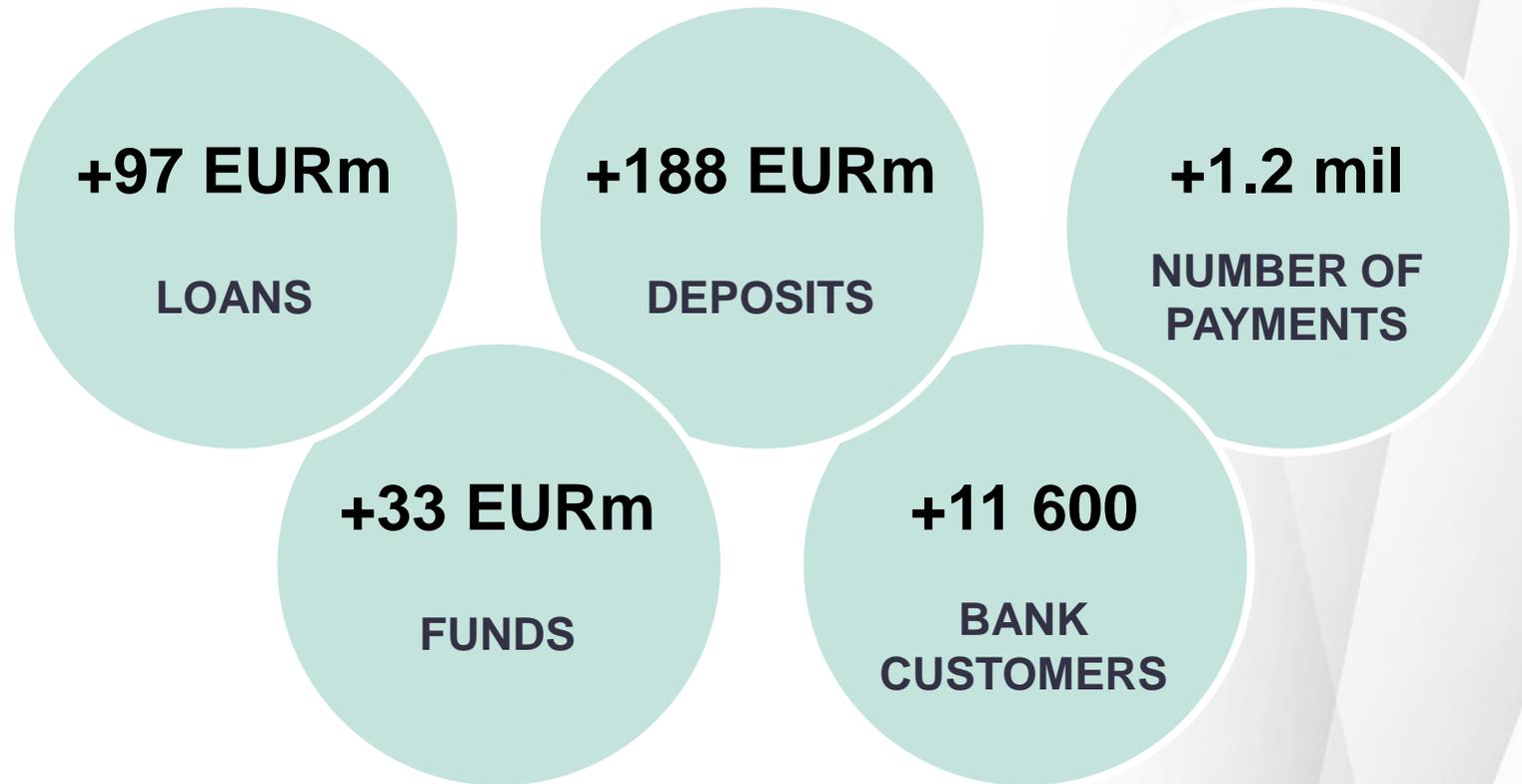
All-time high quarterly results, excluding performance fee

Good return of pension funds

Insurance products offering

Business plan submitted for obtaining a banking licence in UK

Best Bank Award from Euromoney



All-time high quarterly results, excluding performance fee

Financial results, EURt	9 quarters	Q2-21	Q1-21	Δ quarter
Net interest income		22,927	20,372	+2,556
Net fee and commission income		9,098	8,640	+458
Other income		809	-246	+1,055
Total revenue		32,834	28,765	+4,069
Total expenses		17,925	13,760	+4,165
Earnings before impairment		14,910	15,005	-95
Impairment losses on loans		-791	1,601	-2,392
Income tax expense		2,785	1,988	+798
Net income		12,916	11,417	+1,499
Business volumes, EURm	9 quarters	Q2-21	Q1-21	Δ quarter
Deposits from customers		4,921	4,734	+188
Loans (net)		2,401	2,304	+97
Assets under management		1,620	1,587	+33
Customers, thous.		490	482	+8
Fin. intermediaries' payments, thous. pcs		6,054	6,025	+28
Key figures	9 quarters	Q2-21	Q1-21	Δ quarter
Cost / income ratio (C/I)		54.6%	47.8%	+ 6.8 pp
pre-tax ROE*		24.0%	21.3%	+ 2.7 pp
ROE*		19.7%	18.2%	+ 1.5 pp

- Loans, deposits, funds and number of payments grew during the quarter. Deposits from deposit platforms and financial intermediaries were decreased. Very high customer activity
- Credit portfolio remains strong, grace periods due as planned
- All-time high quarterly revenue in financial intermediation segment
- LHV Group efficiency is improving. ROE exceeds plans and is approaching long-term goal
- Quarterly profit of 12.9 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 ahead of financial plan by +7.6 EURm

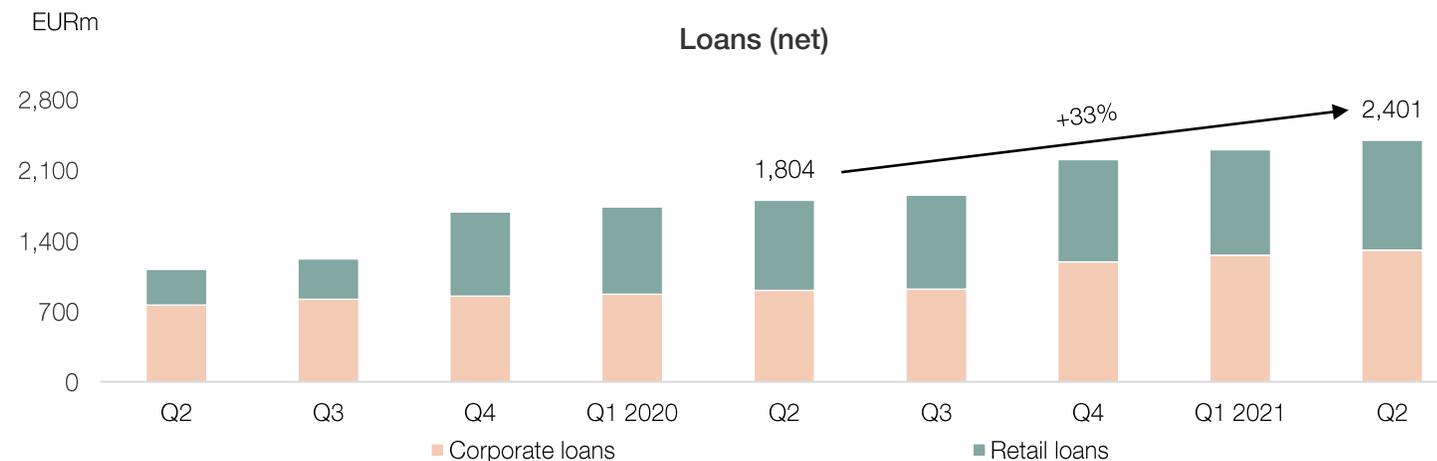
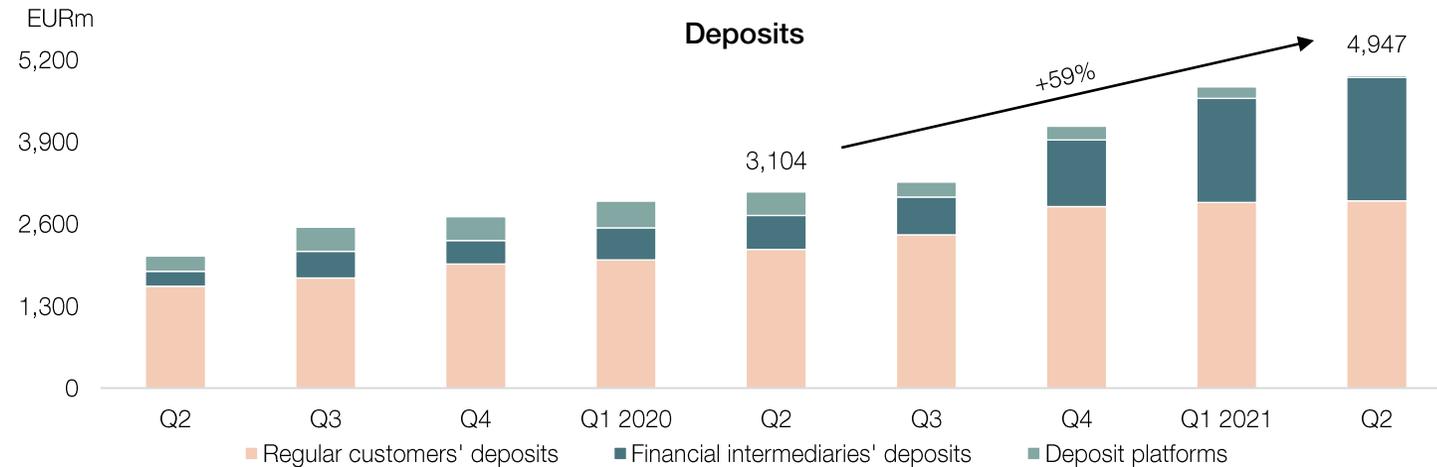
Financial results, EURt	13 months	Jun-21	YTD21	YTD20	FP YTD	Δ YTD FP
Total revenue, incl.		11,521	61,599	44,516	56,813	+4,786
Net interest income		8,106	43,299	31,868	41,221	+2,078
Net fee and commission income		3,166	17,738	12,696	14,458	+3,280
Total operating expenses		8,006	31,685	21,835	31,663	+22
Earnings before impairment		3,515	29,915	22,681	25,151	+4,764
Impairment losses on loans		-1,439	810	8,683	4,907	-4,098
Income tax		1,170	4,773	2,964	3,469	+1,304
Net profit, incl.		3,784	24,332	11,034	16,775	+7,557
attr. to shareholders		3,557	23,452	10,014	15,940	+7,512
Business volumes, EURm	13 months	Jun-21	YTD21	YTD20	FP YTD	Δ YTD FP
Deposits from customers		4,921	4,921	3,087	4,010	+911
Loans (net)		2,401	2,401	1,804	2,363	+38
Assets under management		1,620	1,620	1,440	1,636	-16
Fin. intermediaries' payments, thous. pcs		1,712	12,079	6,869	na	na
Key figures	13 months	Jun-21	YTD21	YTD20	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		69.5%	51.4%	49.0%	55.7%	- 4.3 pp
Net interest margin (NIM)		1.7%	1.6%	2.1%	1.7%	- 0.1 pp
pre-tax ROE*		22.6%	22.8%	12.4%	19.3%	+ 3.5 pp
ROE*		17.1%	19.1%	9.8%	13.3%	+ 5.8 pp
ROA		0.8%	0.9%	0.7%	0.7%	+ 0.2 pp

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

- Interest income exceeds financial plan due to higher loan volumes and lower interest expenses
- Commission income significantly exceeds financial plan mainly as a result of increased customer activity in investment activities and financial intermediaries' business line
- Loan provisions mainly model-based and lower than in the financial plan
- Financial plan was outperformed by 7.6 EURm. Updated financial plan for 2021 will be published in August

LHV Banking

Deposits volume 4.9 EURb and loans volume 2.4 EURb



- 11,600 new bank customers. Record levels in regular customer activity
- Deposits increased by 181 EURm, incl. private individuals by 64 EURm and corporates by -39 EURm, financial intermediaries by 306 EURm and deposits from deposit platforms by -150 EURm
- Loan growth of 97 EURm, including 50 EURm in corporate loans and 47 EURm in retail loans
- Refinancing loan was launched and LHV Bank customers are now offered LHV Insurance's insurance products
- The leading international economic magazine Euromoney declared LHV Bank the best bank in Estonia for the fourth year in row

High customer activity and very good quality of loan portfolio

Financial results, EURt	9 quarters	Q2-21	Q1-21	Δ quarter
Net interest income		23,313	20,757	+2,556
Net fee and commission income		6,814	6,365	+449
Other income		226	-437	+663
Total revenue		30,352	26,684	+3,668
Total expenses		11,931	11,448	+483
Earnings before impairment		18,421	15,237	+3,185
Impairment losses on loans		-791	1,601	-2,392
Income tax expense		2,680	1,874	+806
Net income		16,532	11,762	+4,771
Business volumes, EURm	9 quarters	Q2-21	Q1-21	Δ quarter
Deposits from customers		4,947	4,766	+181
Loans (net)		2,401	2,304	+97
Customers, thous.		307	296	+10
Key figures	9 quarters	Q2-21	Q1-21	Δ quarter
Cost / income ratio (C/I)		39.3%	42.9%	- 3.6 pp
pre-tax ROE*		33.0%	24.6%	+ 8.4 pp
ROE*		28.4%	21.2%	+ 7.2 pp
Net interest margin		1.6%	1.6%	+ 0.1 pp

- Loan provisions decreased by 2.4 EURm. The quality of the loan portfolio as a whole has remained strong and the share of overdue loans remains low
- Interest towards grace periods during the latest restrictions period was very low and customers continued paying loan instalments
- Net profit amounted to 16.5 EURm and ROE 28.4%

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

LHV Banking – comparison with financial plan

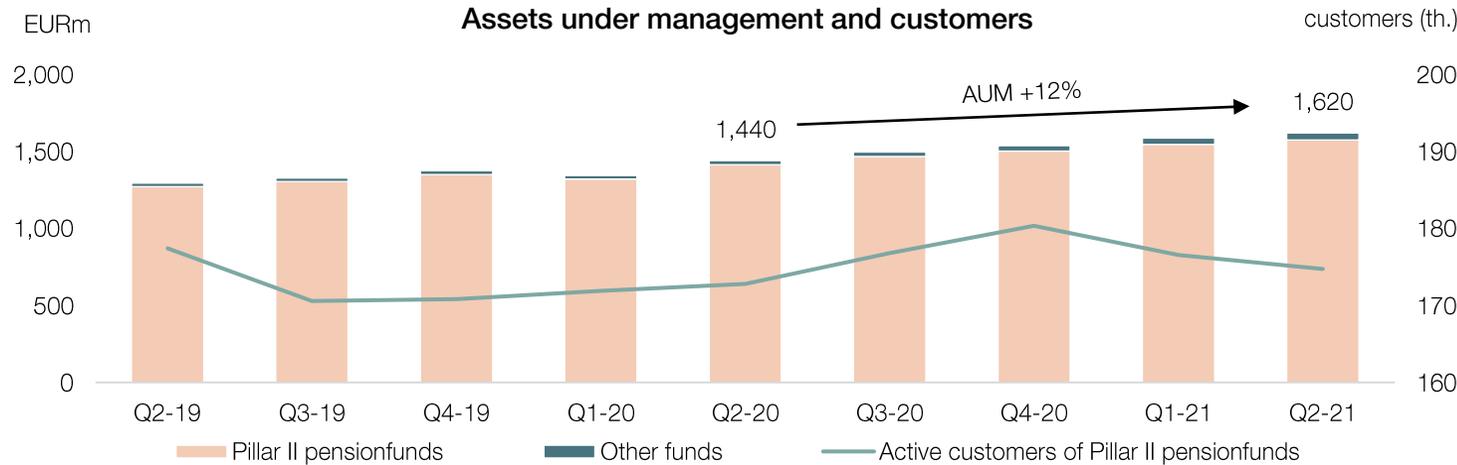
Net profit ahead of financial plan by +7.2 EURm

Financial results, EURt	13 months	Jun-21	YTD21	YTD20	FP YTD	Δ YTD FP
Total revenue, incl.		10,716	57,037	39,993	51,714	+5,323
Net interest income		8,234	44,069	31,789	41,660	+2,409
Net fee and commission income		2,414	13,179	8,422	9,873	+3,306
Total operating expenses		3,777	23,379	18,246	22,239	+1,140
Earnings before impairment		6,940	33,658	21,747	29,475	+4,183
Impairment losses on loans		-1,439	810	8,683	4,907	-4,098
Income tax		1,135	4,554	2,120	3,469	+1,086
Net profit		7,244	28,294	10,944	21,099	+7,195
Business volumes, EURm	13 months	Jun-21	YTD21	YTD20	FP YTD	Δ YTD FP
Deposits from customers		4,947	4,947	3,104	4,034	+913
Loans (net)		2,401	2,401	1,804	2,363	+38
Key figures	13 months	Jun-21	YTD21	YTD20	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		35.2%	41.0%	45.6%	43.0%	- 2.0 pp
Net interest margin (NIM)		1.7%	1.6%	1.9%	1.7%	- 0.1 pp
T1 capital adequacy		15.0%	15.0%	14.7%	14.8%	+ 0.2 pp
Total capital adequacy		18.0%	18.0%	18.2%	17.9%	+ 0.2 pp

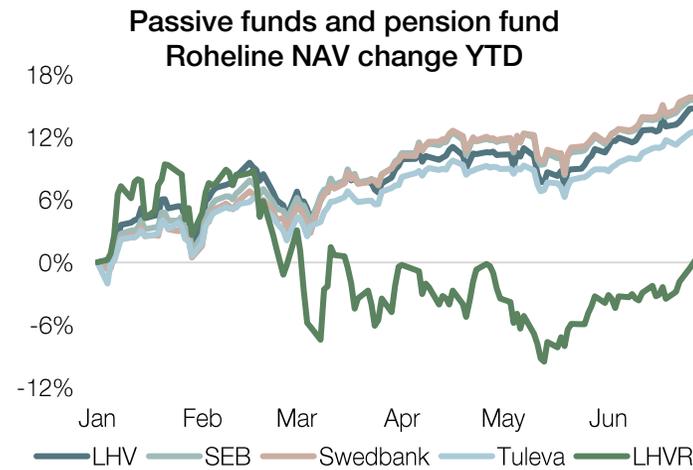
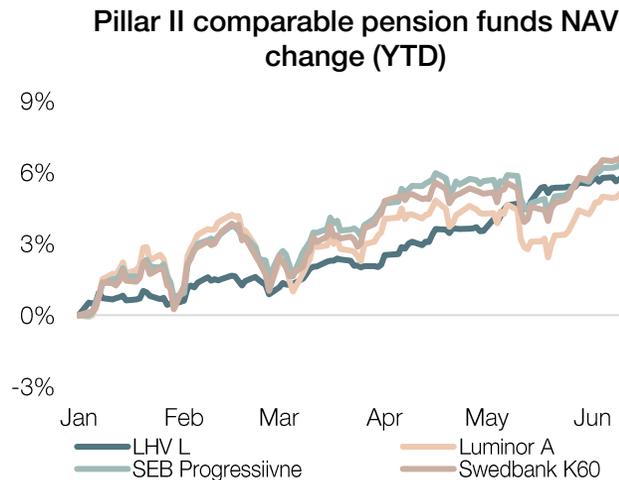
- Deposits exceeded financial plan by 913 EURm
- Net profit exceeded financial plan mainly due to higher income from currency exchange, income related to financial intermediaries' deposits, faster growth in loan volumes and smaller loan provisions
- Higher than planned expenses resulting from one-off expenses
- Bank's cost-income ratio remains on good level at 41%

LHV Asset Management

Continuing growth in fund volumes, good return of pension funds



- The volume of assets under management more than 1.6 EURb by the end of June. II pillar pension funds managed by LHV earned around 44 EURm net profit for its unit owners
- Stock market volatile during the quarter, but ended strong
- Returns of the largest funds M, L and XL were 1.6%, 2.9% and 3.2%, respectively
- Unit value of LHV pension fund Indeks grew by 5.4% in three months, return of pension fund Roheline 1.3%



LHV Asset Management

Net profit affected by amortisation from II pillar customer contracts

Financial results, EURt	9 quarters	Q2-21	Q1-21	Δ quarter
Total revenue		2,310	2,307	+2
Total expenses		4,784	1,755	+3,030
EBIT		-2,474	553	-3,027
Net financial income		179	113	+66
Income tax expense		0	1,241	-1,241
Net profit		-2,296	-576	-1,720
Business volumes	9 quarters	Q2-21	Q1-21	Δ quarter
Pillar II pension funds		1,575	1,547	+28
Pillar III pension funds		39	36	+4
Eurofunds		6	5	+1
Active customers of PII funds, th.		175	177	-2
Key figures	9 quarters	Q2-21	Q1-21	Δ quarter
Cost / income ratio (C/I)		192.3%	72.5%	+ 119.8 pp
pre-tax ROE		-36.6%	9.0%	- 45.6 pp
ROE		-36.6%	-7.7%	- 28.9 pp

- Financial results were affected by the additional amortisation arising from customers leaving the II pillar in the amount of 3.1 EURm
- Quarterly net loss amounted to 2.3 EURm, net loss excluding additional amortisation would have been 0.8 EURm
- Interest towards leaving the II pillar remained modest as expected, number of active customers by the end of the quarter 175 thousand
- The increase in pension related social tax receipts for the second quarter was noticeable

LHV Asset Management – comparison with financial plan

Impact of pension reform smaller than expected in the financial plan

Financial results, EURt	13 months	Jun-21	YTD21	YTD20	FP YTD	Δ YTD FP
Total revenue		821	4,909	4,427	4,767	+142
Total expenses		3,702	6,539	3,160	7,587	-1,048
Earnings before taxes		-2,881	-1,630	1,267	-2,820	+1,190
Income tax		0	1,241	844	1,241	+0
Net profit		-2,881	-2,871	423	-4,061	+1,190
Business volumes	13 months	Jun-21	YTD21	YTD20	FP YTD	Δ YTD FP
Assets under management, EURm		1,620	1,620	1,440	1,636	-16
Active customers of PII funds, thous.		175	175	173	178	-3
Key figures	13 months	Jun-21	YTD21	YTD20	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		451.0%	133.2%	73.9%	159.2%	- 26.0 pp
Funds average return		0.0%	5.2%	1.9%	2.9%	+ 2.3 pp

- Revenue, expenses and profitability largely according to the financial plan, net loss 1.2 EURm smaller than planned
- II pillar fund volumes and number of customers slightly behind the financial plan, however, number of customers in early retirement pension age and pensionable age leaving the II pillar has significantly decreased
- Second quarter return of pension funds was good, rapid recovery of the Estonian economy has resulted in a fast growth in benchmark index

LHV Insurance

Volume of gross written premium 1.6 EURm, product selection and sales channels expanding

Financial results, EURt	9 quarters	Q2-21	Q1-21	Δ quarter
Total revenue		417	89	+328
Total expenses		530	365	+165
Net technical result		-112	-276	+163
Net investments income		0	0	+0
Net profit		-112	-276	+163

Business volumes	9 quarters	Q2-21	Q1-21	Δ quarter
Gross written premium, EURt		1,640	2,136	-496
No of Customers (thous.)		128	126	+2

Key figures	9 quarters	Q2-21	Q1-21	Δ quarter
Net loss ratio		19.5%	1.4%	+ 18.1 pp
Net expense ratio		101.9%	403.1%	- 301.2 pp
pre-tax ROE		-6.3%	-15.1%	+ 8.8 pp
ROE		-6.3%	-15.1%	+ 8.8 pp

- MTPL and casco insurance were added to the product selection
- Cooperation with insurance brokers began
- Number of customers reached 128 thousand
- Volume of claims incurred smaller than expected, customer satisfaction remains high

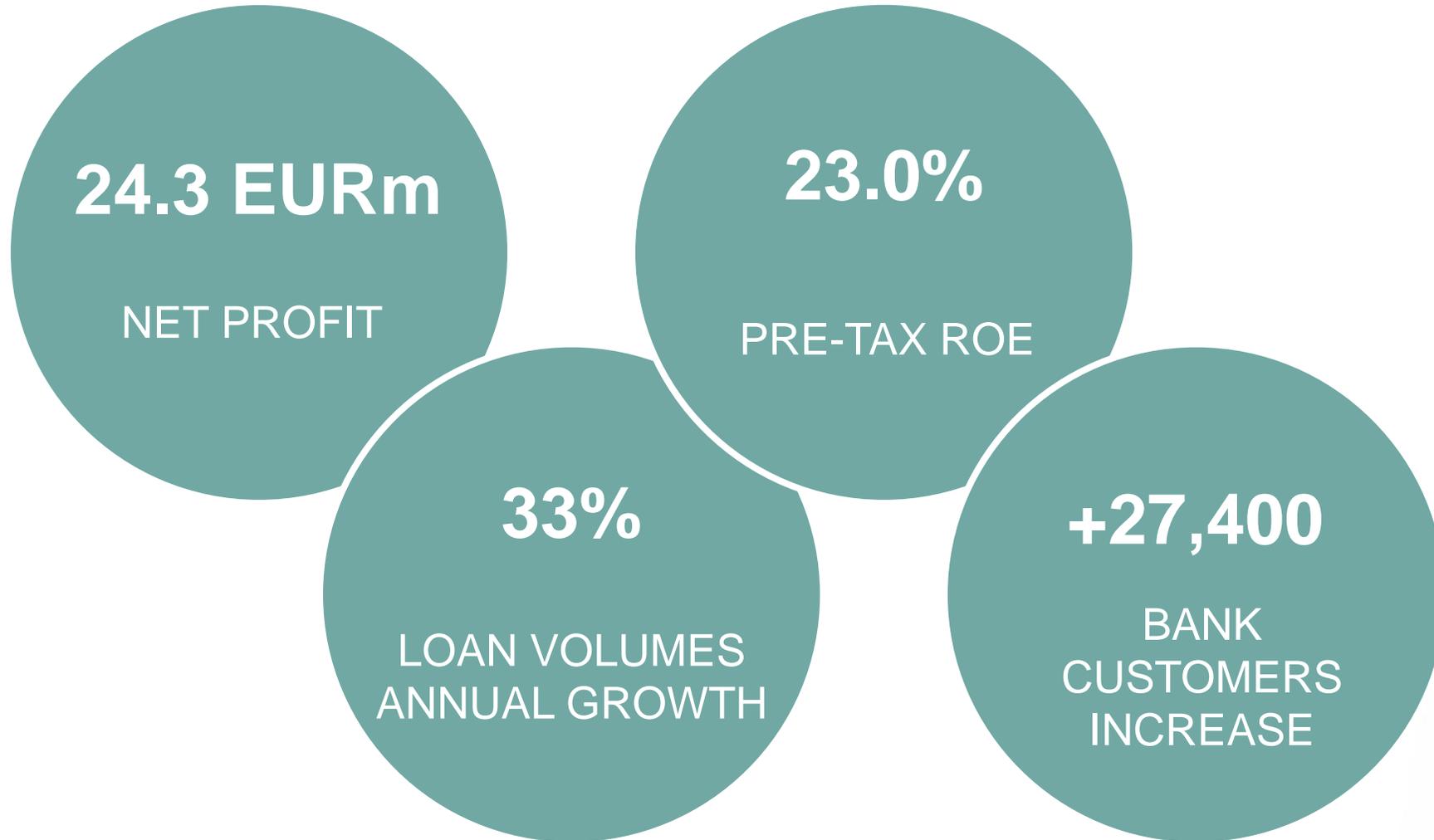
LHV Insurance – comparison with financial plan

Volume of gross written premium 0.6 EURm, customer satisfaction remains high

Financial results, EURt	13 months	Jun-21	YTD21	YTD20	FP YTD	Δ YTD FP
Total revenue, incl.		127	507	0	812	-305
Net earned premiums		185	617	0	2,065	-1,448
Net incurred losses		54	104	0	670	-566
Total expenses		182	894	90	988	-94
Earnings before taxes		-55	-388	-90	-176	-211
Net profit		-55	-388	-90	-176	-211
Business volumes						
	13 months	Jun-21	YTD21	YTD20	FP YTD	Δ YTD FP
Gross written premium, EURt		579	3,776	0	7,134	-3,358
No of Customers (thous.)		128	128	0	na	na
Key figures						
	13 months	Jun-21	YTD21	YTD20	FP YTD	Δ YTD FP
Net loss ratio		29.0%	16.9%	na	32.4%	- 15.6 pp
Net expense ratio		100.9%	146.1%	na	76.1%	+ 70.0 pp

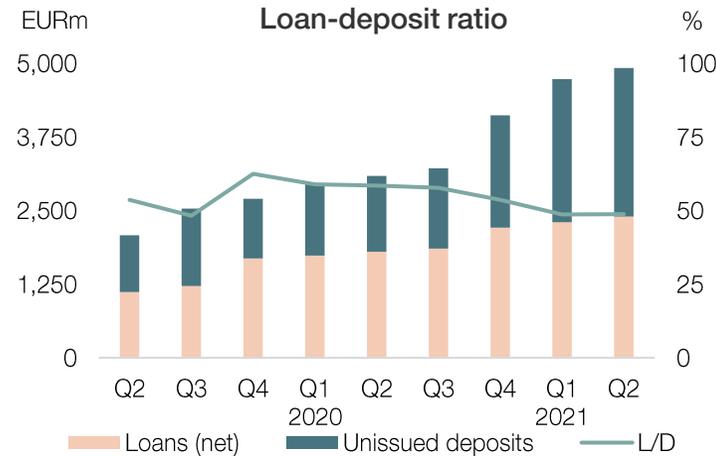
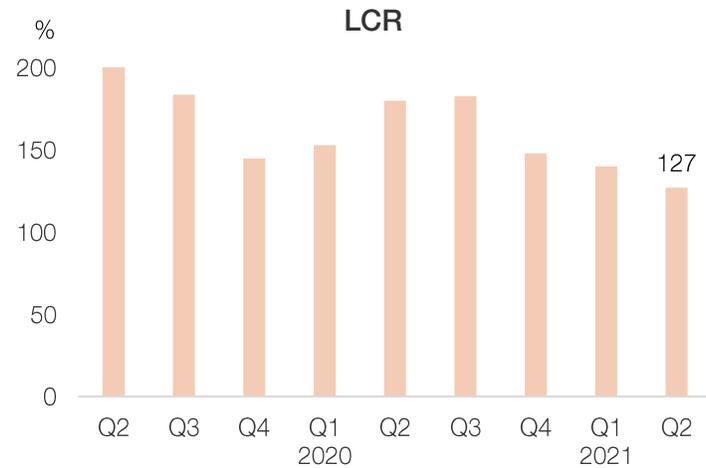
- LHV Finance loan payment insurance in the amount of 0.2 EURm was added to the insurance portfolio
- An option to pay for insurance instalments by electronic invoice was added
- Volume of gross written premium in June 0.6 EURm, of which 32.5% comes from casco and MTPL insurances, 11.8% from home insurance and 11.9% extended warranty insurance
- 72 claims incurred in June, of which most were 37 travel insurance claims. Net incurred losses in June totalled 0.05 EURm. Customer satisfaction at 95%

LHV Group
6 months

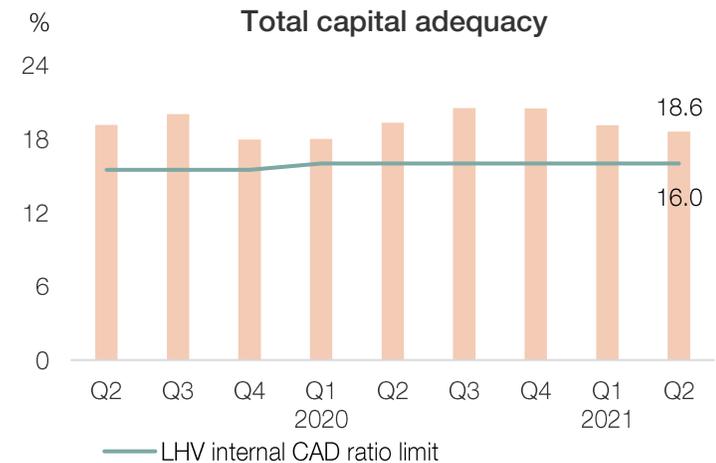
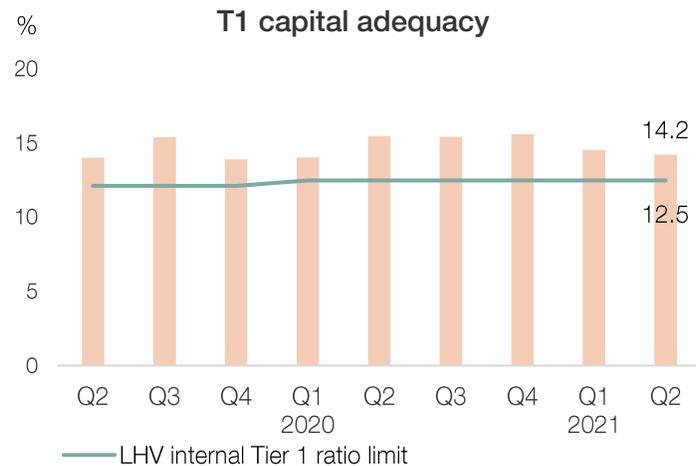


Annexes

Liquidity and capitalization strong as planned

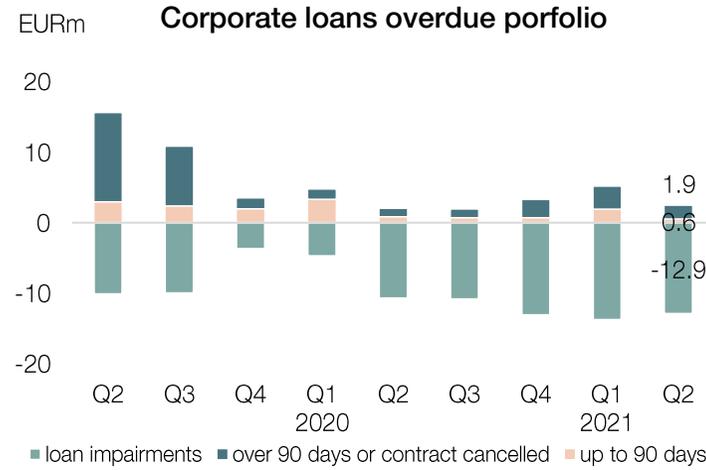
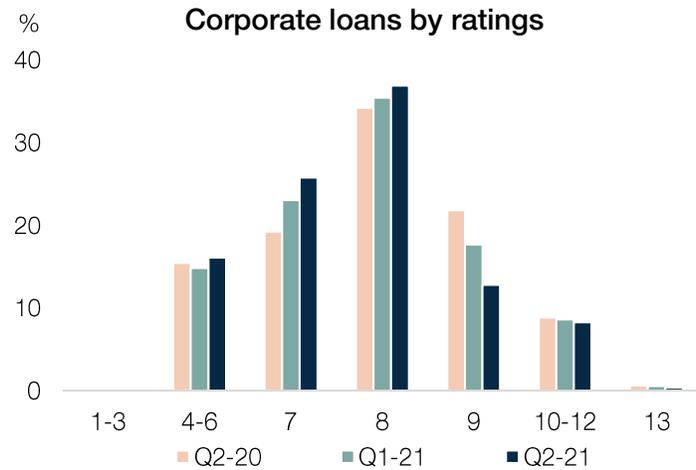


- Liquidity and capitalization of the Group remain strong
- Fast growth in deposits from financial intermediaries negatively impacts the computed LCR ratio, without actually affecting liquidity. It also affects own funds and eligible liabilities ratio to total liabilities
- Both liquidity and capital adequacy ratios exceed regulatory and internal targets
- Finantsinspektsioon imposed new MREL levels with a 2.5 year transitional period. LHV plans to fulfil the requirements already in year 2021



LHV Group

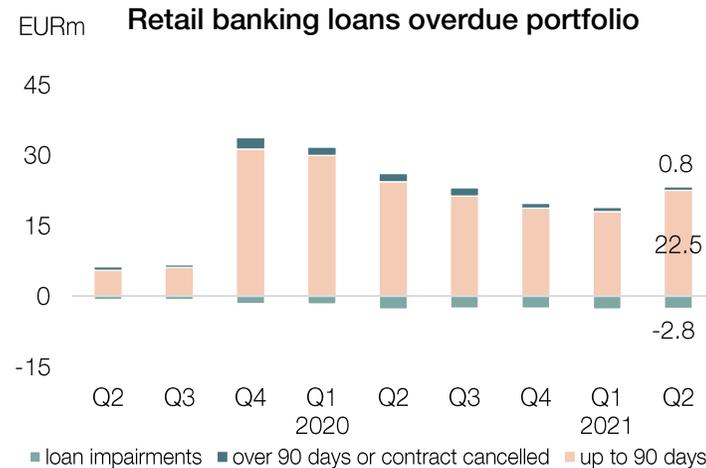
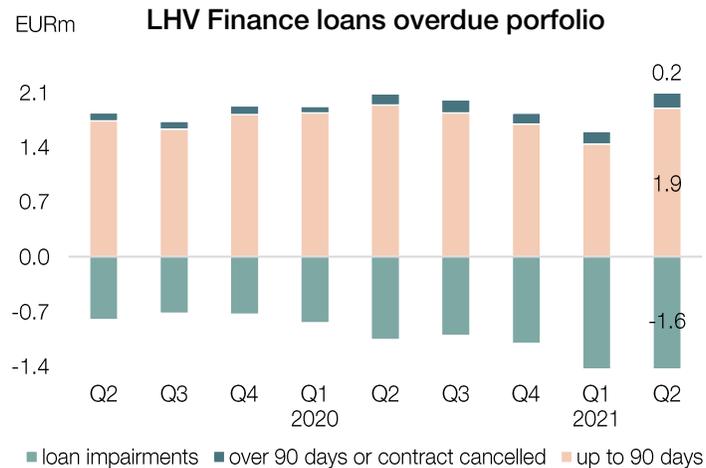
Strong quality of portfolio



- 90% of grace periods offered last year have come to an end, 95% of customers have returned to the usual payment schedule

- Despite a very small amount of loans overdue in all portfolios, additional provisions were made to cover possible credit losses in the future

- LHV continues to offer customers flexible solutions for mitigation of the effects caused by the crisis

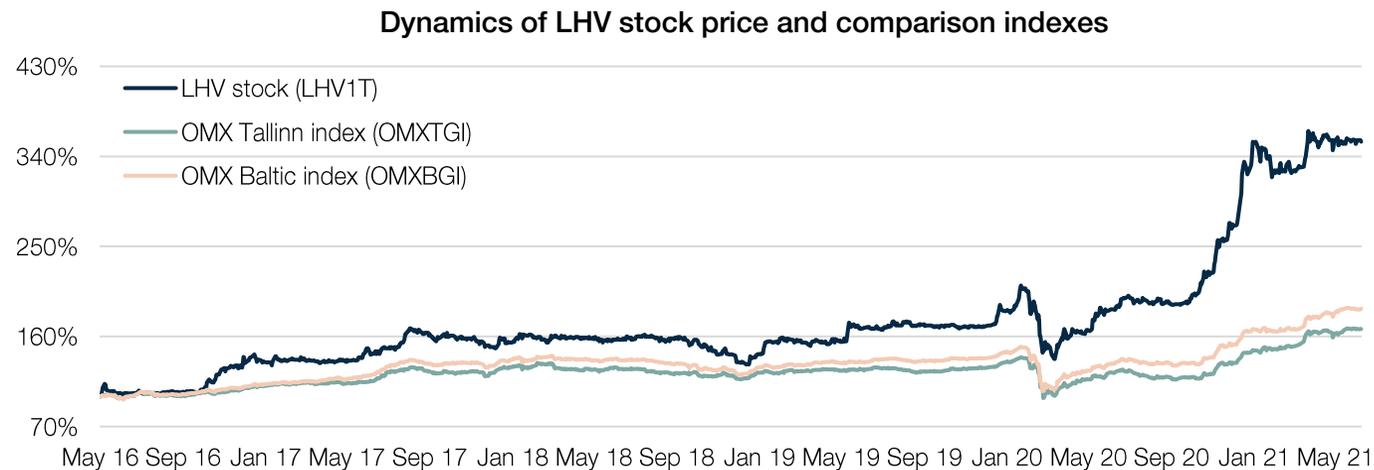


LHV Group

Stock information



- Q2 closing share price 24.90 EUR
- 8,842 trades were made with LHV shares during Q2 on the market with a turnover of 10.4 EURm, which gave the stock an average price of 24.78 EUR
- 12 month shareholders earnings per share (EPS) is 1.76 EUR
- As of 30 June 2021 LHV had 13,787 shareholders and 47.86% of shares belonged to supervisory and management board members and parties associated with them
- Market capitalization based on closing price of 30/06/2021 was 725 EURm



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