

Company AS LHV Group
Type Company Release
Category Management interim statement or quaterly financial report
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Attachments:

- ASLHV-10001457461-en.pdf (<http://oam.fi.ee/en/download?id=3643>)
- ASLHV-10001457462-en.pdf (<http://oam.fi.ee/en/download?id=3644>)
- ASLHV-10001457463-en.pdf (<http://oam.fi.ee/en/download?id=3645>)
- ASLHV-10001457465-et.pdf (<http://oam.fi.ee/en/download?id=3646>)
- ASLHV-10001457466-et.pdf (<http://oam.fi.ee/en/download?id=3647>)
- ASLHV-10001457467-et.pdf (<http://oam.fi.ee/en/download?id=3648>)

Currency

Title LHV Group unaudited results for Q4 and 12 months of 2018

In the last quarter of 2018, AS LHV Group earnt a consolidated net profit of EUR 6.7 million: the bank's net profit was EUR 5.3 million and profit from asset management EUR 1.9 million. Pre-tax return on equity, owned by the shareholders of LHV Group was 17.5% in Q4.

The consolidated net profit of LHV Group in Q4 2018 was EUR 0.6 million higher compared to Q3 and EUR 0.1 million lower compared to year on year. Impairment of loans in Q4 amounted to EUR 0.5 million and advance corporation tax was paid in the amount of EUR 0.5 million.

In Q4, the Group's consolidated loan portfolio increased by EUR 107 million (+13%; +35 million in Q3), to EUR 919 million. Consolidated deposits decreased by EUR 215 million (-13%; +95 million in Q3), to EUR 1,422 million. At the same time, the deposits related to payment intermediaries decreased by EUR 318 million over the quarter. The deposits of the rest of the clients, however, showed a strong growth of EUR 114 million.

The volume of funds managed by LHV increased by EUR 11 million during the quarter (+1%; +37 million in Q3), to EUR 1,214 million.

The consolidated net profit of AS LHV Group in 2018 was EUR 27.2 million, i.e. EUR 5.0 million more than in 2017 (+23%). The bank earnt a profit of EUR 18.4 million, asset management EUR 6.8 million and the sale of the Lithuanian business unit increased the profit by EUR 3 million. Pre-tax return on equity, owned by the shareholders of LHV Group was 20.9% and the return on equity based on net profit 18.4% in 2018.



The loan portfolio of LHV Group increased by EUR 187 million year on year (+26%) and deposits decreased by EUR 115 million (-7%). The volume of funds managed by LHV grew by EUR 112 million (+10%) year on year.

According to Madis Toomsalu, CEO of LHV Group, LHV had a strong quarter: "Our business demonstrated strong growth throughout the last year. The number of LHV bank customers increased by 7,500 in the last quarter totalling 28,000 new customers for the entire year. We are especially pleased about the loan growth that expanded our loan portfolio by more than a quarter compared to the beginning of the year. We reached a record level by activity indicators: we have more customers than ever before whose salary is received in LHV bank, who keep their assets here; more payments are made than before, more LHV bankcards are used, more investment contracts have been concluded. Increased use of banking services is also well reflected in the fast growth of retail deposits - year on year growth was EUR 310 million.

As one of the most important events of the quarter, Moody's assigned AS LHV Pank an investment-grade rating on the level of Baal with a stable outlook. The rating ensures the acceptance of LHV bank guarantees by beneficiaries outside Estonia. Furthermore, it facilitates the establishment of correspondent relationships.

Among the loans, loans to businesses grew the most. Although, the results of the last year were affected by the impairment of loans related to one customer, it does not characterise the business environment or our loan portfolio in any way, which remains strong.

In December, we signed a contract for purchasing the Versobank loan portfolio. The total sum of claims arising from the loan portfolio against Estonian corporate customers is nearly EUR 17 million and against Estonian private residents nearly EUR 3 million.

By the end of 2018, the total volume of investment funds managed by LHV Varahaldus exceeded the threshold of EUR 1.2 billion. The investment strategy of LHV pension funds is clearly distinguished from competitors and our actively managed pension funds were able to preserve the assets in 2018, which was a complicated year on the markets, in a way that the rates of return of LHV pension funds were once again among the best. The number of active II pillar customers grew by nearly 600, to 178 thousand over the quarter.

In 2019, the asset management activity will be influenced by the Investment Funds Act, amended in December, which notably reduces the fixed fees of the funds and creates a possibility for a success fee. There is a significant decrease in investment restrictions, allowing the funds to invest in OTC companies with a higher expected rate of return. The amendments will be introduced from September 2019.

In November, we conducted a subordinated bond issue of LHV Group with an issue



size of EUR 20 million. Interest was strong and altogether, nearly 1,700 investors subscribed to LHV's subordinated bonds in an amount exceeding EUR 51 million. The bonds form a part of our EUR 45 million bond programme, which will ensure the achievement of our growth targets.

Also, the sustained healthy economic environment has contributed to the strong quarter of LHV. In terms of long-term outlook, our biggest concern is the variance of development speed in different European regions and overregulation causing stagnation. Thinking about the next few years, the main scenario is still the continued growth of the economy in the eurozone by a couple percent per year.

LHV's growth trends are also supported by the Estonian business environment. Economic growth has been solid and the internal policy risks are managed by a balanced budget, low public sector debt and positive foreign balance. We are expecting slow economic growth, while forecasting the surrounding economies is becoming increasingly complicated. As national risks, we should consider the tense situation on the labour market, unstable tax environment and increasing risks in the building and trade sectors.

The credit market has still remained solid. The financial health of households is rather on the strong side, the loan-to-deposit ratio is improving. The share of overdue loans on the market has fallen below 1%, being largely covered with allowances."

Income statement, EUR t	Q4-2018	Q3-2018	12 months 2018	12 months 2017
Net interest income	10 289	9 454	38 151	30 361
Net fee and commission income	6 094	6 147	25 045	20 989
Net gains from financial assets	104	90	443	979
Other income	108	770	862	-146
Total revenue	16 595	16 461	64 501	52 183
Staff costs	-4 293	-3 779	-15 756	-12 991
Office rent and expenses	-536	-429	-1 830	-1 483
IT expenses	-735	-565	-2 322	-1 743
Marketing expenses	-599	-522	-2 023	-3 656
Other operating expenses	-2 621	-2 636	-10 212	-7 525



Total operating expenses	-8 783	-7 931	-32 143	-27 398
EBIT	7 811	8 530	32 358	24 785
Earnings before impairment losses	7 811	8 530	32 358	24 785
Impairment losses on loans and advances	-543	-1 859	-4 879	-3 584
Income tax	-544	-501	-3 614	-951
Net profit for the reporting period from continued operations	6 725	6 170	23 865	20 250
Profit/-loss from discontinued operations	0	0	3 324	1 927
Net profit	6 725	6 170	27 189	22 177
Profit attributable to non-controlling interest	676	455	1 953	2 574
Profit attributable to share holders of the parent	6 049	5 715	25 236	19 603

Balance sheet, EURt	Dec 2018	Sept 2018	Dec 2017
Cash and cash equivalents	682 658	965 494	961 212
Financial assets	47 153	48 829	56 634
Loans granted	929 037	822 696	740 169
Loan impairments	-10 276	-10 745	-8 125
Receivables from customers	3 721	7 372	9 802
Other assets	24 807	23 776	13 165
Total assets	1 677 100	1 857 421	1 772 856
Demand deposits	1 304 265	1 513 113	1 409 662
Term deposits	117 933	124 476	127 267
Loans received	21 584	12 289	6 000



Loans received and deposits from customers	1 443 782	1 649 877	1 542 929
Other liabilities	24 655	26 024	71 073
Subordinated loans	50 900	30 900	30 900
Total liabilities	1 519 337	1 314 279	1 644 902
Equity	157 763	150 620	127 955
Minority interest	4 123	3 447	7 894
Total liabilities and equity	1 677 100	1 435 184	1 772 856

AS LHV Group reports are available at <https://investor.lhv.ee/en/reports/>.

LHV organises an investor meeting for introducing the quarterly results, to be held on 29 January at 18.00 in LHV Tallinn office (Tartu mnt 2, I floor). The presentation will be made in Estonian. To participate, please register at <https://fp.lhv.ee/academy/533>. A real-time video broadcast is made of the investor meeting on LHV's Facebook page www.facebook.com/LHVPank (<http://www.facebook.com/LHVPank>).

LHV Group is the largest domestic financial group and capital provider in Estonia. LHV Group's key subsidiaries are LHV Pank and LHV Varahaldus. LHV employs over 390 people, and more than 161,000 customers use LHV's banking services. Pension funds managed by LHV have 178,000 active clients.

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Attachments

- * Factbook ENG 2018-Q4 (<https://ml-eu.globenewswire.com/Resource/Download/09682cb5-468f-4206-94c0-d3928d303f76>)
- * LHV Group Interim Report 2018-Q4 (<https://ml-eu.globenewswire.com/Resource/Download/a8ee613e-9c93-4c59-adb8-d9ceb8fde7f1>)
- * LHV Group 2018-Q4 Investor presentation EN (<https://ml-eu.globenewswire.com/Resource/Download/28470f79-2885-4f3a-b621-1701ed0cb324>)

