

LHV Group

Q4 results
7 February 2023

High-quality loan portfolio together with volatile deposits

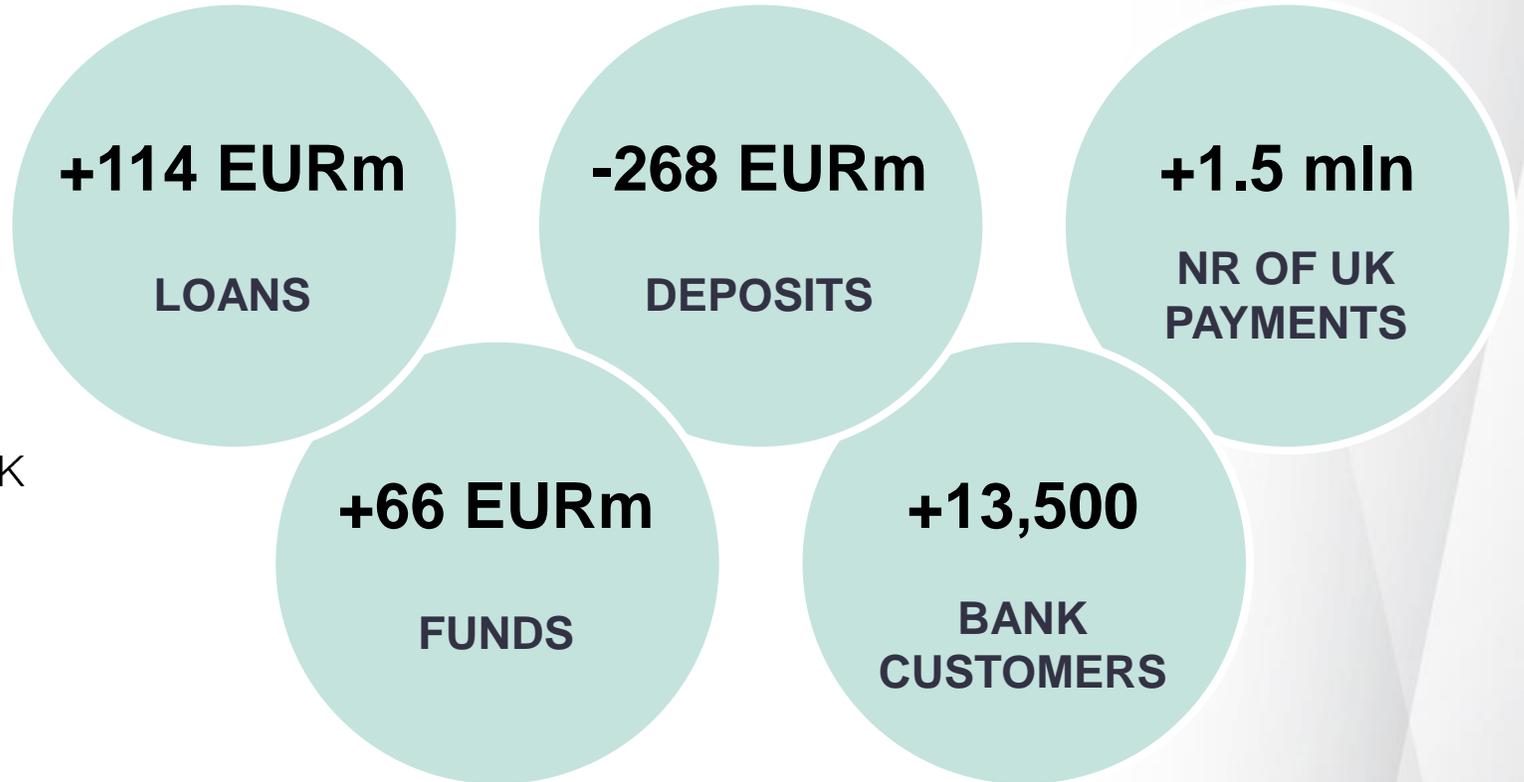
Most desirable employer

Best bank in Estonia / *The Banker*

High-quality loan portfolio

New CEO of LHV Kindlustus

Commencing lending activities in the UK



Interest income growth and good loan portfolio quality

Financial results, EURt	9 quarters	Q4-22	Q3-22	Δ quarter
Net interest income		44,098	32,041	+12,057
Net fee and commission income		11,549	12,000	-451
Other income		910	257	+654
Total revenue		56,557	44,298	+12,259
Total operating expenses		26,881	22,813	+4,068
Earnings before impairment		29,676	21,485	+8,191
Impairment losses		250	7,407	-7,158
Income tax expense		5,112	3,331	+1,781
Net profit		24,315	10,747	+13,567
Business volumes, EURm	9 quarters	Q4-22	Q3-22	Δ quarter
Deposits from customers		4,901	5,168	-268
Loans (net)		3,209	3,095	+114
Assets under management		1,332	1,266	+66
Customers, thous.		556	544	+12
Fin. intermediaries' payments, thous. pcs		7,293	5,793	+1,501
Key figures	9 quarters	Q4-22	Q3-22	Δ quarter
Cost / income ratio (C/I)		47.5%	51.5%	- 4.0 pp
pre-tax ROE*		29.1%	14.2%	+ 14.9 pp
ROE*		24.0%	10.8%	+ 13.3 pp

- Number of customers and customer activity increased. Loans increased by 114 EURm. Quarterly decrease in regular customers' deposits 27 EURm. Financial intermediaries' deposits decreased by 241 EURm
- Economic environment is weakening, however, quality of loan portfolio remains good
- We strengthened capitalisation position by issuance of 88 EURm MREL liabilities and 20 EURm additional Tier 1 capital
- Lending activities were commenced in the UK after acquiring 21 EURm loan portfolio
- Quarterly net profit 24.3 EURm

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

LHV Group – comparison with financial plan

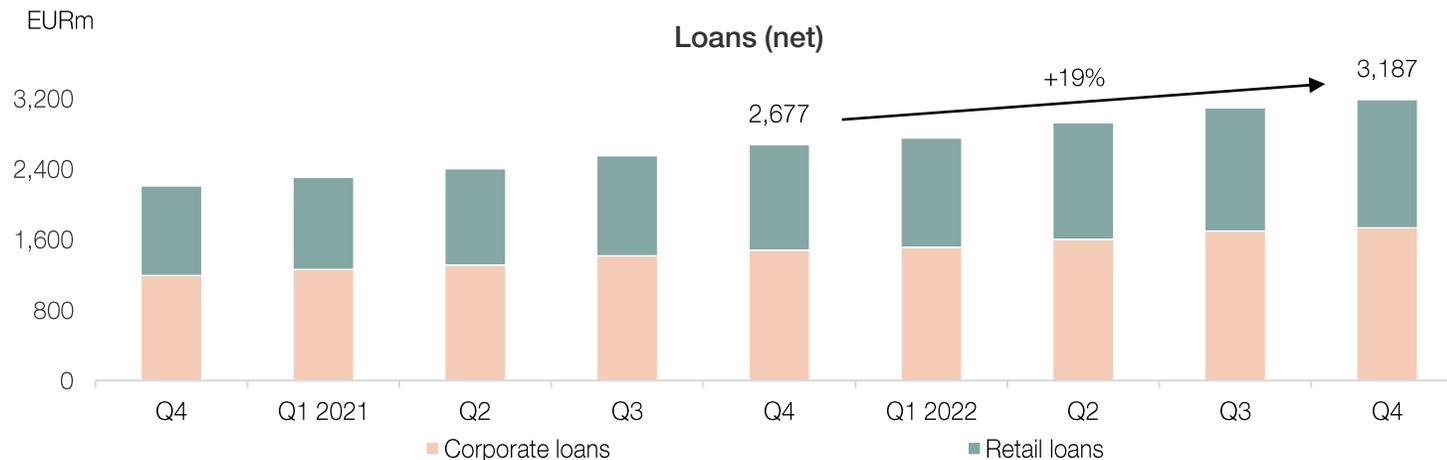
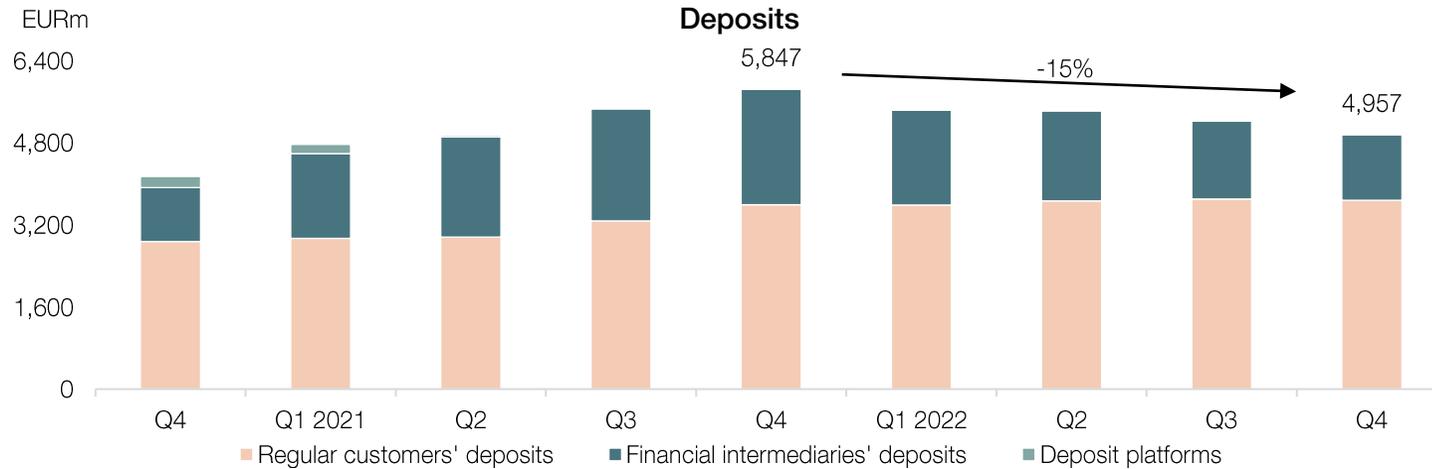
Net profit target achieved

Financial results, EURt	13 months	Dec 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue, incl.		19,870	173,542	140,379	166,838	+6,704
Net interest income		16,095	129,111	97,319	110,483	+18,629
Net fee and commission income		3,911	44,900	43,478	54,973	-10,073
Total operating expenses		8,901	89,639	65,183	83,889	+5,751
Earnings before impairment		10,970	83,903	75,197	82,949	+953
Impairment losses		-543	8,051	3,948	9,246	-1,195
Income tax expense		2,194	14,421	10,986	12,210	+2,210
Net profit, incl.		9,319	61,431	60,263	61,493	-62
attr. to shareholders		9,167	59,807	58,261	59,250	+557
Business volumes, EURm	13 months	Dec 22	YTD22	YTD21	FP YTD	Δ YTD FP
Deposits from customers		4,901	4,901	5,808	6,109	-1,209
Loans (net)		3,209	3,209	2,677	3,097	+111
Assets under management		1,332	1,332	1,349	1,389	-57
Fin. intermediaries' payments, thous. pcs		2,852	26,124	27,401	37,505	-11,381
Key figures	13 months	Dec 22	YTD22	YTD21	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		44.8%	51.7%	46.4%	50.3%	+ 1.4 pp
Net interest margin (NIM)		3.1%	2.0%	1.6%	1.6%	+ 0.4 pp
pre-tax ROE*		32.6%	20.3%	24.9%	19.4%	+ 0.9 pp
ROE*		26.4%	16.4%	21.1%	16.6%	- 0.2 pp
ROA		1.8%	1.0%	1.0%	0.9%	+ 0.1 pp

- Interest income and quality of loan portfolio in Q4 helped to fulfil the profitability target, by year-end difference only 62 EURt
- Expenses difference with the financial plan related to recruitment of risk units, and Everypay's addition to the group
- Cost/income ratio good 47.5% in Q4 and ROE 24.0%
- Quality of loan portfolio is strong, few customers are under supervision

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

Activity of customers is on good level



- Approximately 14,000 new bank customers. Activity of customers in settlements and card usages remained on good level
- Regular customers' deposits remained on the same level, decrease resulted from deposits of financial intermediaries. Focus is on deposits
- Growth in loans 92 EURm, including 34 EURm in corporate loans and 58 EURm in retail loans. Customers' loan demand declined significantly in Q4
- According to survey of CVKeskus.ee LHV Pank is the most desirable employer in 2022
- Banking magazine The Banker named LHV Pank the best bank in Estonia for fourth year in a row

LHV Pank

Strongest quarter in LHV Pank's history

Financial results, EURt	9 quarters	Q4-22	Q3-22	Δ quarter
Net interest income		44,388	31,993	+12,396
Net fee and commission income		8,259	8,716	-457
Other income		791	273	+517
Total revenue		53,438	40,981	+12,457
Total operating expenses		18,101	16,434	+1,667
Earnings before impairment		35,337	24,548	+10,790
Allowance for credit losses		430	2,171	-1,741
Income tax expense		4,990	3,209	+1,781
Net profit		29,918	19,168	+10,750

Business volumes, EURm	9 quarters	Q4-22	Q3-22	Δ quarter
Deposits from customers		4,957	5,223	-266
Loans (net)		3,187	3,095	+92
Customers, thous.		396	382	+14

Key figures	9 quarters	Q4-22	Q3-22	Δ quarter
Cost / income ratio (C/I)		33.9%	40.1%	- 6.2 pp
pre-tax ROE*		37.5%	26.5%	+ 11.0 pp
ROE*		32.2%	22.7%	+ 9.4 pp
Net interest margin (NIM)		2.9%	2.0%	+ 0.9 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 continues to stay low
- Net profit amounted to 29.9 EURm and ROE 32.2%

LHV Pank – comparison with financial plan

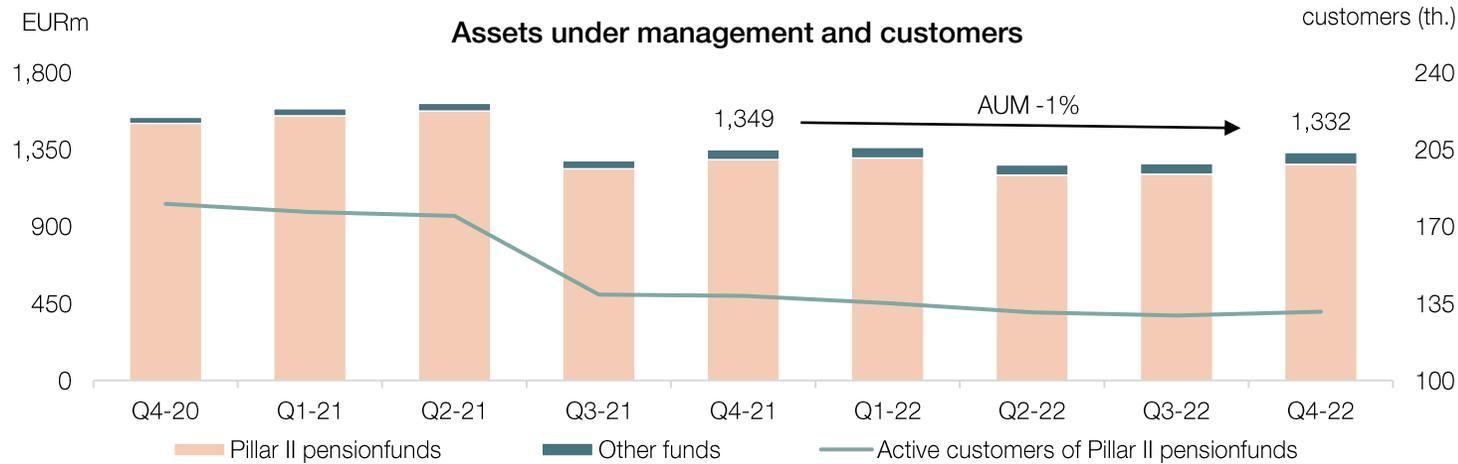
Financial plan fulfilled with surplus

Financial results, EURt	13 months	Dec 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue, incl.		19,231	161,674	127,894	153,937	+7,737
Net interest income		16,270	129,487	97,662	110,931	+18,556
Net fee and commission income		2,918	32,408	31,172	42,253	-9,845
Total operating expenses		5,768	64,548	49,339	62,978	+1,570
Earnings before impairment		13,463	97,126	78,555	90,959	+6,167
Allowance for credit losses		-296	2,995	3,948	9,246	-6,251
Income tax expense		2,153	13,259	10,556	11,312	+1,947
Net profit		11,606	80,872	64,051	70,401	+10,471
Business volumes, EURm	13 months	Dec 22	YTD22	YTD21	FP YTD	Δ YTD FP
Deposits from customers		4,957	4,957	5,847	6,155	-1,198
Loans (net)		3,187	3,187	2,677	3,097	+90
Key figures	13 months	Dec 22	YTD22	YTD21	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		30.0%	39.9%	38.6%	40.9%	- 1.0 pp
Net interest margin (NIM)		3.2%	2.0%	1.6%	1.6%	+ 0.4 pp
T1 capital adequacy		17.7%	17.7%	16.0%	15.6%	+ 2.1 pp
Total capital adequacy		20.4%	20.4%	18.7%	19.0%	+ 1.4 pp

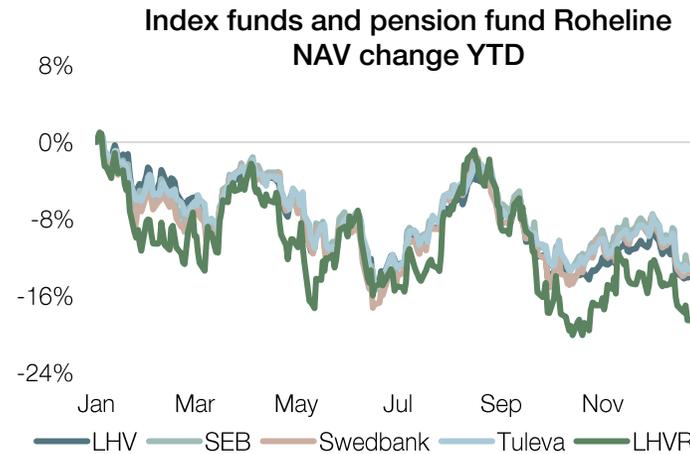
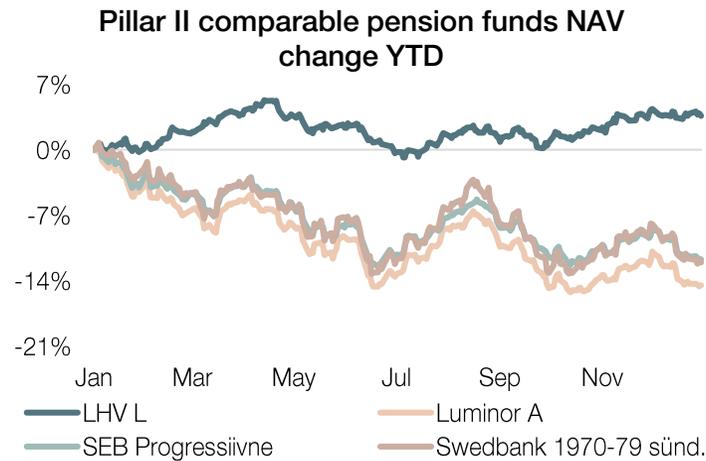
- Loan portfolio ahead of the plan by 90 EURm, but deposits remained behind mostly due to deposits of financial intermediaries, which decreased by 970 EURm annually
- Expenses higher than planned mainly due to additional recruitments to implement sanctions
- Net profit exceeded the financial plan by 10.5 EURm

LHV Varahaldus

Actively managed funds with the best return on the market



- The volume of assets under management was over 1.3 EURb by quarter-end
- Quarterly return of the largest actively managed LHV pension funds M, L and XL was 1.6%, 2.8% and 4.9%, respectively. Also, these three funds were the only pension funds with positive return on 2022
- Again, difficult quarter on stock markets, the unit value of pension funds LHV Indeks and Roheline decreased by 0.6% and 2.5%, respectively
- In 2022, larger actively managed funds and conservative funds were the most successful compared to competitors' similar funds



Net assets, number of customers and market share slightly increasing

Financial results, EURt	9 quarters	Q4-22	Q3-22	Δ quarter
Total revenue		2,015	1,977	+38
Total operating expenses		1,610	1,767	-157
EBIT		405	210	+195
Net financial income		136	26	+110
Net profit		541	237	+305

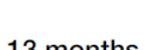
Business volumes, EURm	9 quarters	Q4-22	Q3-22	Δ quarter
Pillar II pension funds		1,263	1,206	+57
Pillar III pension funds		63	54	+9
Eurofunds		7	6	+1
Active customers of PII funds, th.		131	130	+2

Key figures	9 quarters	Q4-22	Q3-22	Δ quarter
Cost / income ratio (C/I)		74.8%	88.2%	- 13.3 pp
pre-tax ROE		9.5%	4.3%	+ 5.2 pp
ROE		9.5%	4.3%	+ 5.2 pp

- Quarterly net profit amounted to 0.5 EURm, financial income on own units value was marginal
- Operating income and expenses were largely as planned
- Number of active customers in II pillar pension funds continued to grow, 2,000 new customers in a quarter
- Market share by fund volumes is over 31% and by number of customers stays around 25%
- III pillar net assets decreased by 9 EURm in Q4, instalments to III pillar made the best result in 2022

LHV Varahaldus – comparison with financial plan

Profitability is behind the plan mainly due to lower returns than expected

Financial results, EURt	13 months	Dec 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue		689	7,951	11,375	8,084	-133
Total operating expenses		420	7,077	10,015	6,867	+210
EBIT		269	874	1,359	1,217	-343
Net financial income		-168	-146	577	541	-687
Income tax expense		0	830	1,241	830	+0
Net profit		101	-103	695	928	-1,031
Business volumes	13 months	Dec 22	YTD22	YTD21	FP YTD	Δ YTD FP
Assets under management, EURm		1,332	1,332	1,349	1,389	-57
Active customers of PII funds, thous.		131	131	138	129	+2
Key figures	13 months	Dec 22	YTD22	YTD21	FP YTD	Δ YTD FP
Cost / income ratio (C/I)		80.6%	90.7%	83.8%	79.6%	+ 11.1 pp
Funds average return		-1.3%	0.7%	9.2%	6.8%	- 6.1 pp

- Revenues largely in line with the financial plan, expenses somewhat higher due to customers leaving II pillar
- Funds had best returns on the market, however, underperformed the internal targets
- Volume of funds is behind the financial plan due to lower returns than expected
- The number of active II pillar customers exceeds financial plan, market share by fund volumes over 31%
- The benchmark index growth was not exceeded by pension funds M, L, XL. Therefore, no success fee was earned

Health insurance added to product portfolio

Financial results, EURt	9 quarters	Q4-22	Q3-22	Δ quarter
Total revenue		397	464	-68
Total expenses		922	870	+52
Technical result		-526	-406	-120
Net investments income		1	-25	+27
Other operating income and expenses		-3	-1	-2
Net profit		-527	-432	-95
Business volumes	9 quarters	Q4-22	Q3-22	Δ quarter
Gross written premiums, EURt		6,029	4,750	+1,279
No of Customers (thous.)		150	152	-2
Key figures	9 quarters	Q4-22	Q3-22	Δ quarter
Net loss ratio		78.0%	71.6%	+ 6.4 pp
Net expense ratio		38.8%	45.7%	- 6.9 pp
pre-tax ROE		-39.5%	-30.0%	- 9.5 pp
ROE		-39.5%	-30.0%	- 9.5 pp

- Steady growth in business volumes in all product lines. Growth is supported by increase in average insurance premium
- Started health insurance provision to enterprises in partnership with Confido
- Higher losses in motor third-party liability and motor own damage insurance as usual in Q4
- Customer satisfaction with claims handling remains high at 97%

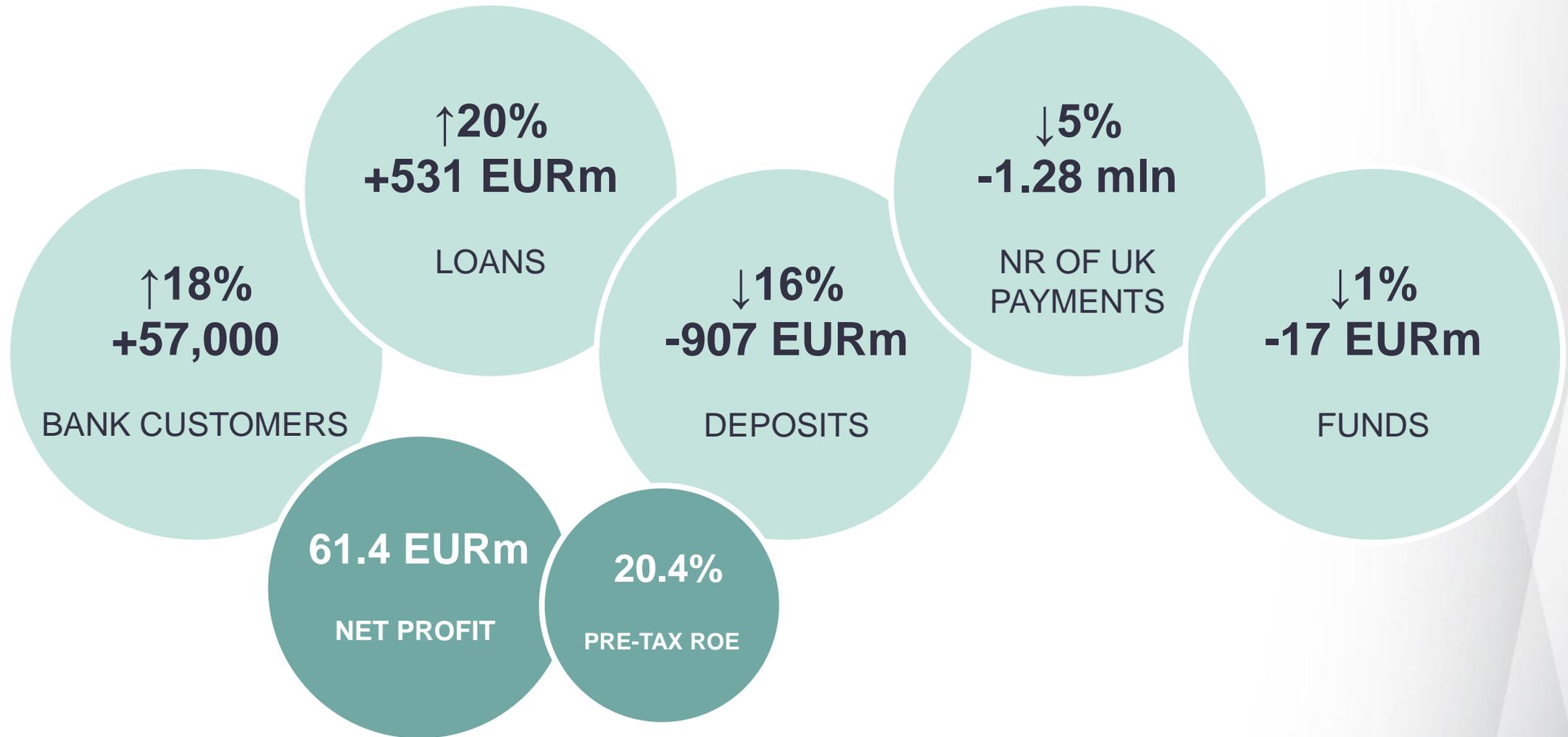
LHV Kindlustus – comparison with financial plan

Net earned premiums are growing but higher provisions reduced net revenues

Financial results, EURt	13 months	Dec 22	YTD22	YTD21	FP YTD	Δ YTD FP
Total revenue, incl.		7	1,487	1,069	2,736	-1,249
Net earned premiums		1,098	8,358	2,273	7,536	+822
Net incurred losses		986	6,176	1,106	4,253	+1,923
Total expenses		337	3,153	1,894	3,012	+141
Technical result		-330	-1,666	-826	-276	-1,390
Net investments income		3	-22	4	147	-170
Other operating income and expenses		-1	-5	0	0	-5
Net profit		-328	-1,693	-823	-129	-1,565
Business volumes	13 months	Dec 22	YTD22	YTD21	FP YTD	Δ YTD FP
Gross written premiums, EURt		1,956	17,138	6,747	11,504	+5,634
No of customers (thous.)		150	150	143	na	na
Key figures	13 months	Dec 22	YTD22	YTD21	FP YTD	Δ YTD FP
Net loss ratio		89.8%	73.9%	48.7%	56.4%	+ 17.5 pp
Net expense ratio		40.2%	46.0%	87.7%	47.2%	- 1.2 pp

- Due to Christmas period good sales results in prolonged warranty and equipment insurance, modest December in other products due to holiday period
- Net earned premiums continue in growth trend
- Net revenues were impacted by one-off reinsurance premiums and provision for future losses
- As expected, Q4 claim frequency affected by weather conditions. No higher one-off claims
- 12-month expenses are as planned

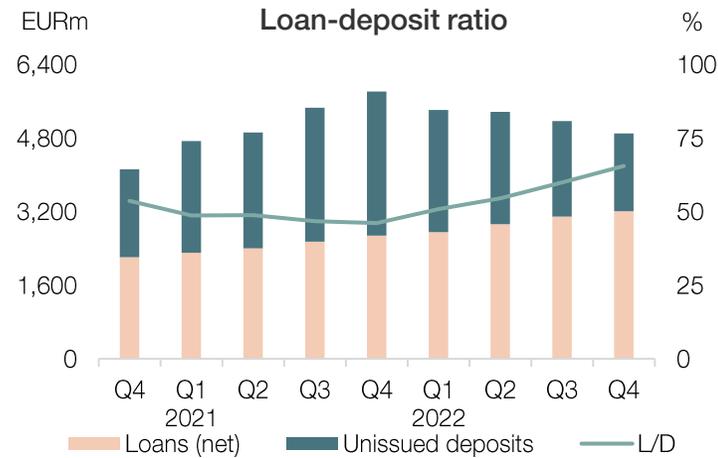
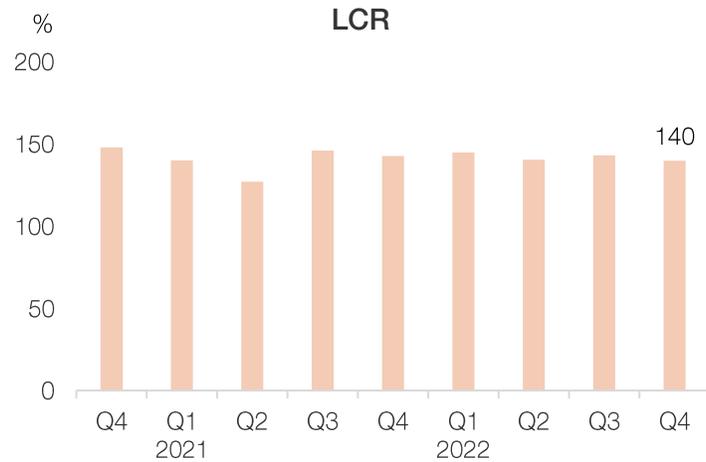
LHV Group
12 months



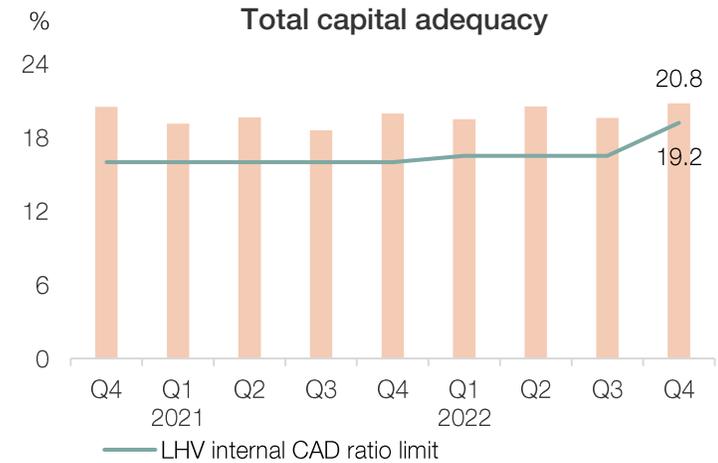
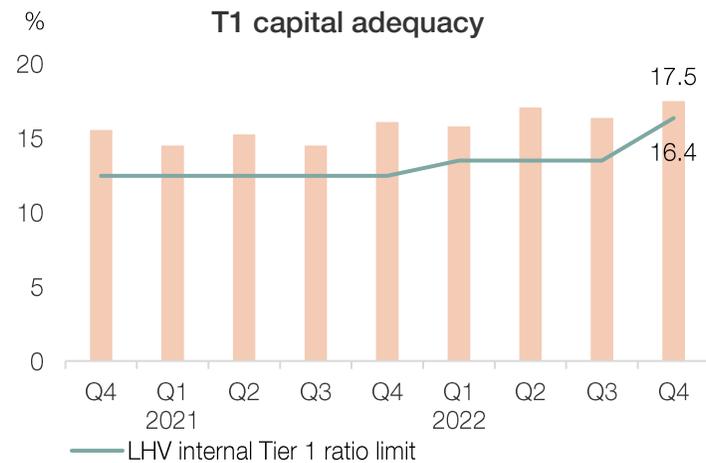
Annexes

LHV Group

Capitalisation levels increased in year-end

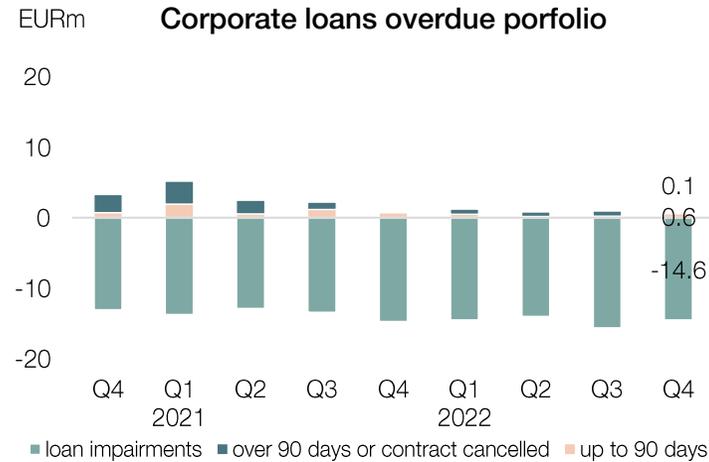
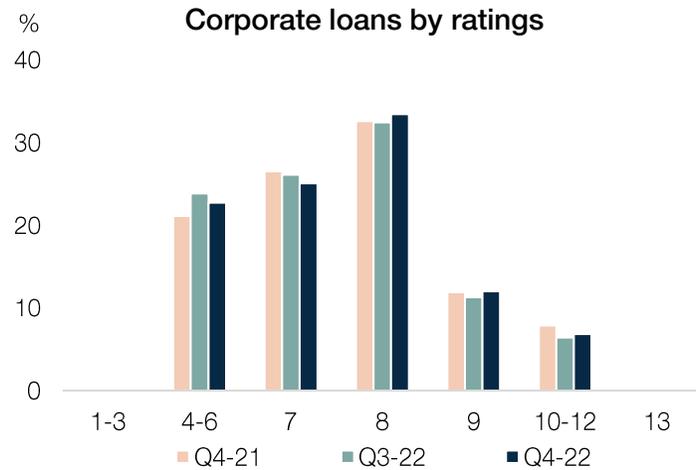


- Bank of Estonia and Estonian Financial Supervision Authority increased capital requirements in Q4
- LHV Group issued 88 EURm MREL bonds in November and 20 EURm AT1 bonds in December
- Liquidity and capitalisation of the Group remain sufficient, but are carefully observed

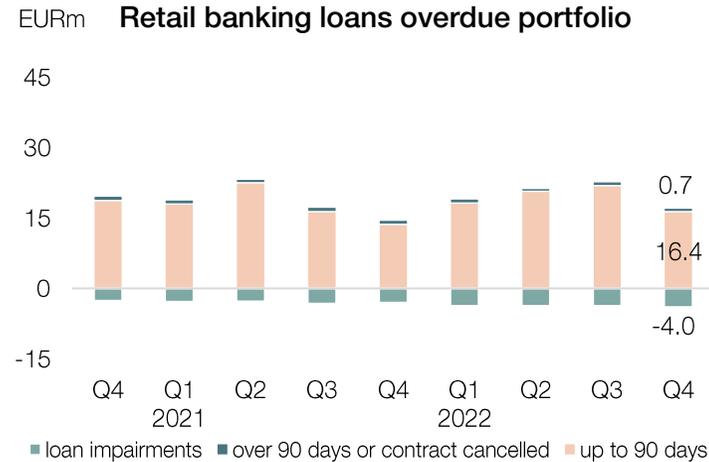
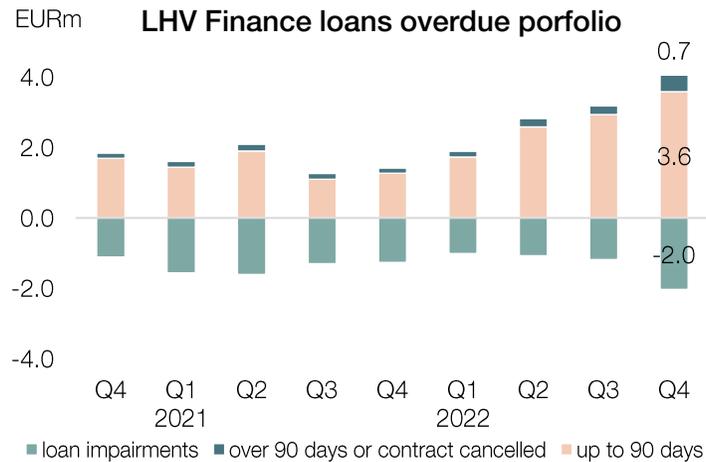


LHV Group

Strong quality of the portfolio



- Marginal increase noted in proportion of lower quality ratings, that is caused by few customers
- Increase in proportion of overdues of LHV Finance due to temporary suspension of debt realisation caused by change of counterparty. New partner started in January

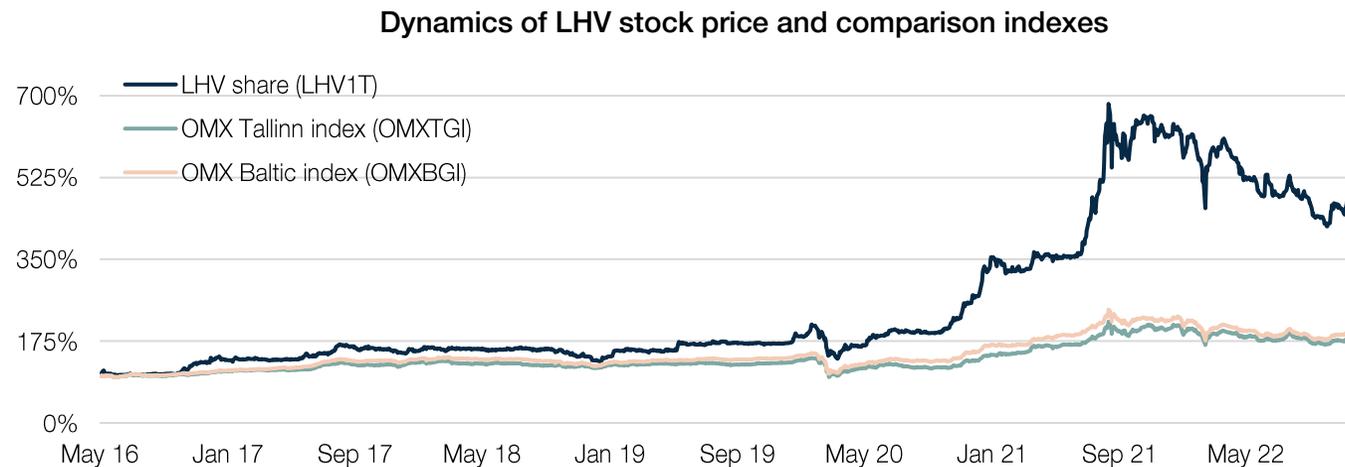


LHV Group

Share information



- Q4 closing share price was 3.34 EUR
- 24,724 trades were made with LHV shares during Q4 on the market with a turnover of 11.0 EURm, which gave the share an average price of 3.22 EUR
- 12-month shareholders earnings per share (EPS) is 0.19 EUR
- As of 31 December 2022 LHV had 32,001 shareholders and 46.5% of shares belonged to supervisory and management board members and parties associated with them
- Market capitalisation based on closing price of 31 December 2022 was 1,054 EURm



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