

LHV Group

Q1 2021 results
20 April 2021

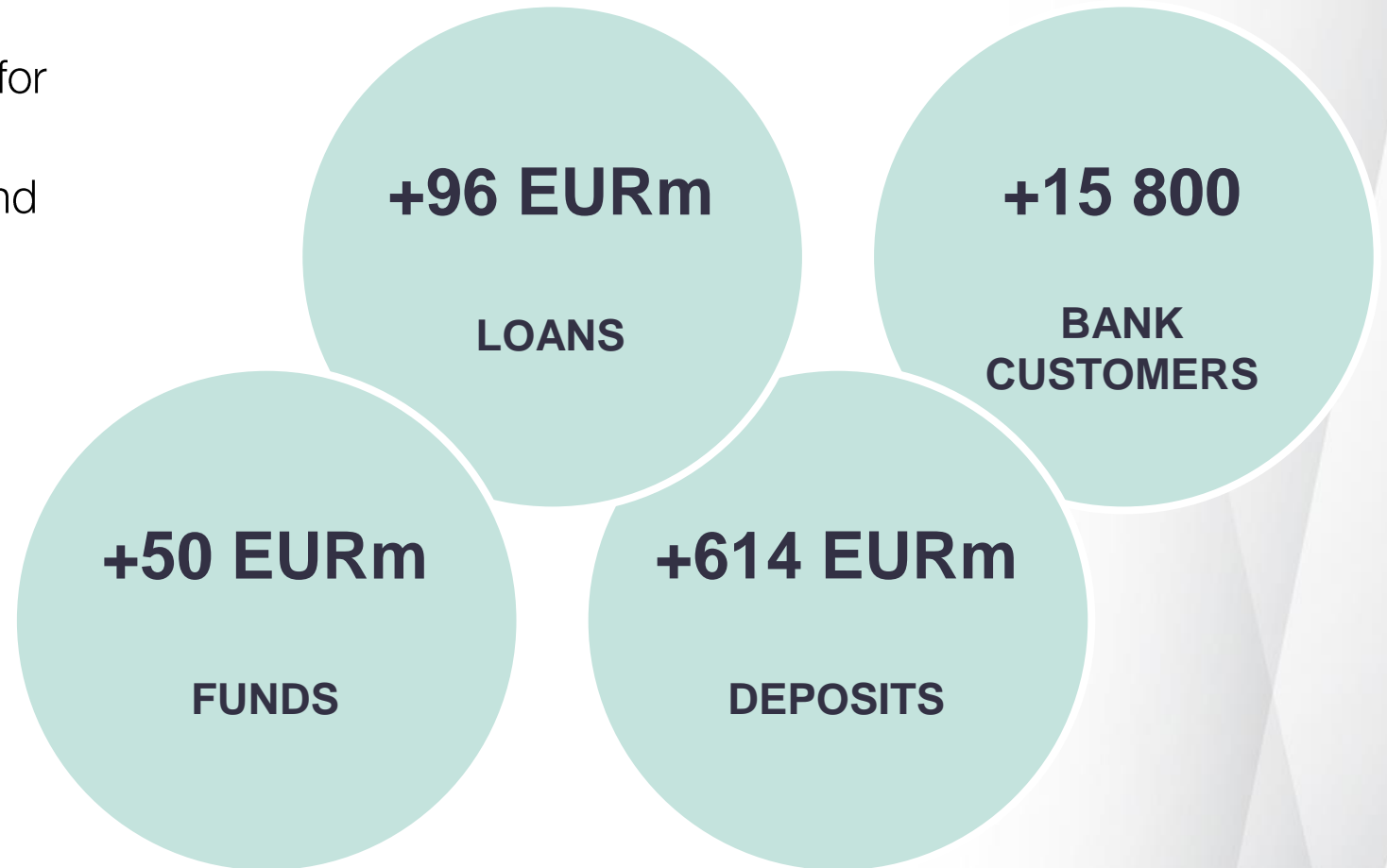
Quarter with decent growth in business volumes

For customers

- Reduction of transaction fees for foreign shares
- Affordable green home loan and leasing
- Pension Investment Account
- Bank with the best service
- Home insurance offering

Other

- Establishment of LHV UK Limited
- End of grace periods



All-time high quarterly results, excluding performance fee

Financial results, EURt	9 quarters	Q1-21	Q4-20	Δ quarter
Net interest income		20,372	19,893	+478
Net fee and commission income		8,640	14,183	-5,543
Other income		-246	1,373	-1,619
Total revenue		28,765	35,449	-6,684
Total expenses		13,760	11,427	+2,333
Earnings before impairment		15,005	24,023	-9,018
Impairment losses on loans		1,601	2,243	-642
Income tax expense		1,988	3,741	-1,753
Net income		11,417	18,039	-6,623
Business volumes, EURm	9 quarters	Q1-21	Q4-20	Δ quarter
Deposits from customers		4,734	4,120	+614
Loans (net)		2,304	2,209	+96
Assets under management		1,587	1,537	+50
Customers, thous.		469	411	+58
Key figures	9 quarters	Q1-21	Q4-20	Δ quarter
Cost / income ratio (C/I)		47.8%	32.2%	+ 15.6 pp
pre-tax ROE*		21.3%	36.1%	- 14.8 pp
ROE*		18.2%	31.3%	- 13.1 pp

- Loans, deposits and funds grew during the quarter. 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 11.4 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 +0.9 EURm

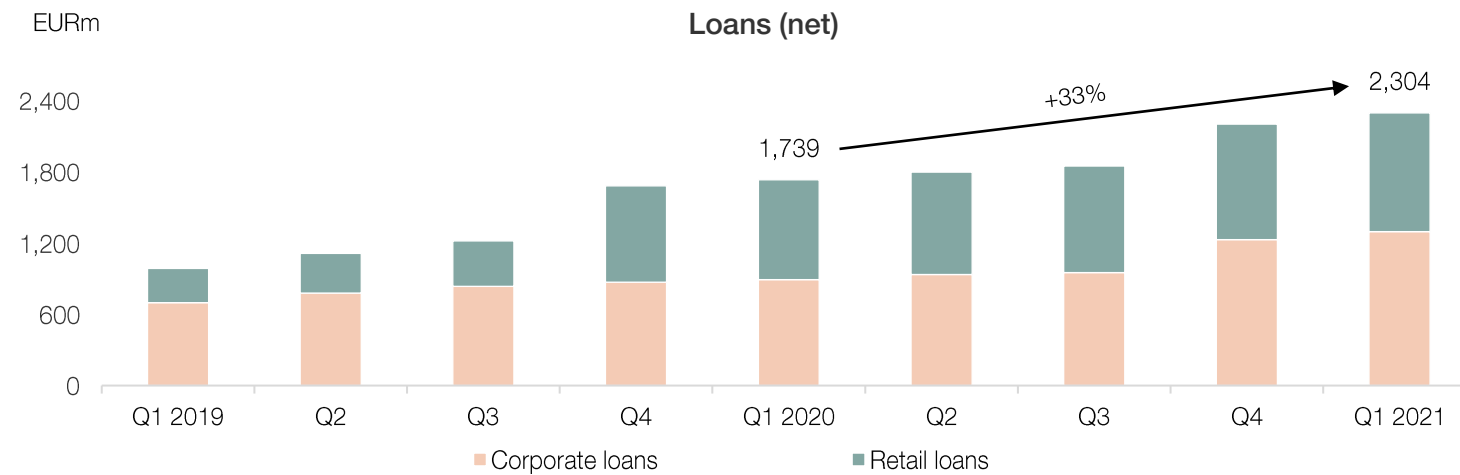
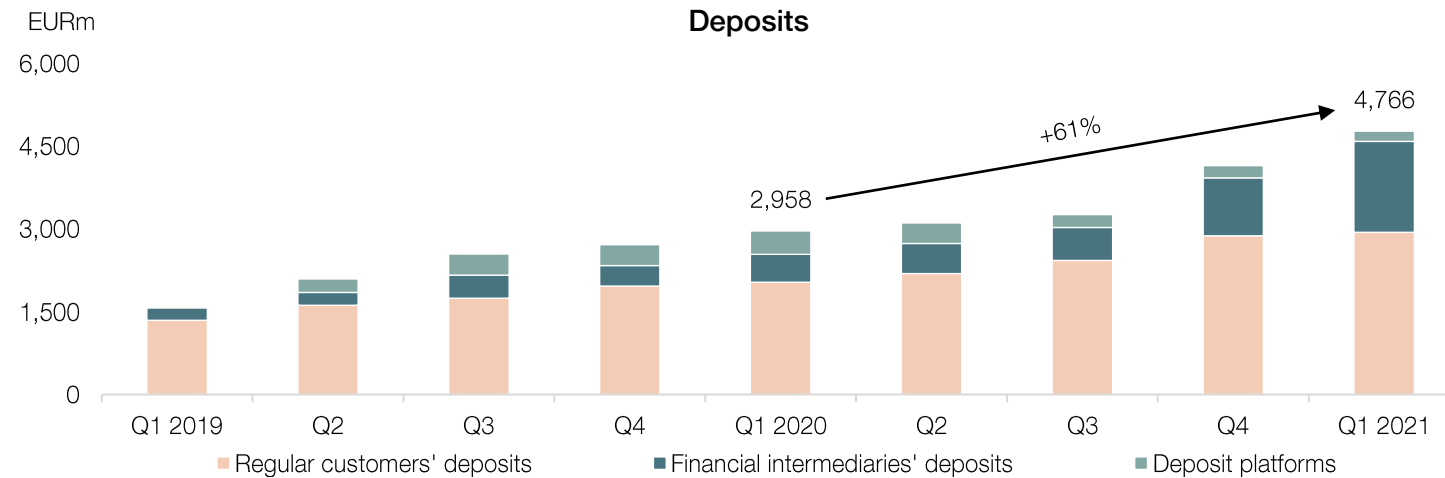
Financial results, EURt	13 months	Mar-21	YTD21	YTD20	FP YTD	Δ YTD FP
Total revenue, incl.		10,277	28,765	22,477	27,734	+1,031
Net interest income		7,094	20,372	16,323	20,347	+24
Net fee and commission income		3,134	8,640	6,507	6,863	+1,777
Total operating expenses		5,145	13,760	11,174	13,495	+265
Earnings before impairment		5,132	15,005	11,303	14,239	+766
Impairment losses on loans		-211	1,601	1,011	1,954	-353
Income tax		789	1,988	2,809	1,732	+255
Net profit, incl.		4,554	11,417	7,484	10,553	+863
attr. to shareholders		4,421	11,043	7,079	10,324	+719
Business volumes, EURm	13 months	Mar-21	YTD21	YTD20	FP YTD	Δ YTD FP
Deposits from customers		4,734	4,734	2,953	4,091	+643
Loans (net)		2,304	2,304	1,739	2,253	+51
Assets under management		1,587	1,587	1,344	1,599	-12
Key figures	13 months	Mar-21	YTD21	YTD20	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		50.1%	47.8%	49.7%	48.7%	- 0.8 pp
pre-tax ROE*		24.8%	21.3%	19.0%	19.4%	+ 1.9 pp
ROE*		21.2%	18.2%	14.0%	17.2%	+ 1.0 pp
Net interest margin (NIM)		1.5%	1.5%	2.2%	1.7%	- 0.1 pp
ROA		0.9%	0.9%	1.0%	0.9%	- 0.0 pp

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

- Interest income according to financial plan. Commission income significantly exceeds financial plan mainly as a result of increased customer activity in investment activities
- Loan provisions mainly model-based and lower than in the financial plan
- Increase in deposits from financial intermediaries' deposits. Partial decrease is expected
- Financial plan was outperformed by 0.9 EURm

LHV Banking

Deposits volume close to 5 EURb and loans volume 2.3 EURb



- 15,800 new bank customers. Record levels in regular customer activity
- Deposits increased by 625 EURm, incl. regular customers by 66 EURm, financial intermediaries by 595 EURm and deposits from deposit platforms by -35 EURm. Noticeable changes in regular customers' deposits – retail customers' deposits increased by 184 EURm, corporate deposits decreased 126 EURm
- Loan growth of 96 EURm, including 68 EURm in corporate loans and 28 EURm in retail loans
- Pension Investment Account (PIK) and digital PIN code were launched, also a permanent donation function was added to debit cards

High customer activity and very high quality of loan portfolio

Financial results, EURt	9 quarters	Q1-21	Q4-20	Δ quarter
Net interest income		20,757	20,420	+337
Net fee and commission income		6,365	5,719	+646
Other income		-437	1,079	-1,516
Total revenue		26,684	27,218	-534
Total expenses		11,448	9,260	+2,188
Earnings before impairments		15,237	17,958	-2,721
Impairment losses on loans		1,601	2,243	-642
Income tax expense		1,874	2,709	-835
Net income		11,762	13,005	-1,244
Business volumes, EURm	9 quarters	Q1-21	Q4-20	Δ quarter
Deposits from customers		4,766	4,141	+625
Loans (net)		2,304	2,209	+96
Customers, thous.		296	282	+14
Key figures	9 quarters	Q1-21	Q4-20	Δ quarter
Cost / income ratio (C/I)		42.9%	34.0%	+ 8.9 pp
pre-tax ROE*		24.6%	29.3%	- 4.8 pp
ROE*		21.2%	25.5%	- 4.3 pp
Net interest margin		1.6%	1.8%	- 0.3 pp

- Loan provisions in the amount of 1.6 EURm smaller than planned. The quality of the loan portfolio as a whole has remained strong and the share of overdue loans remains low
- Due to additional restrictions imposed, customers are offered grace periods, however interest from customers is low
- Net profit amounted to 11.8 EURm and ROE 21.2%

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

LHV Banking – comparison with financial plan

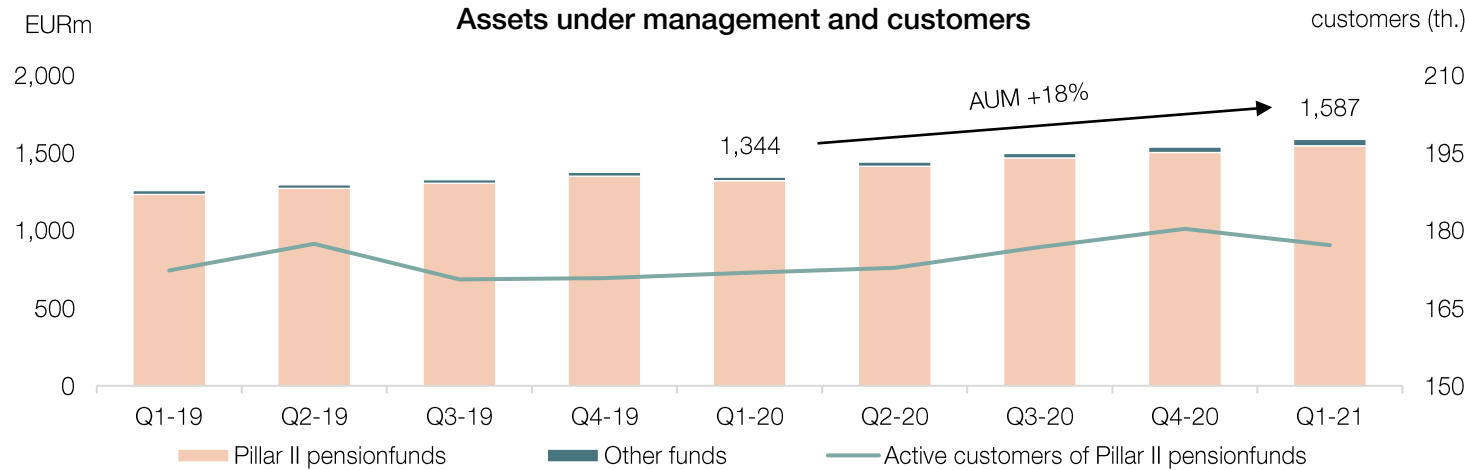
Net profit ahead of financial plan by +1.2 EURm

Financial results, EURt	13 months	Mar-21	YTD21	YTD20	FP YTD	Δ YTD FP
Total revenue, incl.		9,505	26,684	20,547	25,240	+1,444
Net interest income		7,222	20,757	16,248	20,565	+191
Net fee and commission income		2,388	6,365	4,334	4,587	+1,778
Total operating expenses		4,258	11,448	9,432	10,963	+485
Earnings before impairment		5,247	15,237	11,115	14,278	+959
Impairment losses on loans		-211	1,601	1,011	1,954	-353
Income tax		745	1,874	1,964	1,732	+142
Net profit		4,713	11,762	8,140	10,592	+1,170
Business volumes, EURm	13 months	Mar-21	YTD21	YTD20	FP YTD	Δ YTD FP
Deposits from customers		4,766	4,766	2,958	4,122	+645
Loans (net)		2,304	2,304	1,739	2,253	+51
Key figures	13 months	Mar-21	YTD21	YTD20	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		44.8%	42.9%	45.9%	43.4%	- 0.5 pp
T1 capital adequacy		15.0%	15.0%	14.1%	14.0%	+ 1.0 pp
Total capital adequacy		18.2%	18.2%	17.6%	17.3%	+ 0.9 pp
Net interest margin (NIM)		1.5%	1.6%	2.1%	1.7%	- 0.1 pp

- Deposits exceeded financial plan by 645 EURm
- Net profit exceeded financial plan mainly due to higher fee and commission income from investment services and smaller loan provisions
- Higher than planned expenses resulting from one-off expenses
- Bank's cost-income ratio remains on good level at 42.9%

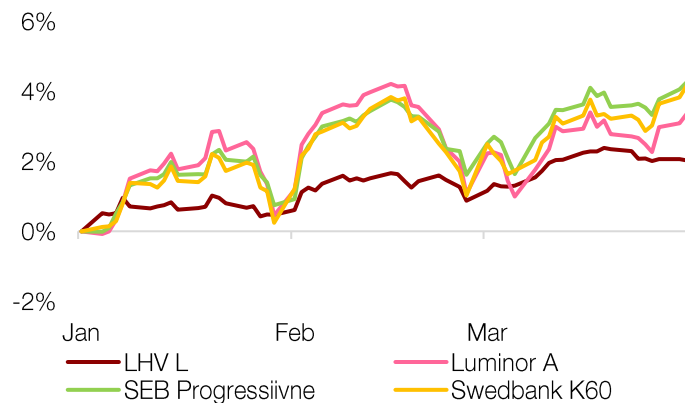
LHV Asset Management

Continuing growth in fund volumes, slight drop in number of customers

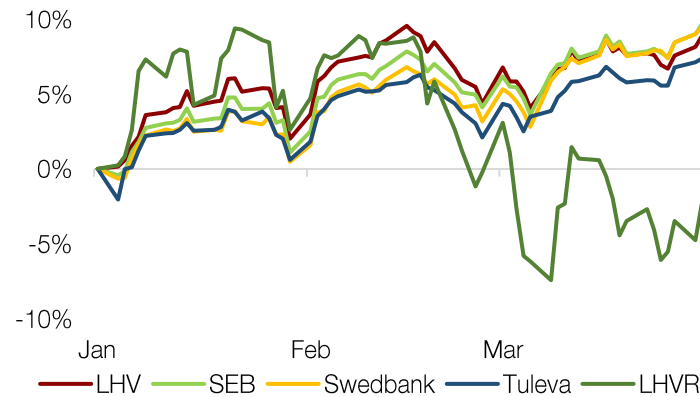


- The volume of assets under management close to 1.6 EURb by the end of March. II pillar funds' volume increased by 45 EURm in the first quarter
- Volatile, but strong quarter on stock markets
- Positive return for largest actively managed LHV pension funds. Returns of the largest funds M, L and XL were 1.0%, 2.1% and 2.6%, respectively
- Pension funds with biggest exposure to broad-based indices showed the best results during the first quarter. Unit value of LHV pension fund Indeks grew by 9.3% in three months

Pillar II comparable pension funds NAV change (YTD)



Passive funds and pension fund Roheline NAV change YTD



LHV Asset Management










Net profit affected by dividend related income tax

Financial results, EURt	9 quarters	Q1-21	Q4-20	Δ quarter
Total revenue		2,307	8,464	-6,157
Total expenses		1,755	1,686	+69
EBIT		553	6,778	-6,226
Net financial income		113	305	-192
Income tax expense		1,241	0	+1,241
Net profit		-576	7,084	-7,659
Business volumes	9 quarters	Q1-21	Q4-20	Δ quarter
Pillar II pension funds		1,547	1,502	+45
Pillar III pension funds		36	31	+4
Eurofunds		5	4	+1
Active customers of PII funds, th.		177	180	-3
Key figures	9 quarters	Q1-21	Q4-20	Δ quarter
Cost / income ratio (C/I)		72.5%	19.9%	+ 52.6 pp
pre-tax ROE		9.0%	95.5%	- 86.5 pp
ROE		-7.7%	95.5%	- 103.2 pp

- First quarter pre-tax net profit 0.7 EURm, net loss after income tax 0.6 EURm
- Number of active customers in II pillar funds decreased by around 3000 people during the quarter, more than half of it related to customers in early retirement pension and pensionable age leaving the II pillar
- Increased interest towards supplementary pension funds that started in the second half of 2020 continued in the first quarter
- The increase in pension related social tax receipts for the first quarter was modest

LHV Asset Management – comparison with financial plan

Less people leaving II pillar in September than planned

Financial results, EURt	13 months	Mar-21	YTD21	YTD20	FP YTD	Δ YTD FP
Total revenue		842	2,420	1,846	2,367	+53
Total expenses		622	1,755	1,565	1,685	+70
Earnings before taxes		220	666	281	683	-17
Income tax		1,241	1,241	844	1,241	+0
Net profit		-1,021	-576	-563	-559	-17
Business volumes	13 months	Mar-21	YTD21	YTD20	FP YTD	Δ YTD FP
Assets under management, EURm		1,587	1,587	1,344	1,599	-12
Active customers of PII funds, thous.		177	177	172	178	-1
Key figures	13 months	Mar-21	YTD21	YTD20	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		73.9%	72.5%	72.0%	71.2%	+ 1.3 pp
Funds average return		1.3%	2.2%	-3.1%	1.4%	+ 0.8 pp

- Revenue, expenses and profitability largely according to financial plan in the first quarter
- II business volumes slightly behind financial plan, mainly affected by customers in early retirement pension age and pensionable age leaving the II pillar and the money withdrawal arising from it
- Compared to competitors and financial plan published in February, both the number of leaving customers and decrease in fund volumes are smaller. 36 thousand LHV customers are leaving the II pillar, causing the volumes to decrease less than 21%

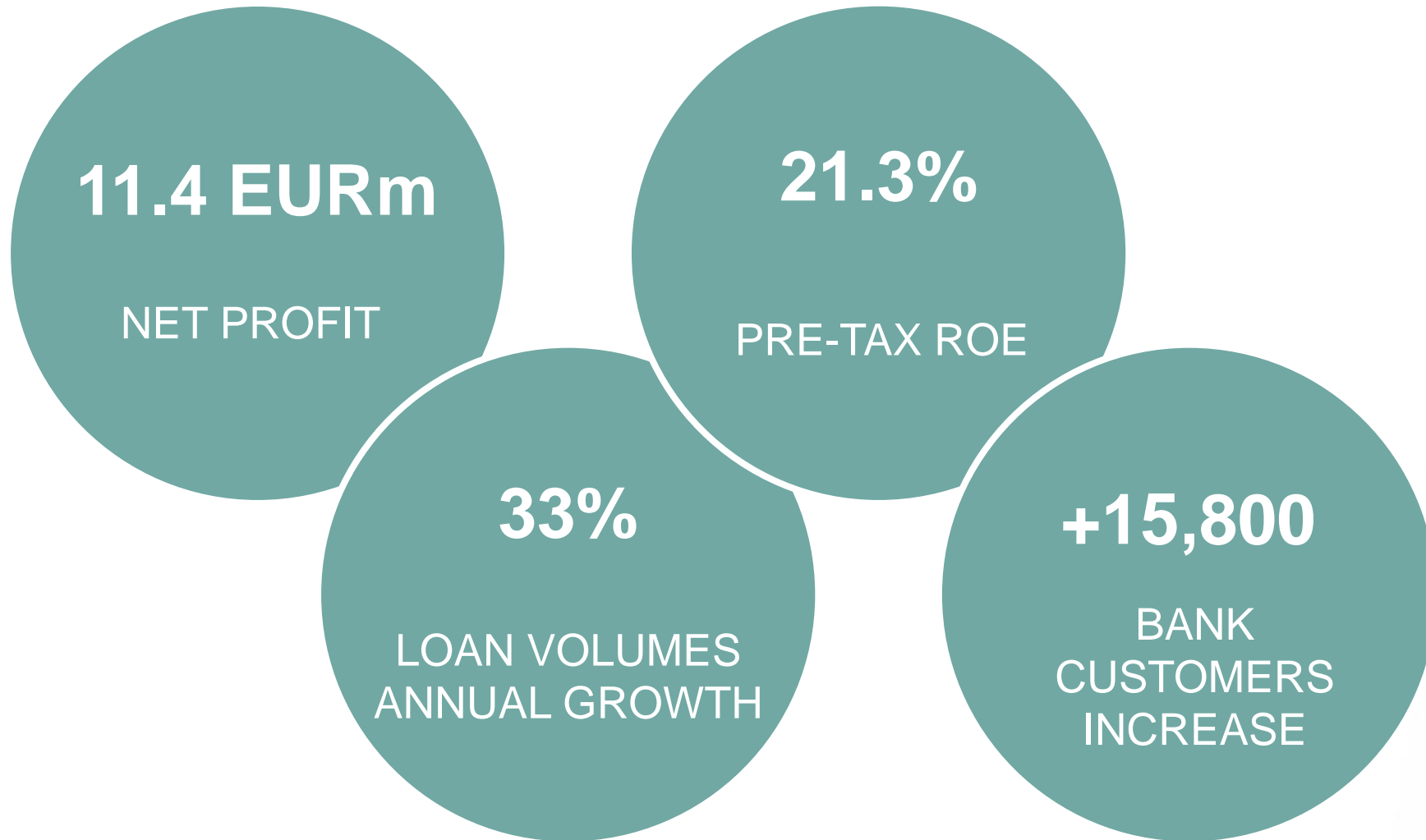
LHV Insurance – comparison with financial plan

Volume of gross written premium 2.1 EURm, rapid growth in number of customers

Financial results, EURt	13 months	Mar-21	YTD21	YTD20	FP YTD	Δ YTD FP
Total revenue, incl.		93	89	0	366	-277
Net earned premiums		94	91	0	875	-784
Net incurred losses		1	1	0	221	-219
Total expenses		129	365	0	455	-90
Earnings before taxes		-36	-276	0	-89	-187
Income tax		0	0	0	0	+0
Net profit		-36	-276	0	-89	-187
Business volumes	13 months	Mar-21	YTD21	YTD20	FP YTD	Δ YTD FP
Gross written premium, EURt		2,119	2,136	0	4,642	-2,506
No of Customers		128	128	0	na	na
Key figures	13 months	Mar-21	YTD21	YTD20	FP YTD	Δ YTD FP
Net loss ratio		1.4%	1.4%	na	25.2%	- 23.8 pp
Net expense ratio		137.4%	403.1%	na	84.9%	+ 318.2 pp

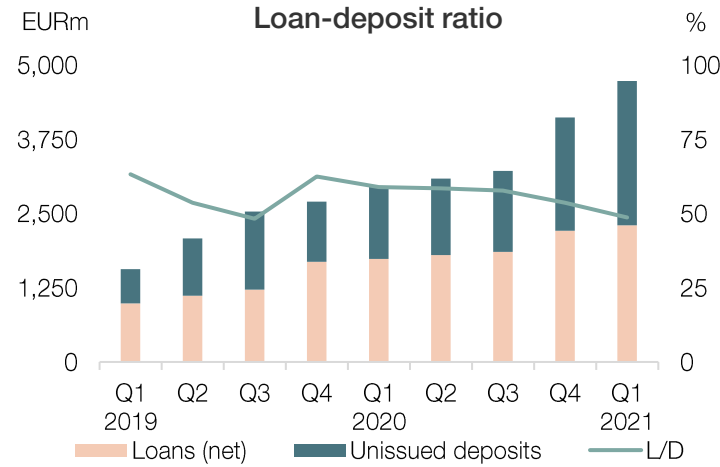
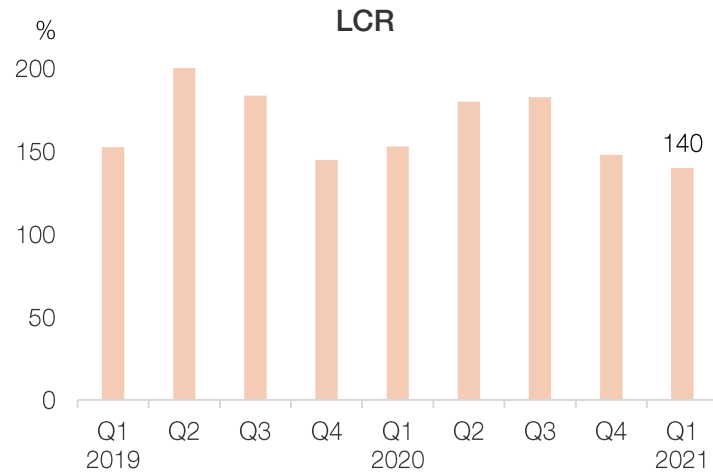
- LHV Bank and Euronics customers servicing started
- Volume of gross written premium from home and extended warranty insurance contracts was 2.1 EURm
- Number of customers reached 128 thousand
- No claims incurred

LHV Group
3 months

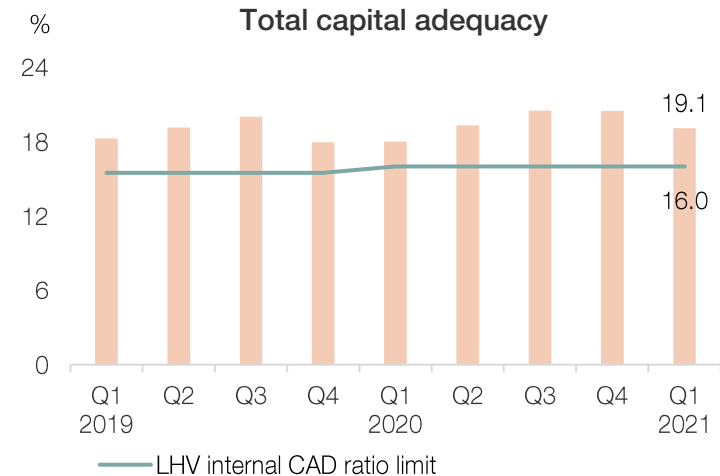
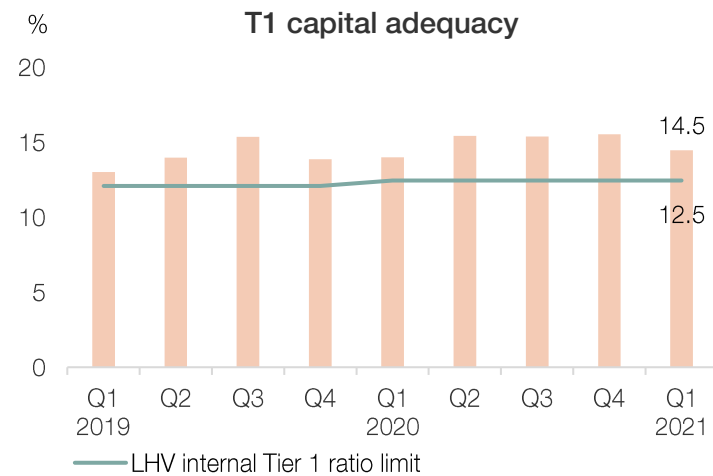


Annexes

Liquidity and capitalization strong as planned

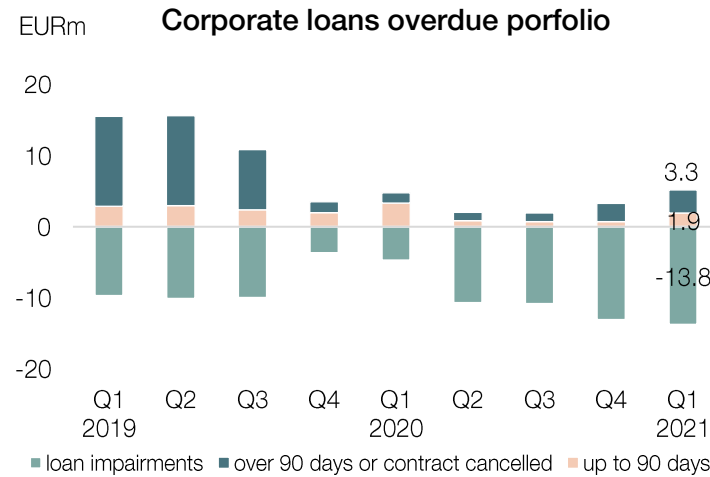
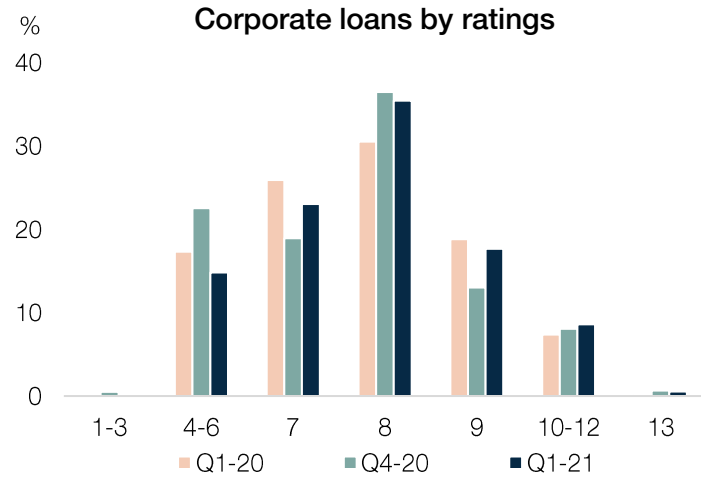


- Liquidity and capitalization of the Group remain strong
- Fast growth in deposits from financial intermediaries negatively impacts the computed LCR ratio, without actually affecting liquidity. It also affects own funds and eligible liabilities ratio to total liabilities



- Both liquidity and capital adequacy ratios exceed regulatory and internal targets

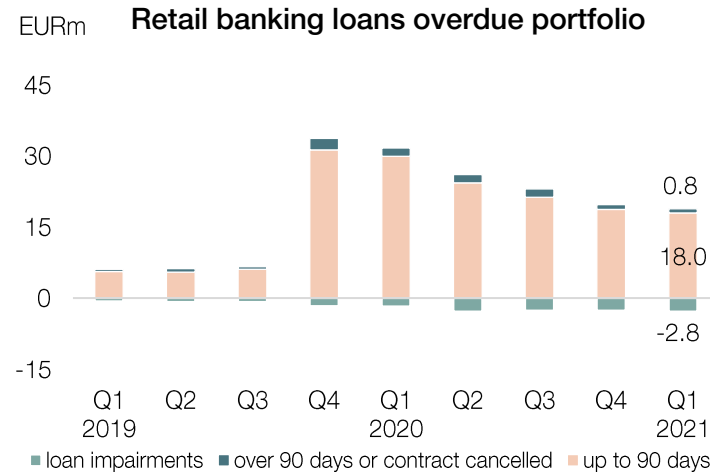
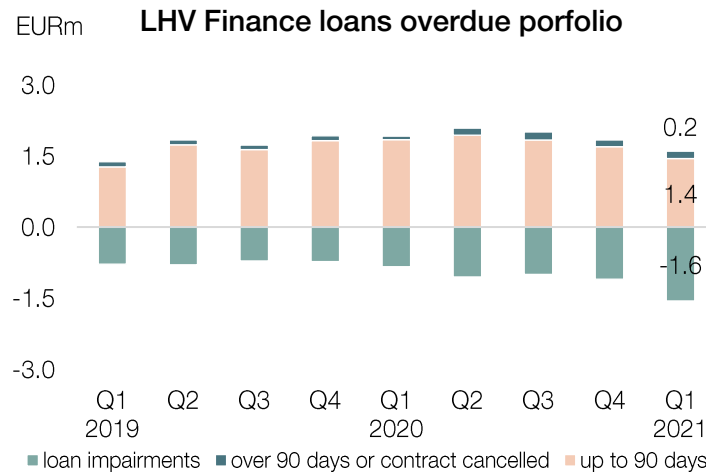
The debt ratio on historically lowest level



- 80% 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

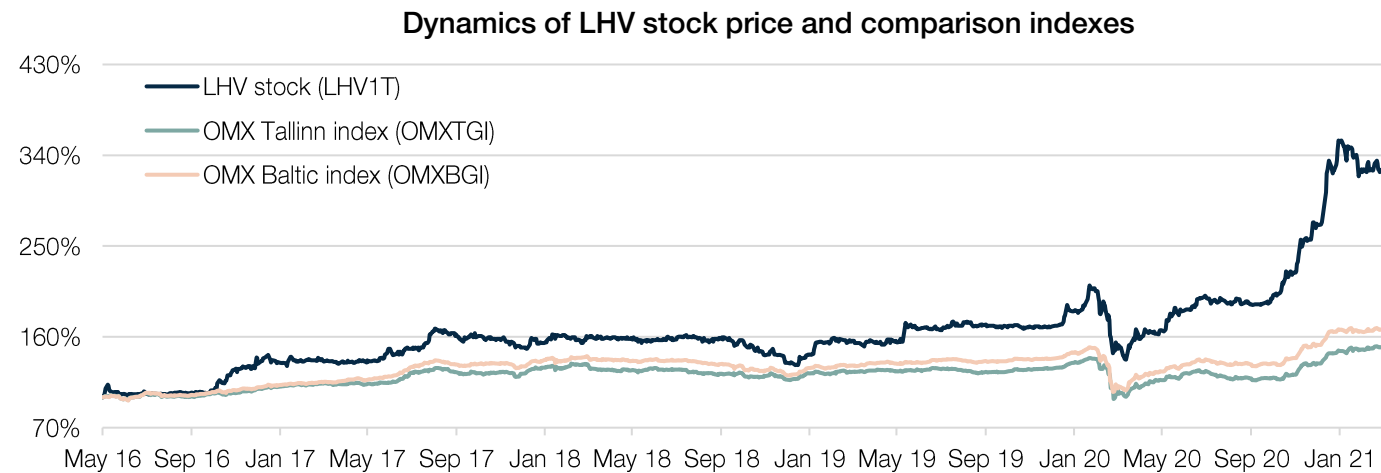


LHV Group

Stock information



- Q1 closing share price 23.10 EUR
- 15,342 trades were made with LHV shares during Q1 on the market with a turnover of 16.3 EURm, which gave the stock an average price of 23.50 EUR
- 12 month shareholders earnings per share (EPS) is 1.45 EUR
- As of 31 March 2021 LHV had 13,062 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 31/03/2021 was 666 EURm



Madis Toomsalu

LHV Group Managing Director
madis.toomsalu@lhv.ee

Meelis Paakspuu

LHV Group CFO
meelis.paakspuu@lhv.ee