

LHV Group

Q2 results
18 July 2023



All subsidiaries of LHV Group are profitable

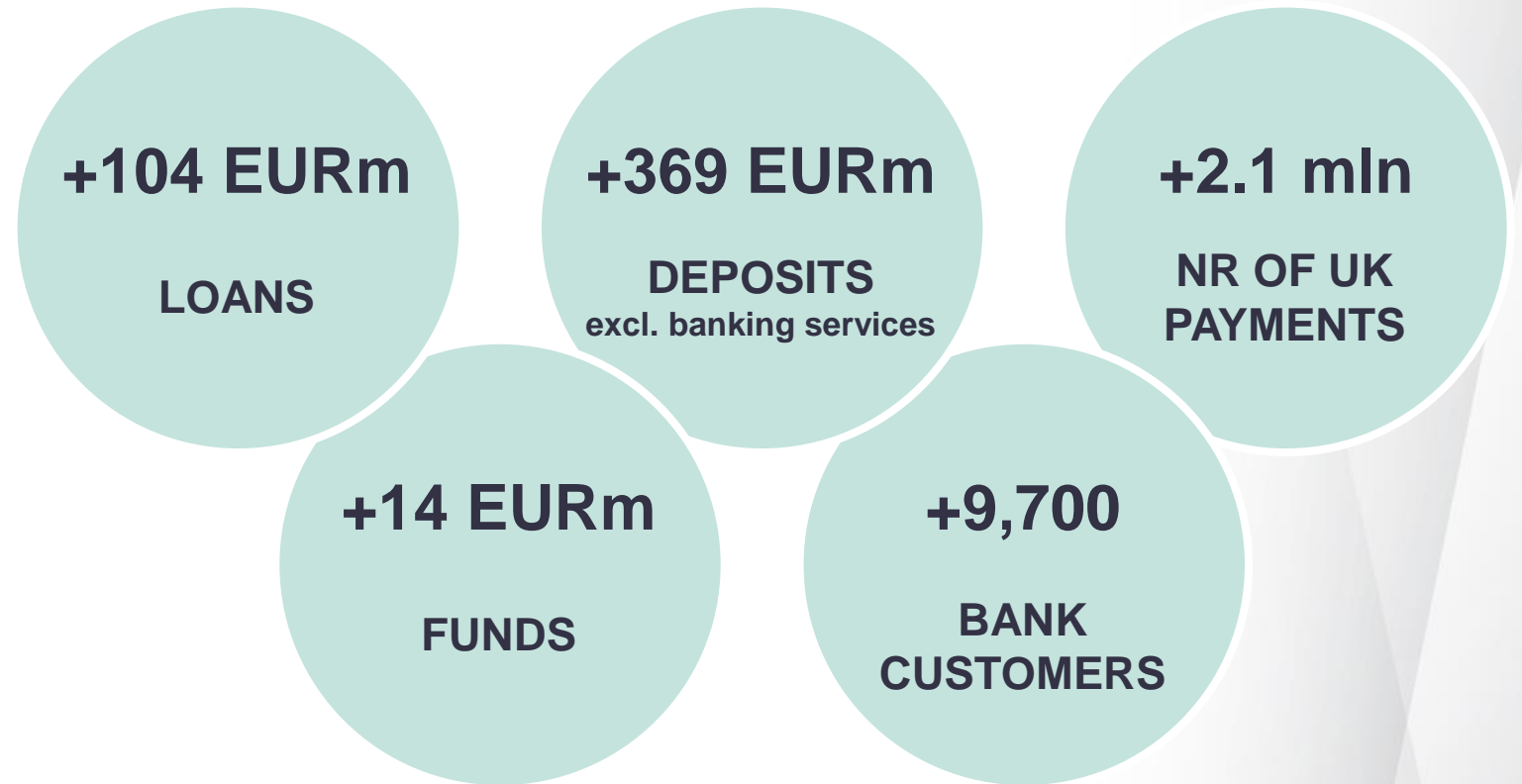
LHV Bank received a banking licence

LHV Bank has a new CFO Rachelle Frewer starting from 2024

Emphasis on transferring business from LHV Pank to LHV Bank by the end of August. Preparations for transferring euro payments

Investments into risk control systems to grow banking services business line

Good quality loan portfolio, some growth in consumer financing payment delays



Business volumes are growing as expected

Financial results, EURt	9 quarters	Q2-23	Q1-23	Δ quarter
Net interest income		62,900	55,108	+7,792
Net fee and commission income		12,352	11,877	+476
Other income		-350	1,398	-1,749
Total net income		74,902	68,383	+6,519
Total operating expenses		33,040	30,622	+2,418
Earnings before impairment		41,862	37,761	+4,101
Impairment losses		809	-1,583	+2,393
Income tax expense		5,422	6,281	-860
Net profit		35,631	33,063	+2,568
Business volumes, EURm	9 quarters	Q2-23	Q1-23	Δ quarter
Deposits from customers		5,062	4,867	+195
Loans portfolio (net)		3,253	3,149	+104
Assets under management		1,465	1,451	+14
Customers, thous.		575	568	+7
Fin. intermediaries' payments, thous. pcs		11,202	9,124	+2,078
Key figures	9 quarters	Q2-23	Q1-23	Δ quarter
Cost / income ratio (C/I)		44.1%	44.8%	- 0.7 pp
Net interest margin (NIM)		4.1%	3.6%	+ 0.5 pp
pre-tax ROE*		35.4%	36.3%	- 1.0 pp
ROE*		30.7%	30.4%	+ 0.3 pp

- Number of customers and customer activity growing. Loan portfolio growing as expected and quality of loan portfolio remains good
- Quarterly increase in regular customers' deposits 92 EURm. Financial intermediaries' deposits decreased by 174 EURm. 277 EURm fixed-term deposits were raised from deposit platforms
- Quarterly net profit 35.6 EURm
- Financial plan is being renewed, disclosure in September the latest

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

LHV Group – comparison with financial plan

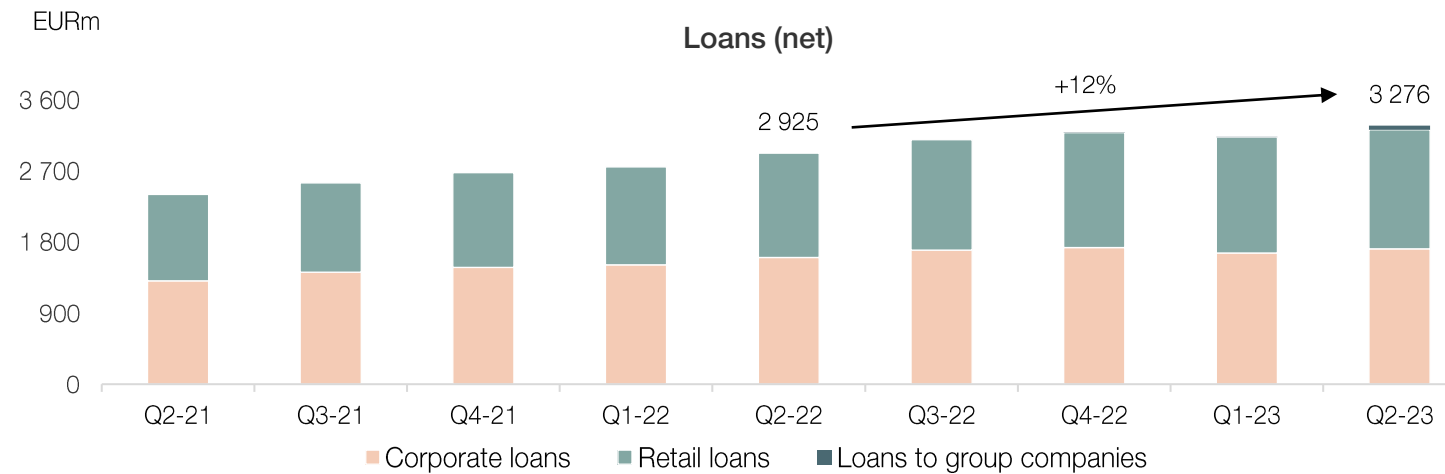
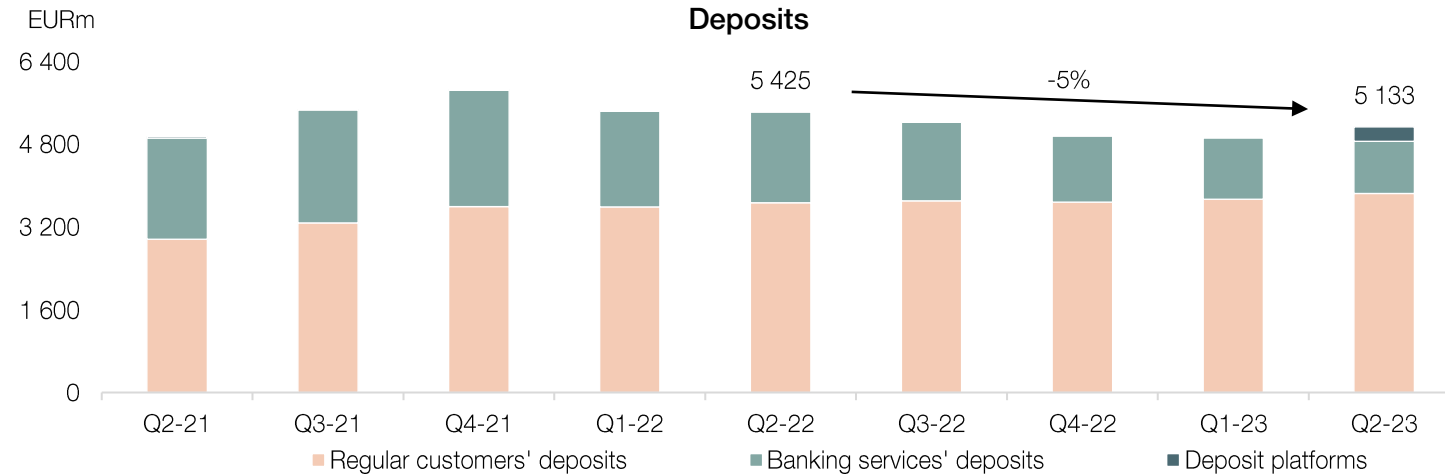
Strongest quarter in the history

Financial results, EURt	13 months	Jun 23	YTD23	YTD22	FP YTD	Δ YTD FP
Total net income, incl.		26,328	143,285	72,687	125,615	+17,671
Net interest income		20,953	118,008	52,972	100,472	+17,537
Net fee and commission income		4,456	24,229	21,351	24,864	-635
Total operating expenses		12,299	63,662	39,946	58,341	+5,321
Earnings before impairment		14,029	79,623	32,741	67,273	+12,349
Impairment losses		769	-774	394	11,998	-12,772
Income tax expense		1,748	11,703	5,978	9,484	+2,219
Net profit, incl.		11,513	68,694	26,369	45,791	+22,903
attr. to shareholders		11,527	68,007	25,423	45,104	+22,902
Business volumes, EURm	13 months	Jun 23	YTD23	YTD22	FP YTD	Δ YTD FP
Deposits from customers		5,062	5,062	5,367	5,544	-481
Loans (net)		3,253	3,253	2,925	3,226	+28
Assets under management		1,465	1,465	1,259	1,480	-16
Fin. intermediaries' payments, thous. pcs		3,849	20,326	13,037	14,779	+5,547
Key figures	13 months	Jun 23	YTD23	YTD22	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		46.7%	44.4%	55.0%	46.4%	- 2.0 pp
Net interest margin (NIM)		4.1%	3.8%	1.6%	3.1%	+ 0.7 pp
pre-tax ROE*		34.5%	36.0%	18.0%	25.3%	+ 10.7 pp
ROE*		29.9%	30.7%	14.7%	20.9%	+ 9.8 pp

- Interest income and quality of loan portfolio in Q2 helped to significantly exceed the profitability target
- Expenses difference with the financial plan mainly related to the increase of the contribution to the deposits' guarantee fund
- Quality of loan portfolio is good, we see a minor change in private persons' consumer financing portfolio
- YTD cost/income ratio good 44.4% and ROE 30.7%

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

Deposits and loans again in growth trend



- Approximately 10,000 new bank customers. Activity of customers in settlements and card usages remained on a good level
- Regular customers' deposits increased by 110 EURm, deposits from deposit platforms increased by 277 EURm, at the same time deposits of financial intermediaries decreased by 174 EURm. High volatility continues for the latter. Focus is still on deposits
- External loans increased by 96 EURm, which was divided equally between retail and corporate banking. Loan demand is showing a strengthening again
- Youth Bank 2.0 – we renewed an offering, which keeps the youth joining pace
- Added currency exchange possibility to the app and started with Financial Portal renewal
- By the end of June number of bank customers exceeded 400,000

Quality of loan portfolio stays strong

Financial results, EURt	9 quarters	Q2-23	Q1-23	Δ quarter
Net interest income		56,094	52,900	+3,194
Net fee and commission income		5,510	7,548	-2,038
Other income		-224	1,212	-1,436
Total net income		61,380	61,660	-280
Total operating expenses		21,083	20,786	+297
Earnings before impairment		40,297	40,874	-577
Impairment losses		603	-1,592	+2,195
Income tax expense		5,247	5,147	+100
Net profit		34,447	37,318	-2,872
Business volumes, EURm	9 quarters	Q2-23	Q1-23	Δ quarter
Deposits from customers		5,133	4,919	+213
incl. banking services' deposits		1,010	1,183	-174
Loans (net)		3,276	3,127	+149
Customers, thous.		401	391	+10
Key figures	9 quarters	Q2-23	Q1-23	Δ quarter
Cost / income ratio (C/I)		34.3%	33.7%	+ 0.6 pp
Net interest margin (NIM)		3.7%	3.5%	+ 0.2 pp
pre-tax ROE*		36.2%	42.1%	- 5.8 pp
ROE*		31.4%	36.8%	- 5.3 pp

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

- Revenue is broad-based, but the net interest income arising from the changing interest rates dominates
- The quality of the loan portfolio as a whole has remained strong and the share of overdue loans continuously low
- First full quarter of sharing banking services customers' income with LHV Bank
- Net profit 34.4 EURm and ROE 31.4%

LHV Pank – comparison with financial plan

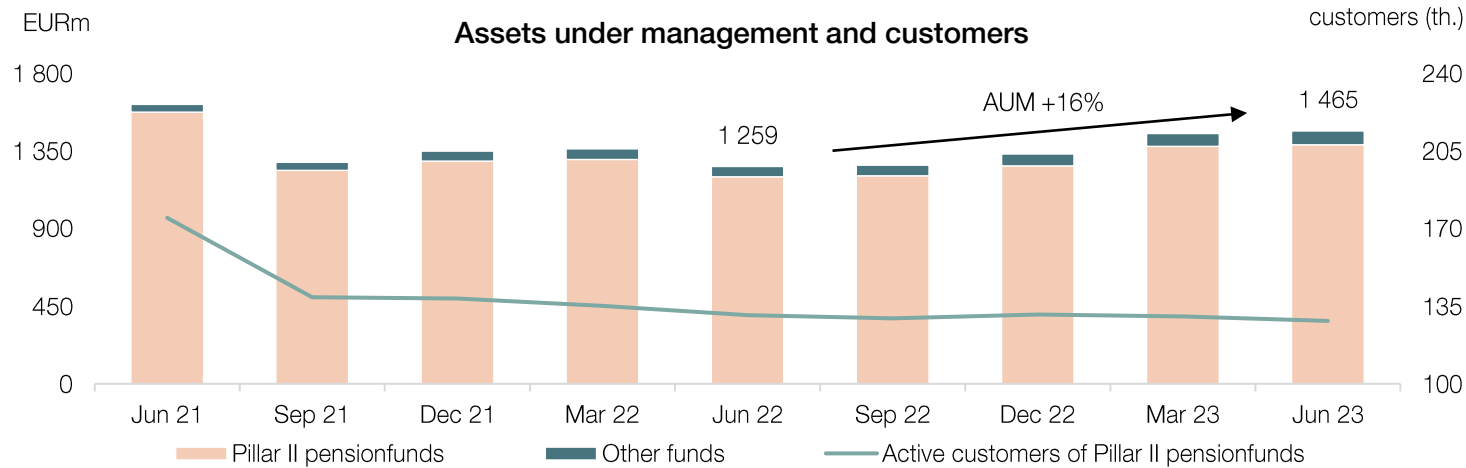
Income higher than planned

Financial results, EURt	13 months	Jun 23	YTD23	YTD22	FP YTD	Δ YTD FP
Total net income, incl.		21,614	123,040	67,252	110,613	+12,427
Net interest income		18,667	108,994	53,106	96,187	+12,807
Net fee and commission income		2,071	13,058	15,433	14,359	-1,300
Total operating expenses		8,219	41,869	30,011	38,294	+3,576
Earnings before impairment		13,395	81,171	37,241	72,319	+8,852
Impairment losses		753	-989	394	11,766	-12,755
Income tax expense		1,707	10,395	5,061	7,948	+2,447
Net profit		10,935	71,765	31,787	52,606	+19,159
Business volumes, EURm	13 months	Jun 23	YTD23	YTD22	FP YTD	Δ YTD FP
Deposits from customers		5,133	5,133	5,425	5,526	-393
incl. banking services' deposits		1,010	1,010	1,755	1,600	-590
Loans (net)		3,276	3,276	2,925	3,238	+38
Key figures	13 months	Jun 23	YTD23	YTD22	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		38.0%	34.0%	44.6%	34.6%	- 0.6 pp
Net interest margin (NIM)		3.7%	3.6%	1.6%	3.0%	+ 0.5 pp
T1 capital adequacy		20.1%	20.1%	15.6%	19.2%	+ 0.9 pp
Total capital adequacy		22.7%	22.7%	18.4%	21.8%	+ 0.9 pp

- Business volumes as planned, excluding banking services customers' deposits that are volatile
- Expenses slightly higher than planned due to increase of the contribution to deposits' guarantee fund and expenses booked in advance
- LHV Pank exceeds the financial plan by 19.2 EURm

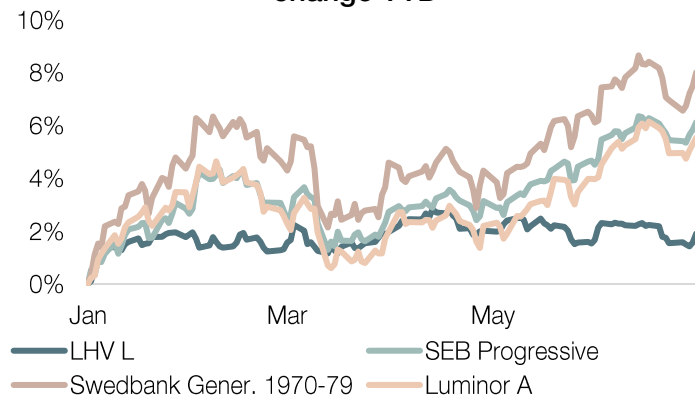
LHV Varahaldus

Volumes of funds continue to grow

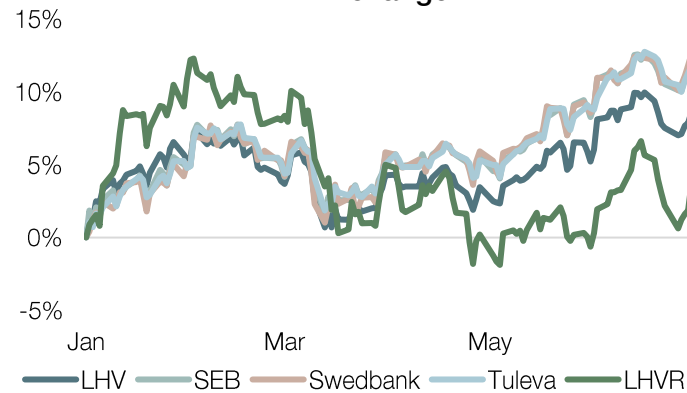


- The volume of II pillar funds was nearly 1.4 EURb by quarter-end. Also, assets of III pillar increased in a quarter
- Stock markets were led by the biggest technology shares, to which LHV's largest funds are minimally exposed
- Quarterly return of LHV pension funds M and XL was 0.3%, L decreased by 0.1%
- Quarter was more successful for funds that are taking the market risk. Pension fund Indeks increased by 4.2%. By the end of the three volatile months Roheline decreased by 1.2%

Pillar II comparable pension funds NAV change YTD



Index funds and pension fund Roheline NAV change YTD








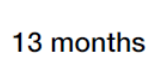




Income and profitability in slight growth trend

Financial results, EURt	9 quarters	Q2-23	Q1-23	Δ quarter
Total net income		2,211	2,125	+86
Total operating expenses		1,798	1,722	+76
EBIT		413	403	+10
Net financial income		8	172	-164
Income tax expense		0	488	-488
Net profit		421	87	+334
Business volumes, EURm	9 quarters	Q2-23	Q1-23	Δ quarter
Pillar II pension funds		1,385	1,375	+10
Pillar III pension funds		72	68	+4
Eurofunds		7	7	-0
Active customers of PII funds, th.		128	130	-2
Key figures	9 quarters	Q2-23	Q1-23	Δ quarter
Cost / income ratio (C/I)		81.0%	75.0%	+ 6.1 pp
pre-tax ROE		8.1%	10.6%	- 2.5 pp
ROE		8.1%	1.6%	+ 6.5 pp

- Quarterly net profit 0.4 EURm
- Operating income and expenses comparable to previous quarter
- Decrease in number of customers mainly due to customers exiting II pillar in May
- Market share by fund volumes is around 31% and by number of customers stays around 25% at quarter-end
- II and III pillar volumes are staying in growth trend

LHV Varahaldus – comparison with financial plan













First half of the year largely in line with the financial plan

Financial results, EURt	13 months	Jun 23	YTD23	YTD22	FP YTD	Δ YTD FP
Total net income		730	4,336	3,959	4,302	+35
Total operating expenses		581	3,520	3,700	3,484	+35
EBIT		149	817	258	817	-1
Net financial income		87	179	-308	299	-120
Income tax expense		0	488	830	488	-0
Net profit		236	508	-880	628	-120
Business volumes	13 months	Jun 23	YTD23	YTD22	FP YTD	Δ YTD FP
Assets under management, EURm		1,465	1,465	1,259	1,480	-16
Active customers of PII funds, thous.		128	128	131	132	-3
Key figures	13 months	Jun 23	YTD23	YTD22	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		71.1%	77.9%	101.4%	75.7%	+ 2.2 pp
Funds average return		0.8%	2.7%	-2.5%	3.4%	- 0.6 pp

- Income and operating expenses largely in line with the financial plan
- Volume of funds and financial income slightly below the plan mainly due to lower Q2 returns
- Q2 growth in the number of customers has been more modest than expected
- Monthly growth of benchmark index in Q2 has been more than 10%, labour market stays strong
- Management Board of LHV Varahaldus has 3 members since June, in addition to current members a long-term employee Eve Sirel joined

LHV Kindlustus

A quarter with positive result

Financial results, EURt	9 quarters	Q2-23	Q1-23	Δ quarter
Total net income		1,260	552	+708
Total expenses		1,220	1,031	+188
Technical result		40	-479	+519
Net investments income		-4	32	-35
Other operating income and expenses		-3	-3	-0
Net profit		33	-450	+484
Business volumes, EURt	9 quarters	II kv-23	I kv-23	Δ kvartal
Gross written premiums		7,978	7,712	+266
No of Customers (thous.)		159	155	+4
Key figures	9 quarters	II kv-23	I kv-23	Δ kvartal
Net loss ratio		66.6%	78.0%	- 11.4 pp
Net expense ratio		33.4%	33.4%	- 0.1 pp
pre-tax ROE		3.0%	-38.0%	+ 41.0 pp
ROE		3.0%	-38.0%	+ 41.0 pp

- Business volumes are growing, we are surpassing the financial plan in all larger insurance products
- During Q2 12,500 new claims were registered, claims handling was finished also for 12,500 cases
- Customers had 223,000 valid insurance contracts at the quarter-end
- Started using new claims handling software, which helps to improve efficiency of claims handling process

LHV Kindlustus – comparison with financial plan

Steady growth in volumes continues

Financial results, EURt	13 months	Jun 23	YTD23	YTD22	FP YTD	Δ YTD FP
Total net income, incl.		478	1,812	627	1,927	-116
Net earned premiums		1,927	10,038	2,911	8,546	+1,492
Net incurred losses		1,235	7,200	2,075	5,825	+1,375
Other net income		213	1,027	209	794	+232
Total expenses		476	2,251	1,361	2,085	+166
Technical result		2	-439	-734	-157	-282
Net investment income		10	28	1	27	+1
Other operating income and expenses		2	6	1	0	+6
Net profit		10	-417	-734	-130	-286
Business volumes, EURt	13 months	Jun 23	YTD23	YTD22	FP YTD	Δ YTD FP
Gross written premiums		2,780	15,690	6,359	12,518	+3,171
No of customers (thous.)		159	159	149	na	na
Key figures	13 months	Jun 23	YTD23	YTD22	FP YTD	Δ YTD FP
Net loss ratio		64.1%	71.7%	71.3%	68.2%	+ 3.6 pp
Net expense ratio		36.1%	33.4%	53.9%	33.7%	- 0.3 pp

- Net income and result was negatively affected by unforeseen one-off expenses
- 12,400 new insurance contracts were signed and 4,200 insurance cases were opened in June
- Net earned premiums grew 2.7% in June and are ahead of the financial plan
- Net loss ratio in declining trend

LHV Bank










First quarter as a bank profitable

Financial results, EURt	9 quarters	Q2-23	Q1-23	Δ quarter
Total net income, incl.		9,561	3,462	+6,099
Net interest income		7,418	2,763	+4,655
Net fee and commission income		2,209	699	+1,509
Other net income		-66	-1	-65
Total operating expenses		7,957	5,965	+1,992
Earnings before impairment		1,604	-2,503	+4,107
Impairment losses		26	8	+18
Net profit		1,578	-2,512	+4,089
Business volumes, EURm		Q2-23	Q1-23	Δ quarter
Loans (net)		31	23	+8

- Received banking licence
- IT separation and business transfer from LHV Pank's branch to LHV Bank planned to August. Change of loan system planned to September
- Growing banking services customers' business volumes by new sectors (open banking, marketplaces) with focus on pound payments
- Loan market currently less active, but there are enough of strong loan projects
- Raising deposits that are necessary for loan portfolio growth via Raisin platform since August. Then focusing on own deposit products development and bringing to the market

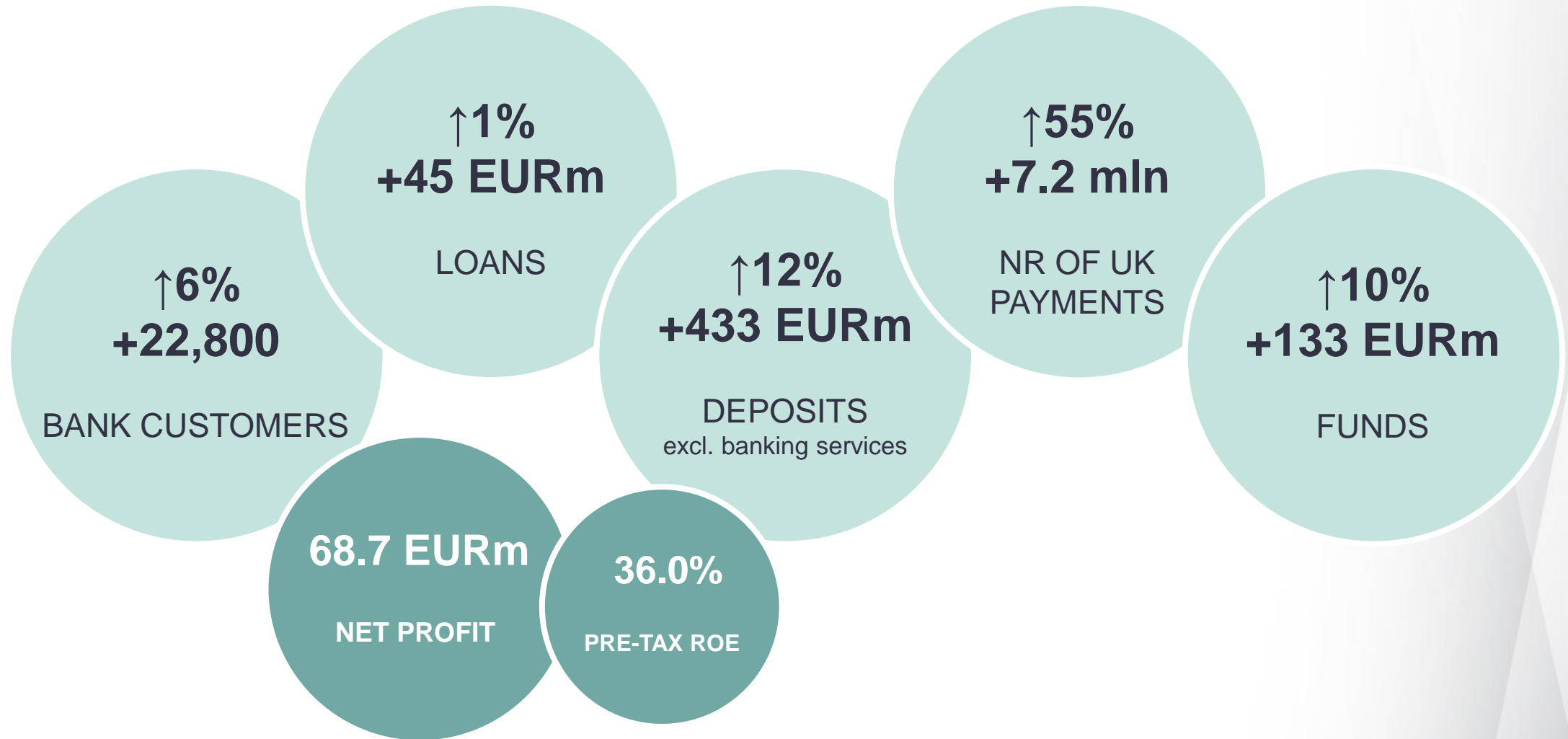
LHV Bank – comparison with financial plan

Higher interest rates are supporting income growth and profitability

Financial results, EURt	13 months	Jun 23	YTD23	YTD22	FP YTD	Δ YTD FP
Total net income, incl.		3,300	13,022	-65	9,119	+3,904
Net interest income		2,516	10,181	-62	1,171	+9,011
Net fee and commission income		800	2,908	0	7,948	-5,040
Other net income		-16	-67	-3	0	-67
Total operating expenses		2,709	13,922	3,668	12,509	+1,413
Earnings before impairment		592	-899	-3,733	-3,391	+2,491
Impairment losses		16	35	0	233	-198
Net profit		576	-934	-3,733	-3,623	+2,689
Business volumes, EURm	13 months	Jun 23	YTD23	YTD22	FP YTD	Δ YTD FP
Loans (net)		31	31	0	36	-5

- Interest income earned from deposits of banking services customers was more than planned, although, deposit base has decreased over the portfolio. Interest income from loan portfolio in a growth trend due to growth in portfolio and interest rates
- Fee and commission income increased due to increased number of payments
- Salary, IT and legal expenses are higher because workload of business transfer project heavier than planned
- There are enough of loan projects going through the Credit Committee, but issuing the loans takes more time due to longer legal process

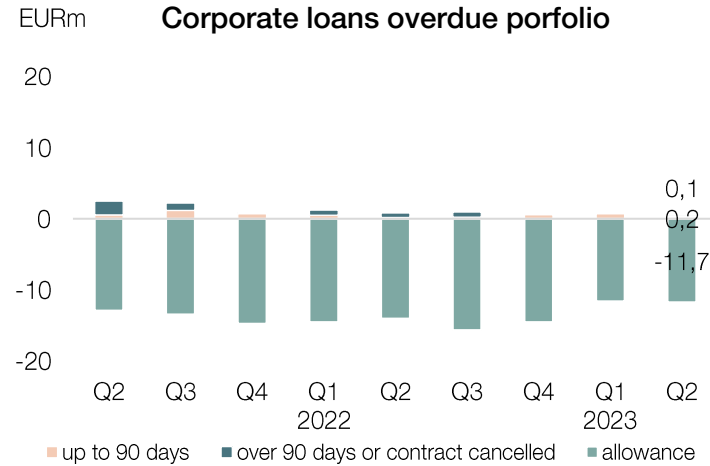
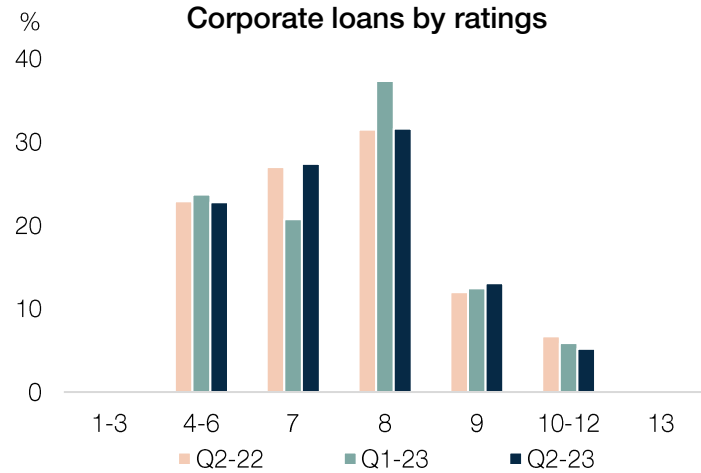
LHV Group 6 months



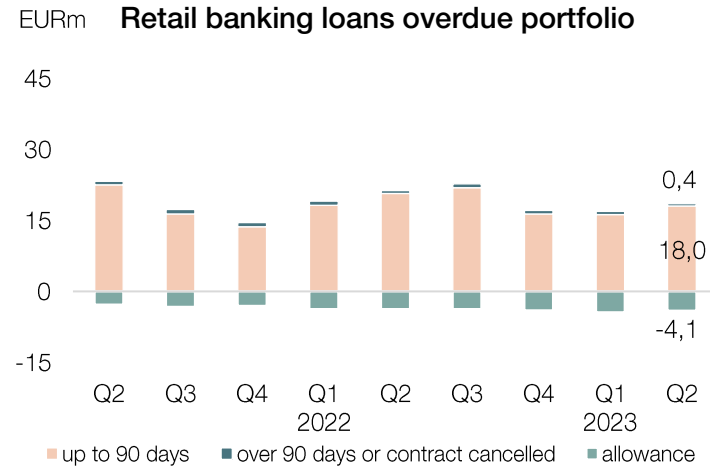
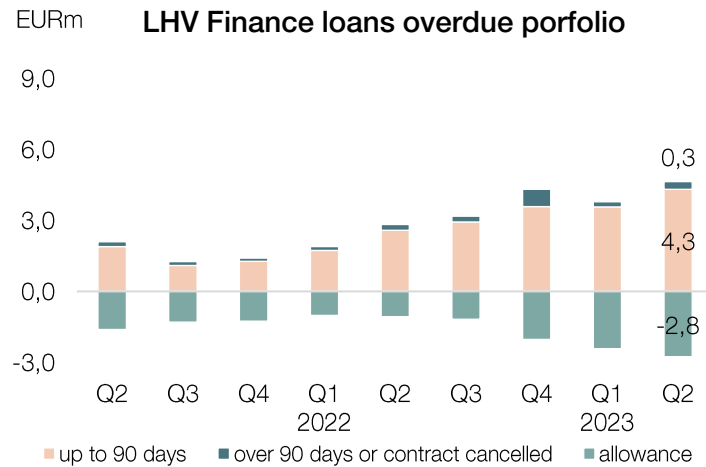
Annexes

LHV Pank

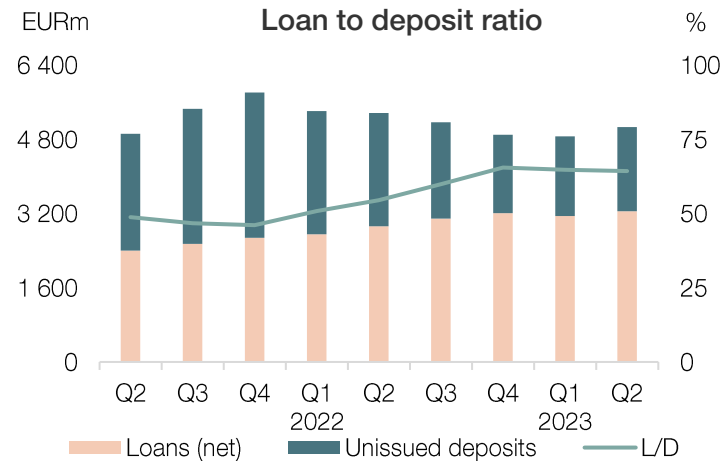
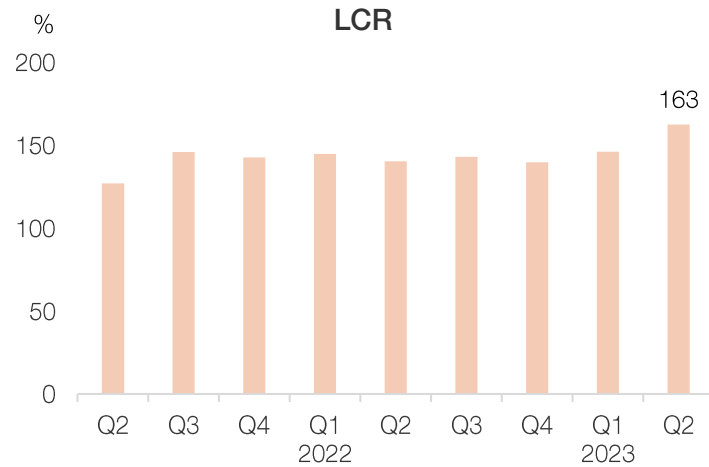
Strong quality of the portfolio



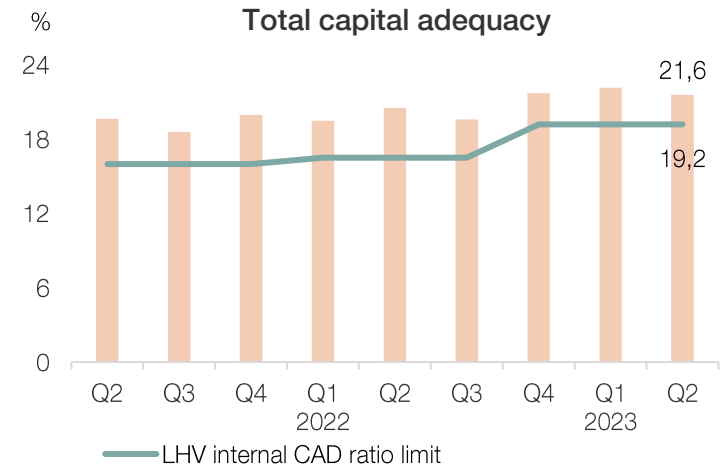
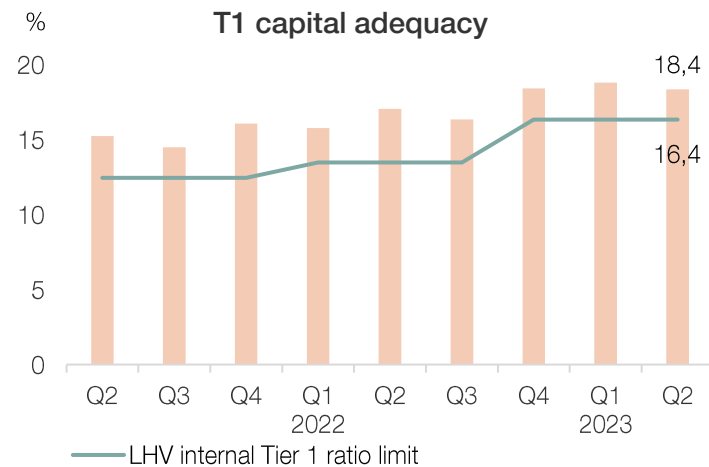
- Portfolio stays stronger than planned and negative developments are visible only in consumer financing products, but this is still one of the most profitable products
- Ratings have improved a bit in corporate loan portfolio and overdue portfolio is very low



LHV capitalisation and liquidity is strong



- Capitalisation decreased slightly in Q2, because profit of the first half of the year has not yet been included in capital. This will be added after getting the respective permission from ECB
- LHV decided to raise deposits from deposit platforms to be prepared for opportunities that changes in macro environment may offer
- Liquidity and capitalisation of the Group are sufficient, but are closely observed

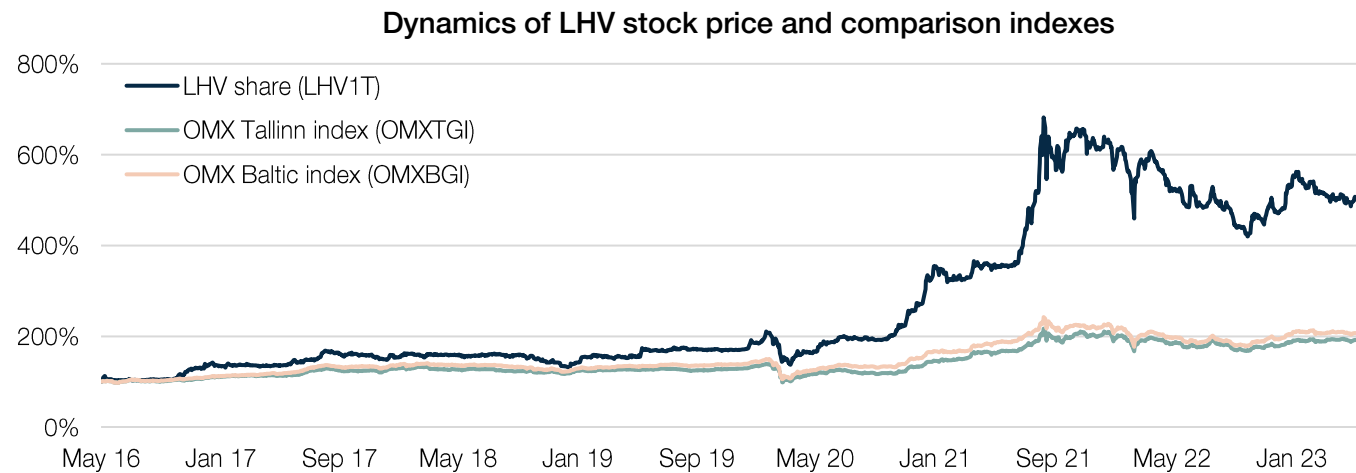


LHV Group

Share information



- Q2 closing share price was 3.61 EUR and LHV Group had 35,900 shareholders
- Turnover of LHV shares in Q2 was 16.4 EURm, average price of 3.56 EUR
- Market capitalisation based on Q2 closing price was 1,155 EURm



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