

# LHV Group

Q1 2021 results  
20 April 2021

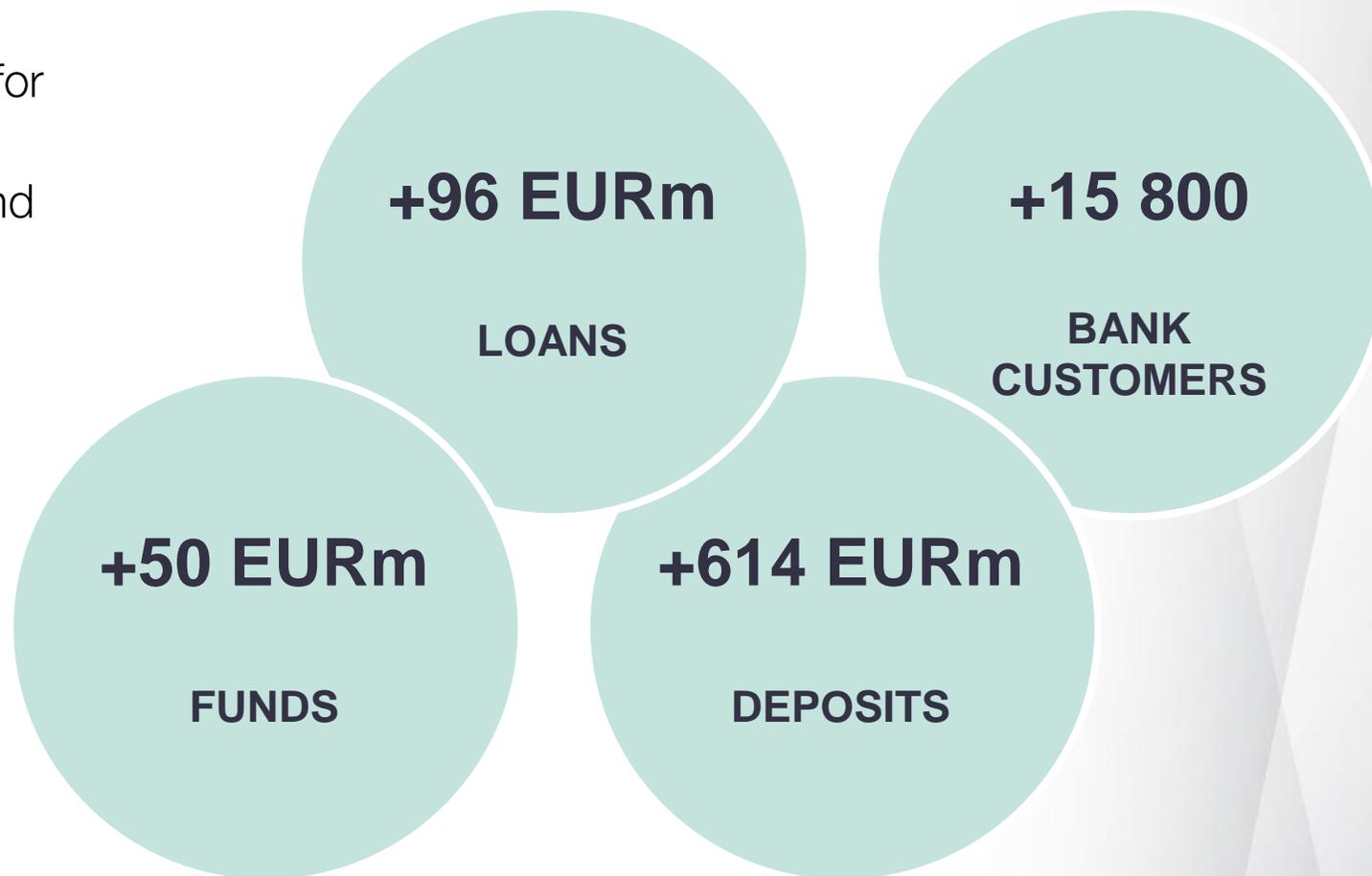
# Quarter with decent growth in business volumes

## 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        |
| <b>Total revenue</b>              |    | <b>28,765</b> | <b>35,449</b> | <b>-6,684</b> |
| <b>Total expenses</b>             |    | <b>13,760</b> | <b>11,427</b> | <b>+2,333</b> |
| <b>Earnings before impairment</b> |    | <b>15,005</b> | <b>24,023</b> | <b>-9,018</b> |
| Impairment losses on loans        |    | 1,601         | 2,243         | -642          |
| Income tax expense                |    | 1,988         | 3,741         | -1,753        |
| <b>Net income</b>                 |    | <b>11,417</b> | <b>18,039</b> | <b>-6,623</b> |
| 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

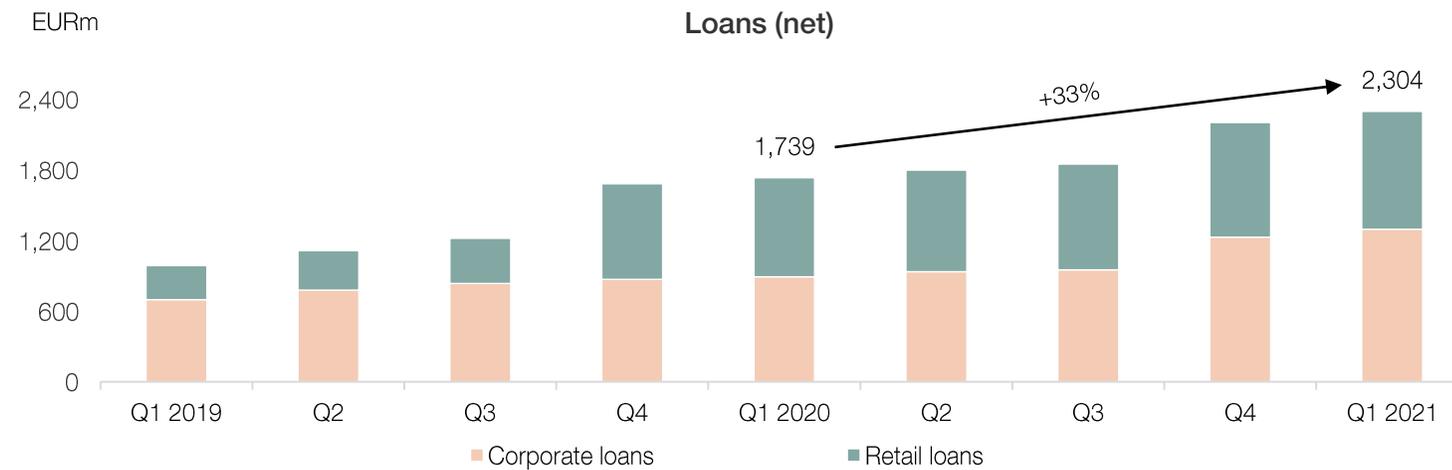
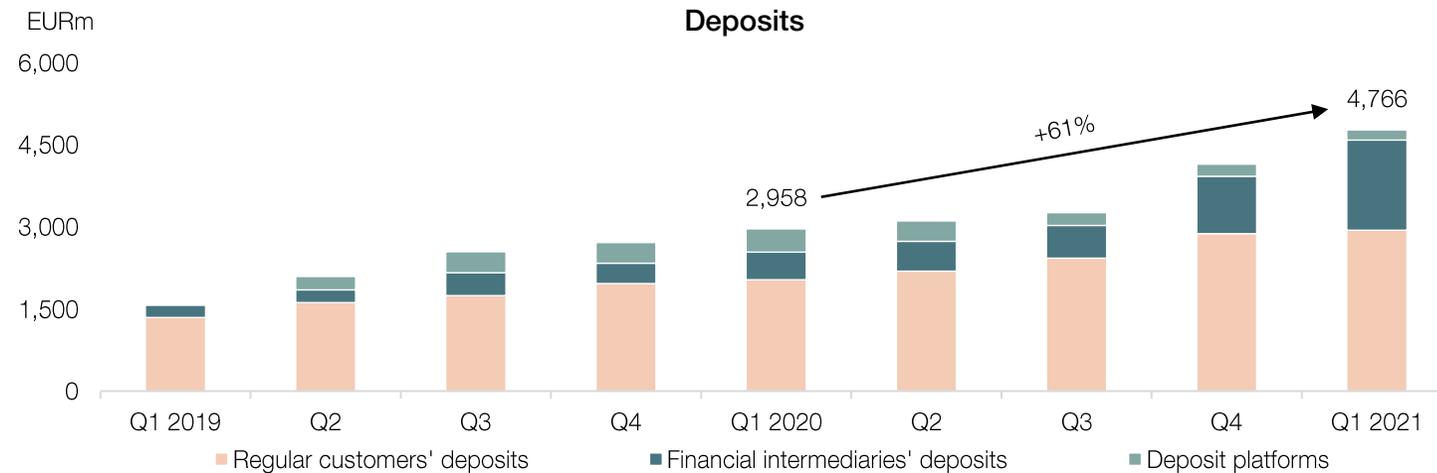
| Financial results, EURt           | 13 months        | Mar-21        | YTD21         | YTD20         | FP YTD        | Δ YTD FP        |
|-----------------------------------|------------------|---------------|---------------|---------------|---------------|-----------------|
| <b>Total revenue, incl.</b>       |                  | <b>10,277</b> | <b>28,765</b> | <b>22,477</b> | <b>27,734</b> | <b>+1,031</b>   |
| 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          |
| <b>Total operating expenses</b>   |                  | <b>5,145</b>  | <b>13,760</b> | <b>11,174</b> | <b>13,495</b> | <b>+265</b>     |
| <b>Earnings before impairment</b> |                  | <b>5,132</b>  | <b>15,005</b> | <b>11,303</b> | <b>14,239</b> | <b>+766</b>     |
| Impairment losses on loans        |                  | -211          | 1,601         | 1,011         | 1,954         | -353            |
| Income tax                        |                  | 789           | 1,988         | 2,809         | 1,732         | +255            |
| <b>Net profit, incl.</b>          |                  | <b>4,554</b>  | <b>11,417</b> | <b>7,484</b>  | <b>10,553</b> | <b>+863</b>     |
| attr. to shareholders             |                  | 4,421         | 11,043        | 7,079         | 10,324        | +719            |
| <b>Business volumes, EURm</b>     | <b>13 months</b> | <b>Mar-21</b> | <b>YTD21</b>  | <b>YTD20</b>  | <b>FP YTD</b> | <b>Δ YTD FP</b> |
| 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             |
| <b>Key figures</b>                | <b>13 months</b> | <b>Mar-21</b> | <b>YTD21</b>  | <b>YTD20</b>  | <b>FP YTD</b> | <b>Δ YTD FP</b> |
| 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

# LHV Banking

## 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           |
| <b>Total revenue</b>               |                   | <b>26,684</b> | <b>27,218</b> | <b>-534</b>      |
| <b>Total expenses</b>              |                   | <b>11,448</b> | <b>9,260</b>  | <b>+2,188</b>    |
| <b>Earnings before impairments</b> |                   | <b>15,237</b> | <b>17,958</b> | <b>-2,721</b>    |
| Impairment losses on loans         |                   | 1,601         | 2,243         | -642             |
| Income tax expense                 |                   | 1,874         | 2,709         | -835             |
| <b>Net income</b>                  |                   | <b>11,762</b> | <b>13,005</b> | <b>-1,244</b>    |
| <b>Business volumes, EURm</b>      | <b>9 quarters</b> | <b>Q1-21</b>  | <b>Q4-20</b>  | <b>Δ quarter</b> |
| Deposits from customers            |                   | 4,766         | 4,141         | +625             |
| Loans (net)                        |                   | 2,304         | 2,209         | +96              |
| Customers, thous.                  |                   | 296           | 282           | +14              |
| <b>Key figures</b>                 | <b>9 quarters</b> | <b>Q1-21</b>  | <b>Q4-20</b>  | <b>Δ quarter</b> |
| 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

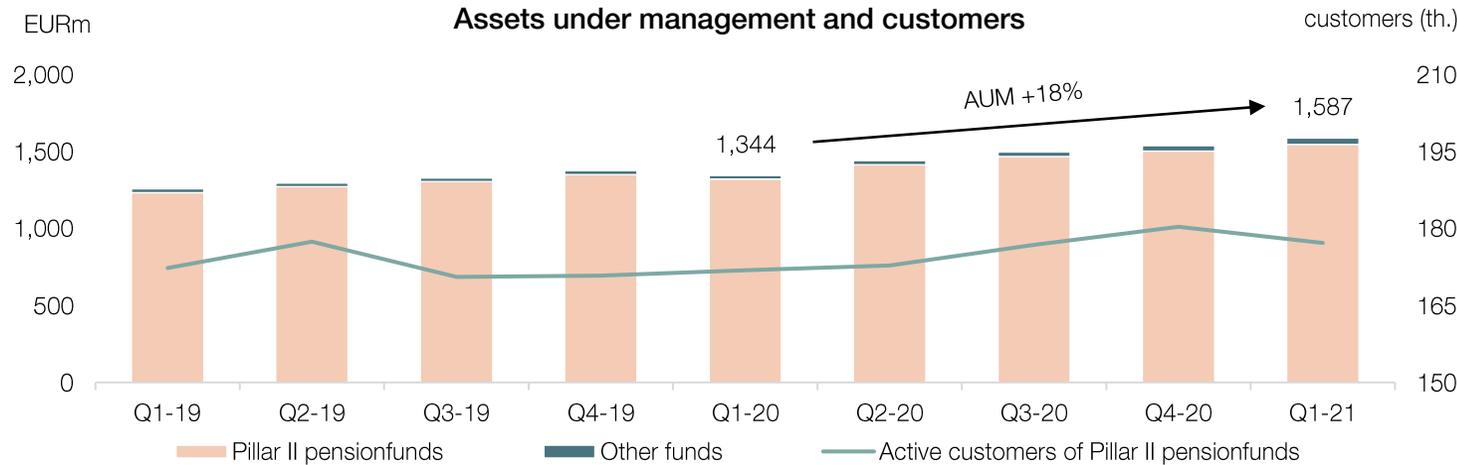
### Net profit ahead of financial plan by +1.2 EURm

| Financial results, EURt           | 13 months        | Mar-21        | YTD21         | YTD20         | FP YTD        | Δ YTD FP        |
|-----------------------------------|------------------|---------------|---------------|---------------|---------------|-----------------|
| <b>Total revenue, incl.</b>       |                  | <b>9,505</b>  | <b>26,684</b> | <b>20,547</b> | <b>25,240</b> | <b>+1,444</b>   |
| 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          |
| <b>Total operating expenses</b>   |                  | <b>4,258</b>  | <b>11,448</b> | <b>9,432</b>  | <b>10,963</b> | <b>+485</b>     |
| <b>Earnings before impairment</b> |                  | <b>5,247</b>  | <b>15,237</b> | <b>11,115</b> | <b>14,278</b> | <b>+959</b>     |
| Impairment losses on loans        |                  | -211          | 1,601         | 1,011         | 1,954         | -353            |
| Income tax                        |                  | 745           | 1,874         | 1,964         | 1,732         | +142            |
| <b>Net profit</b>                 |                  | <b>4,713</b>  | <b>11,762</b> | <b>8,140</b>  | <b>10,592</b> | <b>+1,170</b>   |
| <b>Business volumes, EURm</b>     | <b>13 months</b> | <b>Mar-21</b> | <b>YTD21</b>  | <b>YTD20</b>  | <b>FP YTD</b> | <b>Δ YTD FP</b> |
| Deposits from customers           |                  | 4,766         | 4,766         | 2,958         | 4,122         | +645            |
| Loans (net)                       |                  | 2,304         | 2,304         | 1,739         | 2,253         | +51             |
| <b>Key figures</b>                | <b>13 months</b> | <b>Mar-21</b> | <b>YTD21</b>  | <b>YTD20</b>  | <b>FP YTD</b> | <b>Δ YTD FP</b> |
| 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%

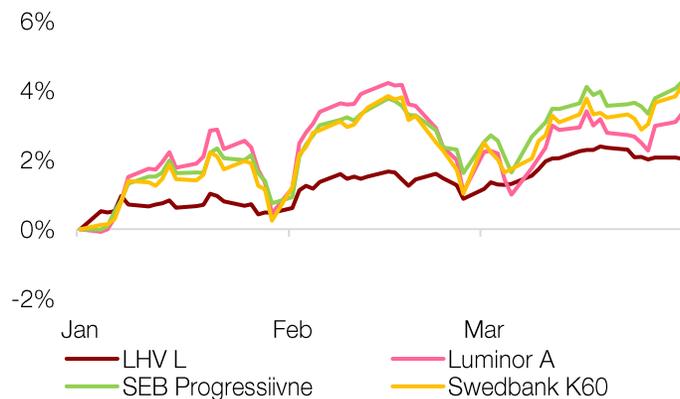
# LHV Asset Management

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

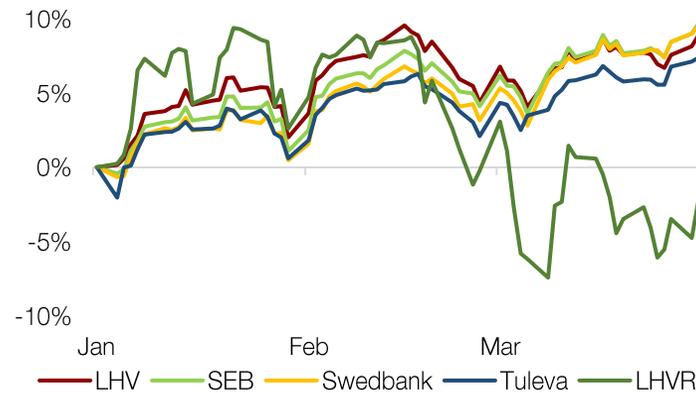


- The volume of assets under management close to 1.6 EURb by the end of March. II pillar funds' volume increased by 45 EURm in the first quarter
- Volatile, but strong quarter on stock markets
- Positive return for largest actively managed LHV pension funds. Returns of the largest funds M, L and XL were 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        |
| <b>EBIT</b>                        |            | 553   | 6,778 | -6,226     |
| Net financial income               |            | 113   | 305   | -192       |
| Income tax expense                 |            | 1,241 | 0     | +1,241     |
| <b>Net profit</b>                  |            | -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%

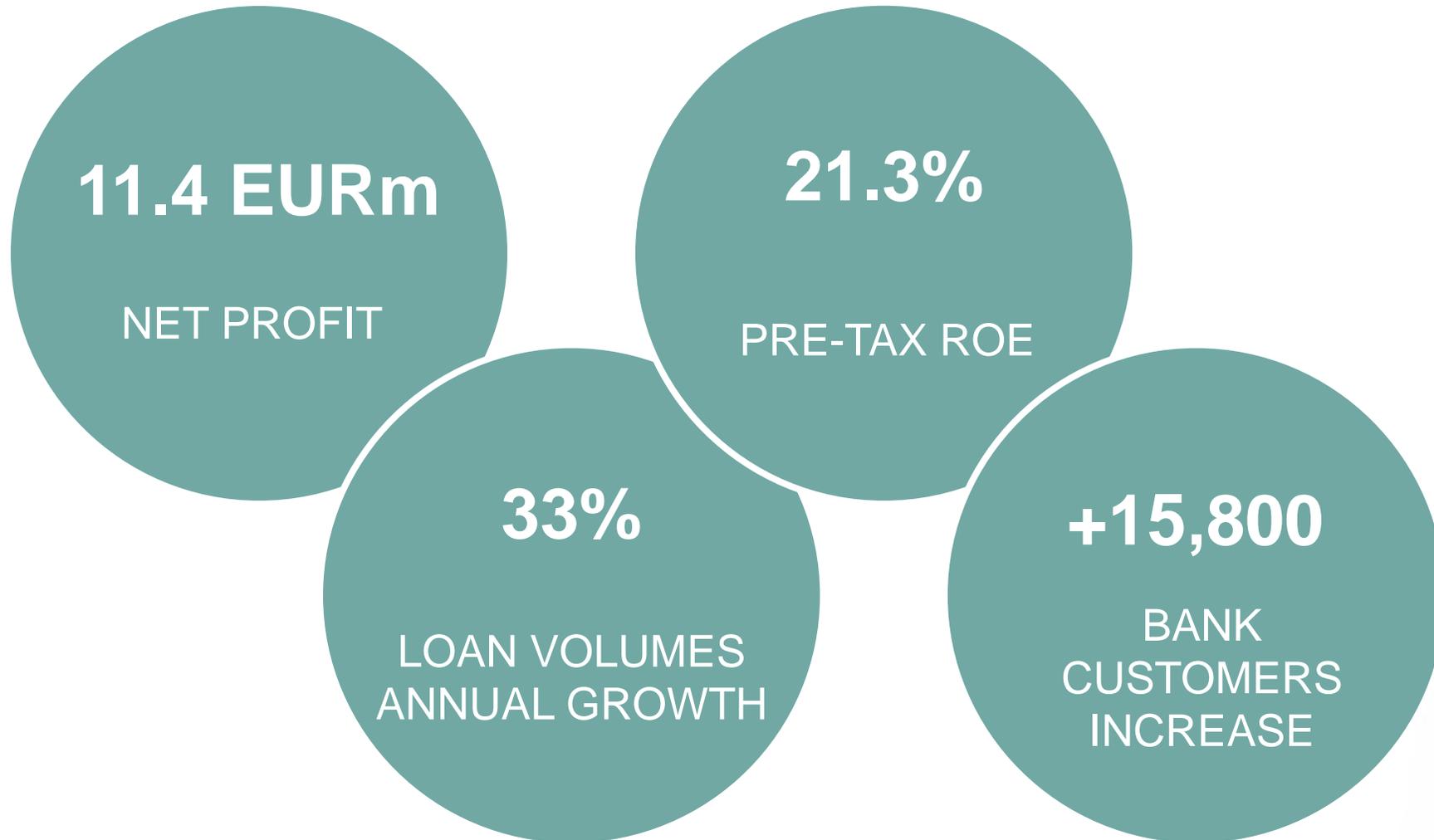
# LHV Insurance – comparison with financial plan

## 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        |
|------------------------------|------------------|---------------|--------------|--------------|---------------|-----------------|
| <b>Total revenue, incl.</b>  |                  | 93            | 89           | 0            | 366           | -277            |
| Net earned premiums          |                  | 94            | 91           | 0            | 875           | -784            |
| Net incurred losses          |                  | 1             | 1            | 0            | 221           | -219            |
| <b>Total expenses</b>        |                  | 129           | 365          | 0            | 455           | -90             |
| <b>Earnings before taxes</b> |                  | -36           | -276         | 0            | -89           | -187            |
| Income tax                   |                  | 0             | 0            | 0            | 0             | +0              |
| <b>Net profit</b>            |                  | -36           | -276         | 0            | -89           | -187            |
| <b>Business volumes</b>      | <b>13 months</b> | <b>Mar-21</b> | <b>YTD21</b> | <b>YTD20</b> | <b>FP YTD</b> | <b>Δ YTD FP</b> |
| Gross written premium, EURt  |                  | 2,119         | 2,136        | 0            | 4,642         | -2,506          |
| No of Customers              |                  | 128           | 128          | 0            | na            | na              |
| <b>Key figures</b>           | <b>13 months</b> | <b>Mar-21</b> | <b>YTD21</b> | <b>YTD20</b> | <b>FP YTD</b> | <b>Δ YTD FP</b> |
| 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      |

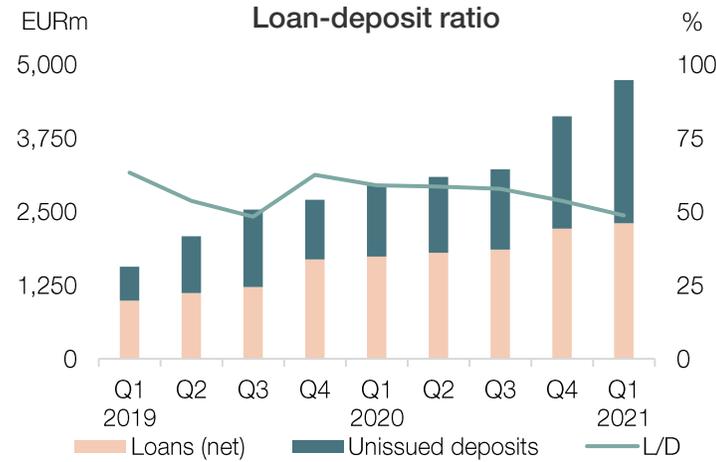
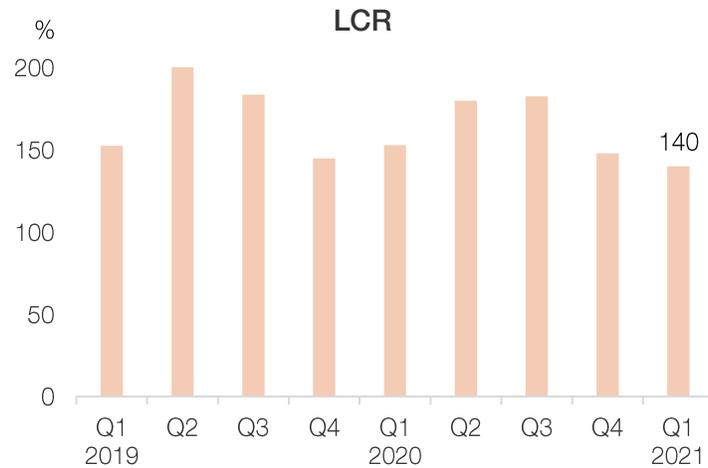
- LHV Bank and Euronics customers servicing started
- Volume of gross written premium from home and extended warranty insurance contracts was 2.1 EURm
- Number of customers reached 128 thousand
- No claims incurred

LHV Group  
**3 months**

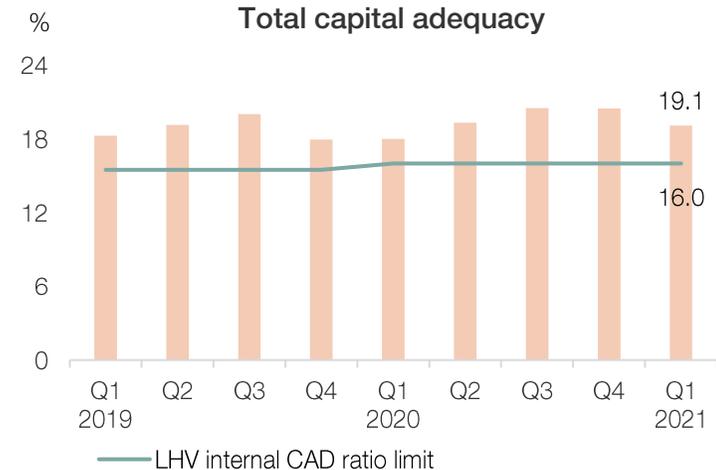
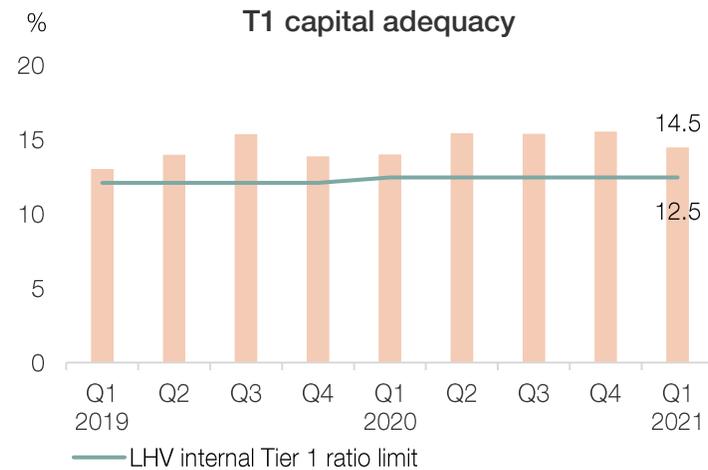


# Annexes

## Liquidity and capitalization strong as planned

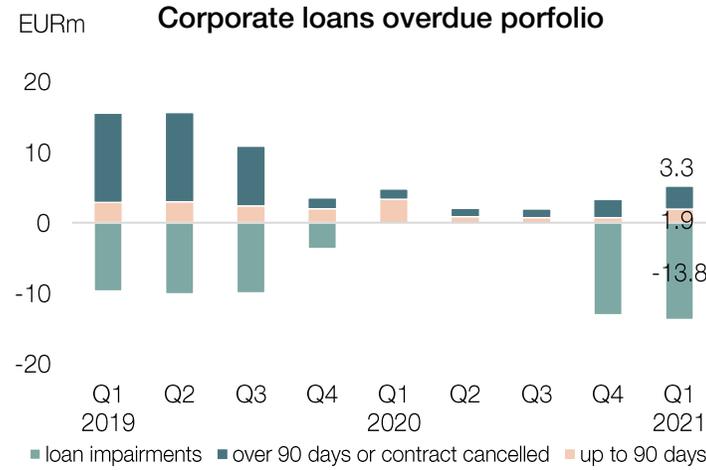
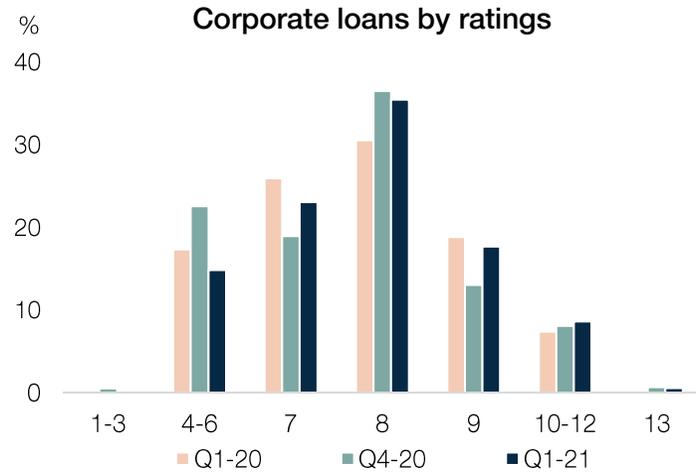


- Liquidity and capitalization of the Group remain strong
- Fast growth in deposits from financial intermediaries negatively impacts the computed LCR ratio, without actually affecting liquidity. It also affects own funds and eligible liabilities ratio to total liabilities



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

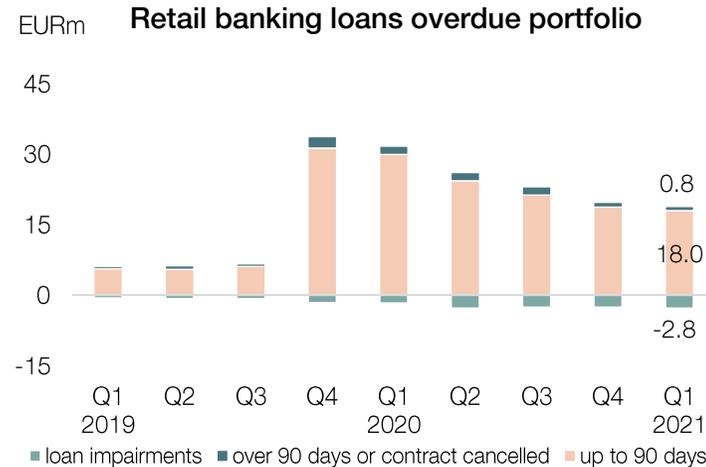
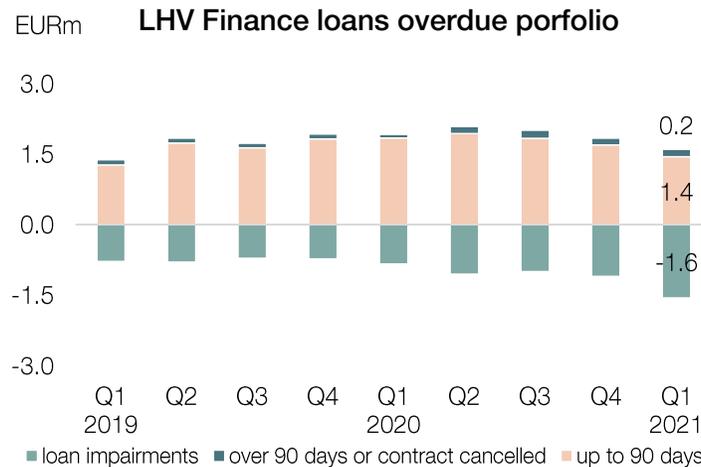
## The debt ratio on historically lowest level



- 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

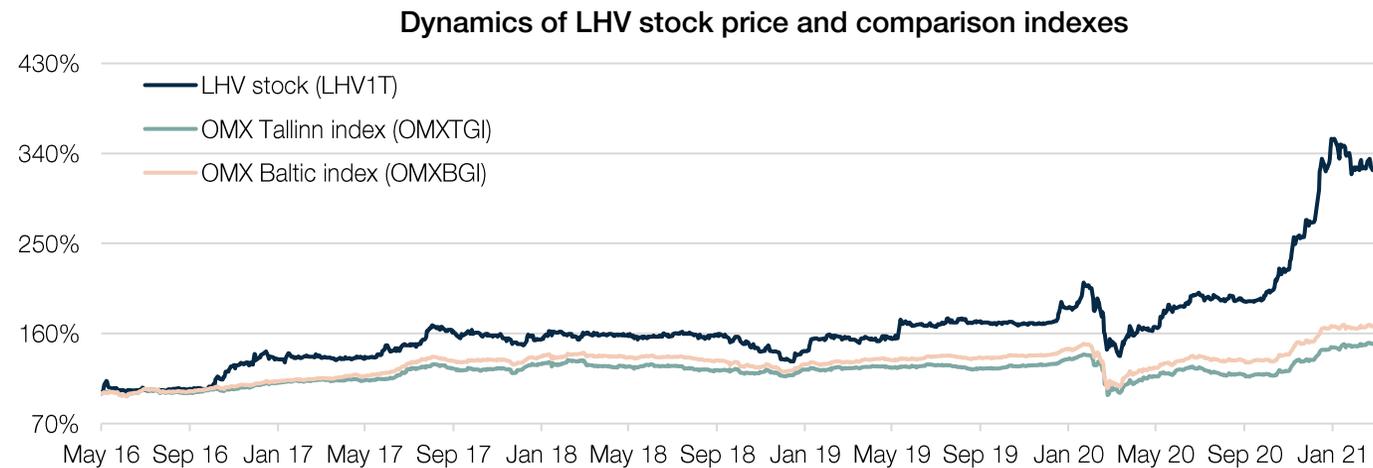


# LHV Group

## 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



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